

**SOCIAL SECURITY AMENDMENTS
OF
1977**

Volumes 1 – 3
H.R. 9346
PUBLIC LAW 95-216—95th Congress

DEPARTMENT OF
HEALTH AND HUMAN SERVICES
Social Security Administration

**SOCIAL SECURITY AMENDMENTS
OF
1977**

Volumes 1 — 3
H.R. 9346
PUBLIC LAW 95-216—95th Congress

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LEGISLATIVE REPORT

FROM THE
DIRECTOR,
OFFICE OF PROGRAM EVALUATION
AND PLANNING
SOCIAL SECURITY
ADMINISTRATION

Number 13

October 7, 1977

SOCIAL SECURITY FINANCING ACT OF 1977

On October 6, the Committee on Ways and Means of the House of Representatives ordered reported H.R. 9346, as amended, the "Social Security Financing Act of 1977." The bill now goes to the House of Representatives for further consideration; floor action is expected during the week of October 17.

A copy of the press release issued by the Committee on Ways and Means **outlining** the provisions of the bill is enclosed. Also enclosed is a statement containing additional explanations of some provisions described only briefly in the press release.

The bill would make a number of very significant changes in the OASDI program. Perhaps the most significant aspects of the bill are the stabilization of social security benefit levels in relation to wage levels (decoupling) and the restoration of financial soundness of the program in the near term and into the 21st century.

Decoupling

The decoupling provisions contained in the Committee bill are essentially similar to those that were included in the Administration's financing and decoupling bill (H.R. 8218, introduced on July 12). This decoupling approach (like that recommended but not acted on last year--Legislative Report No. 9) is patterned after a recommendation of the 1975 Advisory Council.

Briefly, decoupling would reduce the sensitivity of the present social security benefit structure that, depending upon one's economic assumptions, could over- or under-adjust the benefits of future retirees for inflation. Under economic assumptions that now seem reasonable, the present system would in many cases eventually produce benefits that are higher than the wages a person earns prior to retirement. Two factors in present law bring about this overadjustment: (1) automatic cost-of-living benefit increases apply to both current and future beneficiaries; and (2) current workers' potential future benefits also increase as wages rise.

Under the Committee bill, workers who retire in the future would continue to receive cost-of-living increases after retirement as they do today, and benefits at the time of retirement would replace a constant proportion of an individual's preretirement earnings.

This decoupling approach is designed to make the system operate as it would have under the economic assumptions made when the automatic provisions were enacted in 1972; although the issue was little discussed at that time, it was assumed that replacement rates (benefit amounts upon retirement as a percent of prior earnings) would have remained fairly constant in the future.

A major feature of the decoupling plan is that the worker's earnings would be indexed to reflect the change in general wage levels that has occurred during his working lifetime. These indexed earnings would be averaged (average indexed monthly earnings) and a three-step, weighted benefit formula^{1/} would be applied to his average indexed earnings to produce the worker's benefit amount. For those becoming entitled to benefits in the future, the benefit factors (percentages) would be constant but the bend points (dollar amounts) in the formula would be adjusted automatically as average wages increase.

By providing for the indexing of earnings and the benefit formula to the increase in general wage levels, benefits would be based on the worker's relative earnings position averaged over his working lifetime. As a result, all workers with the same relative earnings position would be treated the same regardless of when they become entitled to benefits. Thus, while the dollar amounts of benefits of, say, workers with average earnings retiring 20 or 30 years apart would be substantially different, their replacement rates would be the same.

The decoupling provisions would reduce the current long-range financial deficit of the OASDI program from an average of 8.2 percent of payroll over the next 75 years to about 3.66 percent of payroll. (This remaining deficit would be further reduced by other provisions of the bill.) Thus, that portion of the long-term deficit that can be attributed to the rising replacement rate aberration under present law would be eliminated.

^{1/} The formula for 1979 would be: 90 percent of the first \$180 of AIME, plus 32 percent of AIME over \$180 through AIME of \$1,085, plus 15 percent of AIME above \$1,085.

Financing

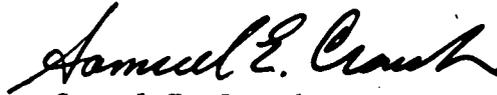
The Committee bill would eliminate projected annual deficits in the trust funds starting in 1980. During the remainder of this century, the trust funds will grow relative to annual expenditures so that over the medium range--the next 25 years--the trust funds will have a surplus equal to 0.9 percent of taxable payroll. Over the long range, the bill would reduce the average annual deficit from 8.2 percent of taxable payroll to about 1.7 percent of taxable payroll. All of this remaining long-range deficit would occur in the next century.

Other Provisions

Other major provisions relate to (1) universal coverage, (2) the retirement test, (3) gender-based distinctions in the law, (4) annual wage reporting by employers, and (5) totalization agreements.

Senate Action

The Senate Committee on Finance also is considering social security financing and decoupling legislation; the Committee is expected to order its bill reported to the Senate soon. Another Legislative Report will be issued at that time.



Samuel E. Crouch
Director
Office of Program Evaluation and Planning

Enclosures

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

PRESS RELEASE

ANNOUNCING COMMITTEE APPROVAL OF
SOCIAL SECURITY FINANCING BILL

H.R. 9346



OCTOBER 6, 1977

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1977

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FOR IMMEDIATE RELEASE
THURSDAY, OCTOBER 6, 1977

COMMITTEE ON WAYS AND MEANS PR NO. 22
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CHAIRMAN AL ULLMAN (D.-OREGON), COMMITTEE ON WAYS AND
MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES COMMITTEE
APPROVAL OF SOCIAL SECURITY FINANCING BILL

The Honorable Al Ullman (D.-Oregon), Chairman of the Committee on Ways and Means, announced that the Committee has voted to report to the House H.R. 9346, as amended, a bill designed to restore the short-range and long-range soundness of the social security system and to make other improvements in the system.

The bill would reverse annual excesses of outgo over income in the social security trust funds by gradual increases in the taxable wage base and the payroll tax rates and by reallocation of income among the trust funds. It includes "decoupling" provisions which would make future social security benefit levels less sensitive to future changes in wages and living costs and substantially reduce the long-range deficit in the system, and would adopt a concept of universal coverage under social security by bringing under the system 6 to 7 million workers in public employment and employment by nonprofit organizations effective in 1982. The bill would provide a surplus of 0.09 percent of payroll in the social security cash benefit trust funds over the next 25 years in place of a projected deficit of 2.34 percent and reduce the long range (75 year) actuarial deficit from 8.2 percent of payroll to 1.75 percent.

Following is a summary of major provisions of the bill:

Short-Term Financing

The bill includes a schedule of social security tax rate increases over present law in 1981, 1985 and 1990 to provide additional financing. Tax rates for the self-employed would be adjusted to restore the original level of one and one-half times the employee rate for the Old Age and Survivors and Disability portion of the tax. There would be a substantial reallocation of income to the Disability Trust Fund which would have been exhausted at the end of next year. The proposed tax rate schedule is as follows:

(1)

TAX RATES
[In percent]

Calendar year	Present law			H.R. 9346		
	OASDI	HI	Total	OASDI	HI	Total
<i>Employees and employers, each</i>						
1977 -----	4.95	0.90	5.85	4.95	0.90	5.85
1978-80 -----	4.95	1.10	6.05	5.05	1.00	6.05
1981-84 -----	4.95	1.35	6.30	5.15	1.30	6.45
1985 -----	4.95	1.35	6.30	5.45	1.30	6.75
1986-89 -----	4.95	1.50	6.45	5.45	1.45	6.90
1990-2010 -----	4.95	1.50	6.45	6.00	1.45	7.45
2011 and later -----	5.95	1.50	7.45	6.00	1.45	7.45
<i>Self-employed persons</i>						
1977 -----	7.00	0.90	7.90	7.00	0.90	7.90
1978-80 -----	7.00	1.10	8.10	7.10	1.00	8.10
1981-84 -----	7.00	1.35	8.35	7.70	1.30	9.00
1985 -----	7.00	1.35	8.35	8.20	1.30	9.50
1986-89 -----	7.00	1.50	8.50	8.20	1.45	9.65
1990 and later -----	7.00	1.50	8.50	9.00	1.45	10.45

There would be ad hoc increases in the taxable wage base in 1978, 1979, 1980, and 1981 to achieve a base level under which about 90 percent of total payroll in covered employment would be taxable (as compared with about 86 percent under present law). After 1981 the base would be increased annually in line with wage levels as is the case under present law. Following is the proposed taxable wage base schedule for employers, employees and self-employed persons:

Calendar year	Present law	H.R. 9346
1977 -----	\$16,500	\$16,500
1978 -----	17,700	19,900
1979 -----	¹ 18,900	22,900
1980 -----	¹ 20,400	25,900
1981 -----	¹ 21,900	27,900
1982 -----	¹ 23,400	¹ 30,000
1983 -----	¹ 24,900	¹ 31,800
1984 -----	¹ 26,400	¹ 33,600
1985 -----	¹ 27,900	¹ 35,400
1986 -----	¹ 29,400	¹ 37,500
1987 -----	¹ 31,200	¹ 39,600

¹ Estimated.

The bill provides standby authority for automatic loans to the OASI and DI trust funds from federal general revenues whenever the assets of a fund at the end of a year drop below a 25 percent level in relation to the annual outgo for that year. The financing provisions adopted by the Committee are designed to assure, based on the estimates available, that the funds would not drop below the 25 percent level and that general revenue advances would not be required. However, as a further guarantee, the Committee included a special

provision under which temporary one-year payroll tax rate increases of one-tenth of 1 percent each for employer and employees and 0.15 percent for self-employed persons would be triggered, under certain circumstances.

Decoupling

To correct unintended effects in the benefit computation procedures which produce benefits for future beneficiaries that could vary haphazardly with wage and price fluctuations, the measure would "decouple" the system. The new decoupled system would index a worker's earnings to reflect annual increases in average earnings levels up to the second year before eligibility (age 62, death, or disability). This has the effect of assuring that similarly situated beneficiaries generation to generation will receive relatively the same level of benefits. The benefit level adopted for the long-term is 5 percent below estimated 1979 benefit levels. Included in the bill is a 10-year guarantee of 1979 levels to provide a gradual transition to the new system for workers who retire 1979 through 1988. The transition provision will not be applicable to disability and survivor cases. As under present law, benefits would continue to be increased according to the increases in the cost-of-living after a person reaches age 62 or becomes disabled or, in the case of survivor's benefits, after the time of the worker's death. The "decoupling" provisions would eliminate over one-half of the long-range deficit in the social security system.

Coverage

The bill would extend mandatory coverage, effective in 1982, to the three major groups not under social security. These are federal employees in the Civil Service Retirement and other retirement systems, about 30 percent of state and local government employees (about 70 percent now are under social security on a voluntary basis), and about 10 percent of the employees of nonprofit organizations (about 90 percent of these employees are in the system on a voluntary basis). This provision would bring 6 to 7 million additional workers into the system.

The bill provides for a comprehensive study of methods for integrating the social security system and the Civil Service Retirement System and other federal government retirement systems. The study, to be completed not later than January 1, 1980 would be made by the Secretary of Health, Education, and Welfare in consultation with the Civil Service Commission. The Secretary would be directed to present to Congress a specific and detailed plan for the integration of the two systems. The plan would be expected to provide federal employees and their families with the best possible combination of retirement, dependents, survivors, disability and health benefits under the two systems at the lowest possible cost consistent with the solvency of the systems. The Secretary is directed to include in the plan benefit provisions and other features to assure that federal employees would not be placed at a disadvantage either in their coverage protection or in the contributions required of them by the integration of the systems. The date for completion of the study would allow two years before the integration takes place for the relevant committees of Congress to act on the plan.

The measure would discontinue, effective September 14, 1977, the present option of state and local government units and groups of non-profit organization employees to withdraw from the system.

Totalization

Included in the bill is a provision, the International Social Security Agreements Act, which would authorize the President to enter into bilateral agreements with interested countries providing for limited coordination of the U.S. social security system and systems of other countries. The agreements, known as totalization agreements, would eliminate dual social security coverage for the same work in each country covered by an agreement, and would enable individuals who work for periods in each of the countries covered by an agreement to qualify for a dual benefit in situations where they now are not eligible for benefits in one or both of the systems involved. The United States already has negotiated agreements with Italy and West Germany which could be put into effect under this provision. Each agreement would have to be submitted to Congress for 90 days before it could take effect.

Retirement Test

The bill would raise to \$4,000 in 1978 and to \$4,500 in 1979 the annual amount of earnings a beneficiary age 65 to 72 may have without having any benefits withheld. After 1979, the figure would be increased in line with the rise in annual earnings as under present law when a cost-of-living benefit increase is paid. The retirement test figure of present law, which is to rise to \$3,240 in 1978, would continue to apply to beneficiaries under age 65.

The bill would eliminate the monthly measure of retirement—the provision in present law under which full social security benefits are paid for any month in which a person earns one-twelfth of the annual retirement test amount or less, regardless of total earnings for the year.

The bill also would liberalize the retirement test for persons covered by the social security system who are working outside the United States.

Differences in Present Law Affecting Men and Women

The bill includes a series of provisions to make relatively minor changes in the social security law to eliminate differences for men and women. Some of these would write into the Act provisions which carry out Supreme Court decisions already being followed by regulations.

The measure also would direct the Secretary of Health, Education, and Welfare to conduct a study of changes in the social security program needed to guarantee that women, as well as men, are treated equitably. The study is to be completed in six months of enactment of legislation.

Included in this study would be various proposals to mitigate the cost impact of the recent Goldfarb decision on the system. This decision eliminated the previous requirement in the Act that men must prove dependency on their wives in order to receive spouses' or widowers' benefits on their wives' earnings records.

The measure includes two provisions to improve benefits for spouses. One would shorten the duration of marriage requirement for aged divorced spouse's benefits from 20 years to five. The other would provide that remarriage would not cause any reduction in the benefits paid to aged widows or widowers and that marriage would not terminate benefits for certain other beneficiaries.

Other Benefit Provisions

Minimum.—The legislation would freeze the present minimum benefit for future beneficiaries at its 1979 dollar amount (about \$120.60 for an individual). The benefit would be adjusted for annual cost-of-living increases only after the individual starts receiving it.

Special minimum.—This benefit provided for long-term, low-paid workers would be increased. Under present law this benefit is equal to \$9 times the number of years of coverage a worker has in excess of 10 and up to 30; this benefit is not subject to annual cost-of-living increases. The bill would increase the \$9 figure to \$11.50, and provides that the special minimum would be kept up-to-date with future increases in the cost-of-living for both present and future beneficiaries.

The bill increases the *delayed retirement credit* provision in the law so that persons who delay receiving retirement benefits between ages 65 and 72 would have their payments increased by 3 per cent for each year they do not take benefits as compared with 1 per cent under the law now.

Limitation on retroactive benefits.—Under present law, a person who files an application after he is first eligible can get benefits for a retroactive period up to 12 months before the month in which the application is filed, if all conditions of entitlement are met for those months. Under the bill, except in those cases where the benefits were disability-related or where unreduced dependents benefits were involved, monthly cash benefits would not be paid retroactively for months before the month in which the application was filed when such retroactivity would result in permanently reduced benefits under the actuarial reduction.

Other Provisions

Annual wage reporting

Public Law 94-202, enacted January 2, 1976, provided that employers would report their employees' wages for social security and income tax purposes annually on Forms W-2 beginning with wages paid in 1978. Employers are also required to report quarterly wage data on the Forms W-2 to enable the Social Security Administration to determine whether a worker has enough quarters of coverage to be eligible for social security benefits. The bill would change the quarters-of-coverage measure and certain automatic provisions of the social security law so that annual data would be used, instead of quarterly data. Under the bill, employers would no longer have to report quarterly data on the Forms W-2, and they and the Government would realize the maximum advantages that annual reporting was designed to achieve.

The most significant program change would be a provision setting out how annual wages would be credited in terms of quarters of cov-

erage. Under present law, a worker generally receives credit for a quarter of coverage for a calendar quarter in which he received at least \$50 in wages. Under the bill, a worker would receive one quarter of coverage (up to a total of four) for each \$250 of earnings in a year, and the \$250 measure would be automatically increased every year to take account of increases in average wages.

Investment income under limited partnership

Under the Social Security Act a partner's distributive share of income from the trade or business of a partnership is considered net earnings from self-employment for social security purposes, irrespective of the nature of his membership in the partnership—for example, as a limited or inactive partner.

In the past several years, a growing number of businesses have advertised limited partnerships as a means of acquiring social security coverage solely through the income on investments in such partnerships.

Since the crediting of this investment income is actually contrary to a major objective of the social security program which is to provide insurance against the risk of loss of earnings from work in the event of old-age, disability, or death of the worker, the bill excludes from social security coverage the distributive share of income or loss from the trade or business of partnership which is received by a limited partner.

Early payment of benefit checks in certain situations

Under present law, social security benefit payments for a particular month repayable after the end of that month, and payment is normally made on the third day of the month; SSI benefit checks for a particular month are delivered on the first day of that month. Under the bill, when the delivery date falls on a Saturday, Sunday, or legal public holiday, social security and SSI checks would be received on an earlier date.

Coverage of tips

Under social security, tip income (if over \$20 a month) is taxed on the employee alone. Under the bill, the employer will be taxed on tip income up to the amount that combined with the employee's salary equals the minimum wage under the Fair Labor Standards Act.

Costs-of-living increases for early retirees

The bill would change the basis for calculating cost-of-living increases for early retirees under social security to place them on the same footing as persons who retire at age 65 or later. Under present law, an early retiree who begins receiving benefits between ages 62 and 65 has his monthly payment permanently reduced on an actuarial basis to take account of the longer period that he would receive benefits on the average. However, when a cost-of-living increase is effective after he attains age 65, the early retiree receives this as if he were drawing a full benefit and not an actuarially-reduced benefit. The bill would apply to cost-of-living increases for early retirees the same actuarial reduction that is applied to their original monthly benefit.

Clergymen

The bill would permit clergymen who previously did not elect social security coverage a second opportunity to come under the system as self-employed persons.

Mississippi policemen and firemen

The bill would authorize social security coverage for Mississippi policemen and firemen who previously were excluded from the system.

Wisconsin public employees

The bill would authorize a consolidated public employee group in Wisconsin to continue under social security on the same terms which applied to three groups before they were merged into the consolidated organization.

New Jersey public employees

The bill would add New Jersey to the list of states which are permitted to hold referendums among public employees for divided coverage under social security. Those voting for coverage would be brought under social security; those voting against would remain out of the system.

Illinois police and fire chiefs

The bill would allow approximately 400 Illinois police and fire chiefs to get credits for past payments into the social security system even though the applicable law did not permit such payments when they were made.

Railroad retirement system

The bill contains a provision to guarantee that the new social security financing provisions would not increase the employer tax liability to finance tier-II benefits under the railroad retirement system. Tier-II benefits are those paid to supplement the tier-I payments which correspond to basic social security benefits.

ADDITIONAL EXPLANATIONS OF CERTAIN PROVISIONS

Coverage

The universal coverage provisions in the bill would give to Federal civilian, State or local, or nonprofit organization employees credits for quarters of coverage for past service in such employment, if the employee had 6 or more quarters of coverage in such employment after the effective date but otherwise would not be insured for social security benefits upon death, disablement, or retirement. (No credits of earnings would be given for the prior service.) The provision is intended to assure the employees involved that they have a fair chance of becoming insured after they are covered under social security.

Retirement Test

A provision in the bill would eliminate the monthly measure of the retirement test, so that benefits would be reduced if a beneficiary earned in excess of the annual exempt amount in any year regardless of earnings in a month. In the first year of entitlement, any earnings prior to the month of entitlement would not be counted toward determining a beneficiary's excess earnings.

Another provision would liberalize the retirement test for beneficiaries who are working outside the United States. The number of days on which a beneficiary in uncovered work outside of the United States could work in a month without losing benefits would be increased from 6 to 8 days in 1978 and from 8 to 11 days in 1979.

Provisions to Change Minor Gender-Based Distinctions in the Social Security Law to be the Same for Both Sexes

1. Provide benefits for aged divorced husbands and aged or disabled divorced widowers. Another provision, effective in January 1979, would reduce the duration-of-marriage requirement for aged and disabled divorced men and women from 20 to 5 years.
2. Provide benefits for young husbands and fathers who have in their care a child who is under age 18, or disabled, and who is entitled to benefits. (Another provision, effective in January 1979, would eliminate marriage or remarriage as a factor barring or terminating entitlement, or reducing benefits, in all dependent and survivor benefit cases.)
3. Permit a widower to obtain benefits on a deceased wife's earnings record if he is not married at the time he applies for widower's benefits, as widows now can, instead of if he has not remarried, as present law provides. Another provision, effective in January 1979, would eliminate marriage or remarriage as a factor barring or terminating entitlement, or reducing benefits, in all dependent and survivor benefit cases.

4. Provide husband's and widower's benefits under the transitionally insured status amendment of 1965.
5. Provide special age-72 payments for each member of a couple equal to 75 percent of the combined payment to a couple, instead of giving the husband a full benefit and the wife one-half the husband's benefit, as under present law.
6. Terminate the benefits of the spouse of a female disabled worker beneficiary or childhood disability beneficiary if she ceases to be disabled, as is now the case if the disabled worker or childhood disability beneficiary is a male. Another provision, effective in January 1979, would eliminate marriage or remarriage as a factor barring or terminating entitlement, or reducing benefits, in all dependent and survivor benefit cases.
7. Provide that an illegitimate child's status for purposes of entitlement to child's insurance benefits will be determined with respect to the child's mother in the same way as it is now determined with respect to the child's father.
8. Permit a widower, as well as a widow, to waive payment of a Federal benefit attributable to credit for military service performed before 1957 in order to have the military service credited toward eligibility for or the amount of a social security benefit.
9. Permit self-employment income of a married couple in a community property State to be credited for social security purposes to the spouse who exercises more management and control over the trade or business, instead of deeming the income to be the husband's unless the wife exercises substantially all of the management and control of the business, as present law provides.

**SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977**

R E P O R T

OF THE

**COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES**

TOGETHER WITH

**INDIVIDUAL VIEWS, DISSENTING VIEWS, MINORITY
VIEWS, AND ADDITIONAL MINORITY VIEWS**

TO ACCOMPANY

H.R. 9346

(Including cost estimate of the Congressional Budget Office)



OCTOBER 12, 1977.—Ordered to be printed

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SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

OCTOBER 12, 1977.—Ordered to be printed

Mr. ULLMAN, from the Committee on Ways and Means,
submitted the following

REPORT

together with

INDIVIDUAL VIEWS, DISSENTING VIEWS, MINORITY
VIEWS, AND ADDITIONAL MINORITY VIEWS

[To accompany H.R. 9346]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide coverage under the system for officers and employees of the United States, of the State and local governments, and of nonprofit organizations, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment strikes out all after the enacting clause of the bill and inserts a new text which appears in italic type in the reported bill.

I. PRINCIPAL PURPOSES AND SCOPE OF THE BILL

Social security today is of major importance to just about every American family. Practically every American is either a beneficiary, a contributor building protection, or the dependent of a contributor. Today 93 percent of the people 65 and older are eligible for social security benefits. Ninety-five out of 100 young children and their mothers are protected by the life insurance features of social security, called survivors' insurance. Four out of five people in the age group 21 through 64 have protection under social security against loss of income due to severe disability. More than 33 million people, one out of

seven Americans, receive a social security benefit each month. About 107 million people will pay into the program this year.

Annual trust fund deficits beginning in 1975 have resulted in an erosion of public confidence in the social security system and the Federal Government's commitment to assure sound financing of social security. In order to restore public confidence and, more importantly, to assure that funds will be available to pay benefits as they fall due, your committee's bill would restore the financial soundness of the old-age, survivors, and disability insurance (OASDI) system by eliminating the actuarial deficit in the system through the first decade of the next century and reduce the deficit for the next seventy-five years from 8.2 percent of taxable payroll to 1.69 percent. More specifically, the bill would revise and stabilize the social security benefit structure, extend mandatory social security coverage, eliminate gender-based distinctions in the OASDI system and improve protection for a worker's spouse or surviving spouse, and increase the amount of earnings on older beneficiary age 65 or over may have and still receive some or all of his benefits.

The action taken to date by your committee is intended to deal with only the most pressing problems facing the social security system. The Subcommittee on Social Security has announced its intention to undertake phase II of consideration of social security legislation early in 1978 when it will take up possible amendments to the disability insurance program. Although your committee's bill does reallocate very substantial revenues into the Disability Insurance Trust Fund and will provide adequate financing into the next century, attention must still be focussed on why the costs of the program have risen so rapidly to a level far greater than anticipated. The possibility of not only reducing the cost of the program but also making it more susceptible to administrative control must be thoroughly explored. Following action on the disability insurance program, the Subcommittee will then turn its efforts to other aspects of the cash-benefits program which could be modified in a way that would not impair the long-range financial condition of the program.

A. FINANCING

The bill would restore the financial soundness of the system by providing—

A. Additional allocations of contribution income to the DI trust fund beginning in 1978 and a shift of a small portion of the existing scheduled tax increases from the hospital insurance (HI) part of the program to the cash benefit program (OASDI);

B. Phased increases in the contribution and benefit base in 1978, 1979, 1980, and 1981 to achieve a base level under which about 90 percent of total payroll in covered employment would be taxable (as compared with about 85 percent under present law); and

C. A schedule of social security tax rate increases in 1981, 1985, and 1990 sufficient to meet the cost of the program as amended by your committee's bill.

B. BENEFIT STRUCTURE (DECOUPLING)

The bill would also stabilize future replacement rates (benefits as a percentage of earnings) in relation to future wage levels, as would have occurred under the assumptions made at the time of the 1972 legislation providing for the automatic adjustment of the social security system to changes in the economy. The major elements of the revised benefit structure are:

1. Each worker's wages and the social security benefit formula would be indexed to reflect changes in wage levels up to the time he reaches age 62, becomes disabled, or dies to assure that future replacement rates would be relatively constant.

2. The benefit formula would provide somewhat lower replacement rates than now prevail—about 5 percent below the estimated 1979 level—and a 10-year transitional guarantee would be provided to assure that workers now approaching age 62 will get at least as much as the benefit table in the law at implementation (1979) would have provided.

3. As under present law, benefits would continue to be increased according to the increases in the cost of living after a person reached age 62 or became disabled and, in the case of the survivor's benefits, after the time of the worker's death.

In addition, the bill provides for changing the relationship between the minimum benefit, which is increasingly paid as a "windfall" to people who did not work regularly under the social security program, and the special minimum benefit, which is provided for long-term, regular workers with low earnings under the program. Specifically—

A. The minimum benefit would be frozen for future beneficiaries at its 1979 dollar amount (about \$121.00) and would increase as the cost of living rises only after a person starts getting benefits; and

B. The special minimum would be brought up to date with price increases since it was last adjusted (1973) and automatically kept up with prices in the future.

C. COVERAGE

It has long been recognized that the primary objective of the social security program, preventing dependency, can best be achieved if coverage under the program is compulsory and as universal as possible. To further this objective, your committee's bill would extend coverage to some 6 million jobs in Federal civilian, State and local, and nonprofit organization employment, which would result in nearly universal coverage. About 97 percent of the jobs in paid employment would then be covered.

Your committee has been concerned for some time because some workers are not eligible for retirement benefits under any system or are eligible for inadequate benefits and because windfall social security benefits occur when some workers are not covered under social security and some workers who are covered, but on an elective basis, may terminate their social security coverage. While there were valid

reasons for the special coverage exclusions and provisions enacted for these workers, your committee believes these reasons are no longer compelling and that the workers should be treated as are the great majority of the Nation's work force, who are compulsorily covered under social security and who do not have the right to terminate their coverage. This coverage would not be effective until 1982 to allow for adjustment of governmental staff retirement systems to take into account social security protection and taxes.

D. GENDER-BASED DISTINCTIONS AND TREATMENT OF SPOUSES

Your committee is concerned that the social security program provides adequate protection in terms of the needs of today's society and that women, as well as men, be treated equitably under the program. Therefore, your committee has directed the Secretary of Health, Education, and Welfare to carry out a detailed study of alternative proposals to (1) eliminate dependency as a requirement for entitlement to social security spouse's benefits, and (2) bring about, in practical terms, equal treatment of men and women under social security, taking into account relevant social and economic factors. However, without awaiting the results of this study (due 6 months from the date of enactment), your committee has adopted measures that move in this direction—

A. The gender-based differences of treatment for men and women under present law would be eliminated; and

B. Protection for spouses would be improved by (1) shortening the duration-of-marriage requirement for aged divorced spouse's benefits from 20 years to 5, and (2) providing that marriage or remarriage will not adversely affect a person's rights to dependents or survivors spouse's benefits.

E. RETIREMENT TEST

The bill would provide improvements in the provisions of the law which cause a reduction in benefit payments when an individual has significant earnings by—

A. Increasing the annual amount of earnings a beneficiary age 65 or older may have without having any benefits withheld to \$4,000 for 1978 and \$4,500 for 1979; and

B. Elimination of the monthly measure of retirement—the provision under which benefits may be payable for months in which earnings are low, regardless of total earnings for the year.

F. OTHER PROVISIONS

In addition, your committee's bill would provide for a number of other improvements in the social security cash benefits program.

G. INCOME AND BENEFITS EFFECTS OF THE BILL

The following table shows the effects of the provisions of your committee's bill in terms of benefit outgo and additional income. The net effect of the bill is shown on the bottom line of the table.

ESTIMATED EFFECTS OF H.R. 9346 ON THE NET INCREASE IN THE OASI AND DI TRUST FUNDS, COMBINED, IN CALENDAR YEARS 1978-83, BY PROVISION

[In millions of dollars]

	Effective date	1978	1979	1980	1981	1982	1983
REDUCTION IN BENEFIT PAYMENTS							
Decoupling, with 3 percent delayed retirement credits.	January 1979.....	70	351	803	1,473	2,377	
Elimination of marriage or remarriage as a bar to entitlement to benefits.	do.....	-1,135	-1,355	-1,454	-1,551	-1,654	
Reduction in duration of marriage required for divorced spouses benefits from 20 yr to 5 yr.	do.....	-137	-164	-177	-190	-204	
Changes in retirement test (total).	January 1978....	-54	-266	-328	-346	-367	-390
Increase annual exempt amount to \$4,000 in 1978 and to \$4,500 in 1979.	do.....	-267	-491	-554	-582	-611	-642
Eliminate the monthly measure.	do.....	213	225	226	236	244	252
Eliminate retroactive payments of actuarially reduced benefits.	do.....	339	536	550	559	565	569
Increase special minimum benefit from \$9 per year of coverage to \$11.50, and apply automatic increases in the future.	January 1979.....	-12	-14	-14	-15	-16	
Changes in annual wage reporting provisions.	January 1978....	(1)	-1	-4	-9	-18	-26
Eliminate gender-based distinctions from the law.	do.....	-4	-5	-6	-7	-8	-8
Limit increases in actuarially reduced benefits.	do.....	90	280	500	751	948	1,157
Increase in contribution and benefit base.	do.....	(1)	-12	-44	-112	-209	-346
Subtotal, excluding universal coverage.	.....	371	-682	-514	-6	628	1,459
Universal coverage of Federal civilian employees, employees of State and local governments, and employees of nonprofit organizations.	January 1982.....					(1)	-94
Total reduction in benefit payments.	.....	371	-682	-514	-6	628	1,365
ADDITIONAL INCOME							
Contribution income resulting from financing changes.	January 1978....	3,967	6,661	8,560	11,858	13,265	14,060
Contribution income resulting from universal coverage.	January 1982.....					11,741	14,231
Additional interest income.	.....	113	475	1,005	1,786	3,132	5,343
Total additional income.	.....	4,080	7,136	9,565	13,644	28,138	33,634
Net effect of bill.	.....	4,451	6,454	9,051	13,638	28,766	34,999

1 Less than \$500,000.

II. SUMMARY OF PRINCIPAL PROVISIONS OF THE BILL

A. FINANCING

Consistent with the policy of your committee and the Congress to maintain the social security program on a sound financial basis, the bill would make provision for strengthening both the short- and long-range financial stability of the program, including meeting the cost of the benefit improvements recommended by your committee. To accomplish those purposes, your committee's bill would increase the contribution and benefit base (the maximum amount of a worker's annual earnings that is subject to social security taxes and creditable for benefits), revise the schedule of tax rates in the law, reallocate a portion of scheduled increases in the hospital insurance (HI) tax rate to the cash benefits (OASDI) program, and increase the future tax rates scheduled in the law. In addition, the bill would provide for standby authority for loans to the OASI and DI trust funds from Federal general revenues in the event—not contemplated in this century under current actuarial estimates—that trust fund levels fall below specified minimum levels.

1. Increase in contribution and benefit base

Your committee's bill provides for increasing the contribution and benefit base—in four steps—to a level where about 90 percent of all payroll in covered employment would be taxable for social security purposes (and about 93 percent of all workers would have their full earnings credited for benefit purposes). Accordingly, the bill would increase the base to \$19,900 in 1978, \$22,900 in 1979, \$25,900 in 1980, and \$27,900 in 1981, with automatic adjustments to keep up with average wage levels thereafter (as under present law).

2. Changes in OASDHI contribution rates

Your committee has included provisions for allocating a small portion of future income from currently scheduled HI tax-rate increases to the OASDI program. In addition, tax rates for the OASDI program for employers and employees, each, would be increased (beyond the increases resulting from reallocation of scheduled HI tax-rate increases, which do not result in any net OASDHI tax rate increase over present law).

Specifically, the reallocations from HI to OASDI would be 0.1 percent each for 1978–80 and 0.05 percent each for 1981 and after. Also, the OASDI contribution rates would be further increased from 5.0 percent each, by 0.15 percent each in 1981, an additional 0.30 percent each in 1985, and another 0.55 percent each for 1990–2010. The reallocations plus the rate increases result in OASDI rates of 5.05 percent for 1979–80, 5.15 percent for 1981–84, 5.45 percent for 1985–89, and 6 percent for 1990 and after.

3. Changes in self-employed contribution rates for OASDI

Your committee's bill would restore the self-employed rate to its original level of one and one-half times the employee rate, effective in 1981. (Since 1972, the social security cash benefits contribution rate for the self-employed has been below the level of one and one-half times the employee rate that was originally provided when the self-employed were first covered under the social security program in 1951.)

4. Change in allocation to the disability insurance trust fund

The committee bill would allocate an additional 0.35 percent of taxable payroll in the early years and even higher additional allocations in later years to the disability insurance trust fund to assure the financial soundness of the disability insurance program.

5. Standby authority for loans to the OASDI trust funds from general revenues with repayment tax provision

Your committee is especially concerned about the need for the public—current and future workers as well as social security beneficiaries—to be assured that the program will be able to meet its benefit obligations at all times. While the other actions your committee has taken would restore the financial soundness of the program, your committee believes that a further guarantee of the future financial stability of the cash benefit program is necessary.

Accordingly, your committee has included provision granting standby authority for automatic loans to the social security cash benefit trust funds from Federal general revenues whenever the assets of a cash trust funds drop below a 25-percent level of outgo. Your commit-

tee emphasizes its belief that, under reasonable projections, it will not become necessary for such loans to the trust funds to be made. If such loans are made in the future, the committee bill would provide for temporary social security tax-rate increases of 0.1 percent for employees and employers, each, and 0.15 percent for the self-employed, when the reserve level is 24 percent or less and the loan debt exceeds \$2 billion, to provide funds to repay the loans; repayment would begin when the reserve level rises above 30 percent.

B. REVISED BENEFIT STRUCTURE

About half of the existing long-range deficit in the OASDI program is the result of unintended effects of the cost-of-living increase provisions of present law. The basic problem under the present benefit structure is that future benefits for current workers will reflect increases in both wages and prices that occur during their working years. As a result, replacement rates—initial benefits as a percent of preretirement earnings—are erratic and unpredictable and, under current long range economic assumptions, are projected to rise significantly over time. About one-half of the long-range deficit is due to rising replacement rates in the future.

The bill would prevent the unintended rise in future replacement rates (and costs), and assure that future replacement rates would remain fairly constant at a level approximately 5 percent lower than the level that will prevail in January 1979. A major feature of the plan is that the worker's earnings (and the benefit formula) would be indexed to reflect the change in wage levels that has occurred during his working lifetime. As a result, benefits would be based on the worker's relative earnings position averaged over his working lifetime.

1. *Wage indexing of earnings*

A worker's earnings would be updated (indexed) to just prior to when the worker reaches age 62, becomes disabled, or dies to reflect the increases in average wages that have occurred since the earnings were paid. (Under present law, a worker's earnings are counted in actual dollar value.) The worker's earnings would be indexed by multiplying the actual earnings by the ratio of average wages in the second year before he reaches age 62, becomes disabled, or dies to the average wages in the year being updated.

2. *Base year for indexing*

A worker's earnings would be indexed by average wage increases through the second year before age 62 (the age of first eligibility), disability, or death. Earnings after age 62 or disability would be counted in actual dollar amount; cost-of-living increases would apply beginning with age 62, disability, or death.

3. *Computation period*

Benefits would be based on a worker's indexed earnings averaged over the number of years after 1950 (or age 21, if later) up to the year he reaches age 62, becomes disabled, or dies, whichever occurs first (excluding 5 years of lowest indexed earnings or no earnings). As under present law, the computation period would expand from 23 years for those reaching age 62 in 1979, up to 35 years for those reaching age 62 in 1991 or later.

4. *Benefit formula*

The benefit formula shown below would be applied to the average indexed monthly earnings (AIME) of workers who reach age 62, become disabled, or die in 1979:

90 percent of the first \$180 of AIME, plus
 32 percent of AIME over \$180 through AIME of \$1,085, plus
 15 percent of AIME above \$1,085.

For those who become eligible for benefits in the future, the dollar amounts (bend points) in the formula would be adjusted automatically (and rounded to the nearest dollar) as average wages increase.

5. *Maximum family benefit*

Maximum family benefits would bear the same relationship to primary insurance amounts (PIA) as they do under present law—ranging from 150 percent to 188 percent of the PIA. The family maximum would be determined by applying the following formula to the worker's PIA:

150 percent of the first \$230 PIA, plus
 272 percent of PIA's over \$230 through \$332, plus
 134 percent of PIA's over \$332 through \$433, plus
 175 percent of PIA's above \$433.

In the future, the dollar amounts in the formula would be increased (and rounded to the nearest dollar) based on increases in average wages.

6. *Transition*

A worker who reaches age 62 after 1978 and before 1989 would be guaranteed a benefit no lower than he would have received under present law as of January 1979. For purposes of the guarantee, the January 1979 benefit table would not be subject to future automatic benefit increases, but all individual benefits would be subject to all cost-of-living increases in benefits beginning with age 62. This guarantee would not apply in disability and death cases.

7. *Treatment of earnings after age 62 or disability*

Earnings subsequent to the year of first eligibility (age 62) or onset of disability would be counted at actual dollar value (i.e., unindexed) and substituted for earlier years of indexed earnings if they would increase the worker's AIME and his PIA.

8. *Increase in delayed retirement credit*

For workers reaching age 62 after 1978, the current delayed retirement credit of 1 percent per year would be increased to 3 percent per year beginning at age 65 and taking account of months up to age 72 for which benefits are not paid. (For workers eligible for retirement benefits before 1979, the current 1-percent per year credit would continue to apply.)

Estimated number of people affected and dollar payments: In 1983 (the first year increased benefits reflecting the 3-percent delayed retirement credits would be payable based on credits provided for 1982), 100,000 people would get higher benefits, and \$15 million in additional payments would be made as a result of this provision.

9. *Freeze the minimum benefit*

The minimum benefit for future beneficiaries would be frozen at an amount equal to the minimum benefit in effect in January 1979 (esti-

mated to be about \$121). Benefits based on the minimum would be kept up to date with rising prices only after age 62, disability, or death.

Estimated number of people affected and dollar payment: Some 150,000 people would be affected by this amendment, and benefit payments would be reduced by an estimated \$7 million in the first full calendar year, 1980.

10. Increase in the special minimum benefit

Under present law, a special minimum benefit is provided for long-term, low-paid workers equal to \$9 times the number of years of coverage a worker has in excess of 10 and up to 30; the special minimum benefit is not subject to cost-of-living increases under the automatic adjustment provisions. The bill would increase the \$9 figure to \$11.50 and provide that the special minimum would be kept up to date with future increases in the cost of living for both present and future beneficiaries. Thus, the highest possible special minimum would be increased from \$180 to \$230 in 1979.

Estimated number of people affected and dollar payments: 220,000 people would get increased benefits on the effective date, and additional benefit payments in the first full calendar year, 1980, would amount to an estimated \$14 million.

C. COVERAGE

Old-age, survivors, disability, and hospital insurance coverage would be extended to an additional 6 million jobs.

1. Federal civilian employees

Under present law, services performed in Federal civilian employment that are covered under a staff-retirement system established by a law of the United States are excluded from social security coverage, as are services performed in Federal employment by the President, the Vice President, Members of the U.S. Congress, legislative employees of the U.S. Congress, inmates of Federal penal institutions, certain student employees of Federal hospitals, and temporary, emergency employees. The bill would extend social security coverage to Federal services performed by these offices and employees. The bill directs the Secretary of Health, Education, and Welfare to conduct a study with the Civil Service Commission to make recommendations for coordinating benefits and costs of the OASDI and Civil Service Retirement programs in such a way that Federal workers will be no worse off so far as costs and benefits are concerned compared to their treatment under present law. The report would be submitted by January 1, 1980.

Effective date: January 1, 1982.

2. State and local employees

Under present law, social security coverage for State and local employees generally is available only on a group basis through voluntary agreements between the States and the Secretary of Health, Education, and Welfare. Coverage for a group of State and local employees can be terminated after 2 years' notice by the State if the group has been covered under social security for 5 years at the time notice is given, or by the Secretary at any time, if he finds that the State has

failed or is unable legally to comply with the terms of the agreement and 2 years' notice is given. The bill would provide compulsory social security coverage for State and local employees (including employees of Guam, American Samoa, and the District of Columbia) who are not compulsorily covered under present law.

Effective date: January 1, 1982.

The bill also would provide that coverage could not be terminated by either the State or the Secretary of Health, Education, and Welfare before compulsory coverage was effective unless the notice was given before September 14, 1977. In such cases where coverage has been terminated it would be restored effective January 1, 1982.

Effective date: September 14, 1977.

3. Employees of nonprofit organizations

Under present law, employees of certain nonprofit organizations, described in section 501(c)(3) of the Internal Revenue Code, are excluded from coverage under social security unless the organization files a certificate expressing a desire to have coverage extended to its employees. Coverage of the employees of an organization that filed such a certificate may be terminated after 2 years' notice by the organization, if the employees had been covered under social security for at least 8 years before the notice was given, or by the Secretary of the Treasury, with concurrence of the Secretary of Health, Education, and Welfare, at any time if he finds that the organization has failed or is unable to comply with the law and 60 days' notice is given. The bill would provide compulsory coverage under social security for these employees of nonprofit organizations.

Effective date: January 1, 1982.

The bill also would provide that coverage could not be terminated by either the nonprofit organization or the Secretary of the Treasury before compulsory coverage was effective unless the notice was given before September 14, 1977. In such cases where coverage has been terminated, it would begin again on January 1, 1982.

Effective date: September 14, 1977.

4. Quarter-of-coverage provision

The bill would grant retroactive quarter-of-coverage credits for eligibility, but not benefit computation purposes, to employees who were in Federal civilian, State, or local, or nonprofit organization employment to which social security coverage was extended under this bill on January 1, 1982, if the employees earned at least six quarters of coverage in such employment after 1981. The quarters of coverage would be granted based on periods of employment prior to January 1, 1982, which were in the same category of employment and which were excluded from social security coverage.

Effective date: January 1, 1982.

5. Totalization

Under present law, there is no authority in the Social Security Act for entering into agreements with other countries to provide for coordination between the social security systems of the United States and of other countries. The bill would authorize the President to enter into bilateral agreements (of a kind generally known as totalization

agreements) with interested foreign countries to provide for limited coordination between this country's social security system and those of other countries, subject to congressional oversight. Draft agreements worked out with Italy and West Germany have been implemented by their laws but cannot become effective agreements in the United States until the Congress enacts the authority provided in this bill.

Effective date: Upon enactment.

6. *Exclusion of limited partnership income*

Under present law each partner's share of partnership income is includable in his net earnings from self-employment for social security purposes, irrespective of the nature of his membership in the partnership. The bill would exclude from social security coverage, the distributive share of income or loss received by a limited partner from the trade or business of a limited partnership. This is to exclude for coverage purposes certain earnings which are basically of an investment nature. However, the exclusion from coverage would not extend to guaranteed payments (as described in section 707(c) of the Internal Revenue Code), such as salary and professional fees, received for services actually performed by the limited partner for the partnership.

Effective date: Taxable years beginning after December 31, 1977.

7. *Social security employer taxes on tips when deemed as wages for the Federal minimum wage*

Under the Fair Labor Standards Act of 1938, an employer can pay an employee less than the Federal minimum wage by an amount equal to the tips received by the employee but not less than 50 percent of the minimum wage. Social security taxes are not paid by the employer on the amount of tips deemed to be wages. Under the bill, employers would be liable for the employers' share of the social security taxes on the deemed wages up to the minimum wage.

Effective date: Wages paid for employment performed after December 31, 1977.

8. *Clergymen*

Under present law, the services of a clergyman are covered under the self-employment provisions of the Social Security Act unless the clergyman files an application for an irrevocable exemption from coverage on the grounds that he is opposed either conscientiously or because of religious principles to the acceptance of public insurance such as social security. Under the bill, a clergyman who filed an application for exemption in the past would be given an opportunity to revoke his exemption and obtain social security coverage prospectively.

Effective date: Taxable years ending on or after enactment.

9. *Other State and local changes*

Other changes relate to social security coverage of policemen and firemen in Mississippi and Illinois who are under staff retirement systems, and social security coverage of State and local employees in New Jersey under the divided retirement system procedure, and the special provision in the law applying to the Wisconsin retirement fund.

Effective date: Upon enactment.

D. EQUAL TREATMENT OF MEN AND WOMEN

1. *Equal rights**a. Father's benefits*

Benefits would be provided for young husbands and fathers who have in their care a child who is under age 18, or disabled, and who is entitled to benefits.

Effective date: Effective with respect to benefits for months after December 1977.

Estimated number of people affected and dollar payments: 2,000 people would become eligible for benefits or eligible for larger benefits on the effective date. About \$2 million in additional benefits would be paid in the first full year of operation.

b. Benefits for divorced men

Benefits would be provided for aged divorced husbands and aged or disabled divorced widowers.

Effective date: Effective with respect to benefits for months after December 1977.

Estimated number of people affected and dollar payments: 2,000 people would become eligible for benefits or eligible for larger benefits on the effective date. About \$3 million in additional benefits would be paid in the first full year of operation.

c. Remarriage of widowers before age 60

A widower would be permitted to obtain benefits on a deceased wife's earnings record if he is not married at the time he applies for widower's benefits, as widows now can, instead of if he has not remarried, as present law provides.

Effective date: Effective with respect to benefits for months after December 1977.

Estimated number of people affected and dollar payments: Very few people would be affected and the additional benefits would be negligible.

d. Transitional insured status benefits

Husband's and widower's benefits would be provided under the transitionally insured status amendment of 1965.

Effective date: Effective with respect to benefits for months after December 1977.

Estimated number of people affected and dollar payments: Very few people would be affected and the additional payments would be negligible.

e. Special age-72 payment amounts for certain uninsured individuals

When both members of a couple are receiving special age-72 payments, the amount of the payments would be divided equally between the two, instead of giving the husband a full benefit and the wife one-half the husband's benefit.

Effective date: Effective with respect to benefits for months after December 1977.

Estimated number of people affected and dollar payments: 2,000 couples would be affected. Provision would have no cost.

f. Benefits of spouses of childhood disability or disabled worker beneficiaries

Benefits of the spouse of a female disabled worker beneficiary or childhood disability beneficiary would be terminated if she ceases to be disabled, as is now the case if the disabled worker or childhood disability beneficiary is a male. (Beneficiaries whose benefits are terminated under this provision would be able to become reentitled to benefits as a result of provisions eliminating marriage or remarriage as a factor in terminating or reducing benefits, which has a later effective date.)

Effective date: Effective with respect to benefits for months after December 1977.

Estimated number of people affected and dollar payments: The number of people affected would be very small and the payments would be negligible.

g. Benefit rights of illegitimate children

An illegitimate child's status for purposes of entitlement to child's insurance benefits would be determined with respect to the child's mother in the same way as it is now determined with respect to the child's father.

Effective date: Effective with respect to benefit for months after December 1977.

Estimated number of people affected and dollar payments: Very few people would be affected and the additional payments would be negligible.

h. Waiver of civil service survivors' annuities

A widower, as well as a widow, would be permitted to waive payment of a Federal benefit attributable to credit for military service performed before 1957 in order to have the military service credited toward eligibility for, or the amount of, a social security benefit.

Effective date: Effective with respect to benefits for months after December 1977.

Estimated number of people affected and dollar payments: A negligible number of people would be affected. The provision would have no cost.

i. Crediting of self-employment income in community property States

The self-employment income of a married couple in a community property State would be credited for social security purposes to the spouse who exercises more management and control over the trade or business, instead of being deemed the husband's, unless the wife exercises substantially all of the management and control of the business, as present law provides. Where the husband and wife exercised the same amount of management and control, the self-employment income would be divided equally between both the husband and wife.

Effective date: Effective with respect to taxable years beginning after December 1977.

Estimated number of people affected and dollar payments: A negligible number of people would be affected. Provision would have no cost.

2. *Elimination of marriage (or remarriage) as a bar to entitlement to dependents' or survivors' benefits, and as an event which terminates entitlement to, or reduces, such benefits.*

Entitlement to benefits as a divorced wife or husband, widow or widower, or surviving divorced widow or widower (including those with an entitled child in their care), parent, or child would not be barred or terminated because of marriage or remarriage. Neither would remarriage serve to cause any reduction in the benefits paid aged widows or widowers.

Effective date: Effective with respect to benefits for months after December 1978.

Estimated number of people affected and dollar payments: 670,000 people would become eligible for benefits or eligible for larger benefits on the effective date. About \$1.4 billion in additional benefits would be paid in the first full calendar year, 1980.

3. *Reduced duration-of-marriage requirement for divorced spouses.*

The length of time a divorced person must have been married to a worker in order for benefits to be payable to the person as an aged divorced spouse or aged or disabled surviving divorced spouse would be reduced from 20 years to 5.

Effective date: Effective with respect to benefits for months after December 1978.

Estimated number of people affected and dollar payments: 70,000 people would become eligible for benefits or eligible for larger benefits on the effective date. About \$160 million in additional benefits would be paid in the first full calendar year, 1980.

4. *Study of proposals to eliminate dependency and sex discrimination*

The Secretary of Health, Education, and Welfare would be directed to carry out a detailed study of proposals (1) to eliminate dependency as a requirement for entitlement to social security spouse's benefits, and (2) to bring about the equal treatment of men and women (in any and all respects under the program). A full and complete report on the study shall be submitted to the Congress within 6 months of enactment of the bill.

E. IMPROVEMENT OF THE EARNINGS TEST

1. *Increase in annual exempt amount of earnings.*

The amount that a beneficiary age 65 or over but under age 72 may earn in a year and still be paid full social security benefits for the year would be increased from the present \$3,000 in 1977 to \$4,000 in 1978 and \$4,500 in 1979 with future automatic increases as wage levels rise. The amount that a beneficiary under age 65 could earn and still be paid full benefits would be determined under present law.

Effective date: Taxable years ending after December 1977.

Number of people affected and dollar payments: For 1978, 800,000 people would receive increased payments; 100,000 people who get no payments under present law could get some payment. For 1979, 800,000 people would receive increased payments; 100,000 people who get no payments under present law could get some payments. Additional benefits amounting to \$0.3 billion would be paid out in 1978 and \$0.5 billion in 1979.

2. *Elimination of the monthly earnings test*

Under present law, full benefits are paid to a beneficiary, regardless of the amount of annual earnings, for any month in which the beneficiary neither works for wages in excess of the monthly measure (\$250 in 1977; more in later years) nor renders substantial services in self-employment. The bill would eliminate the monthly measure of retirement and convert the retirement test to a strictly annual test for years after the initial year of retirement.

Effective date: Taxable years ending after December 1977.

Number of people affected and dollar payments: About 250,000 people would be affected during the first full year. Benefit payments would be reduced by about \$0.2 billion each year.

3. *Foreign work test*

The number of days that a beneficiary under age 72 who works outside the United States in noncovered employment can work in a month and still be eligible for a benefit for that month would be increased from 6 to 8 in 1978 and to 11 in 1979 and thereafter.

Number of people affected and dollar payments: It is estimated that the proposed changes would be a liberalization for about one-half of the 1,500 beneficiaries (out of the approximately 300,000 beneficiaries who live in foreign nations) who now lose benefits because of work activity.

The cost of such a change would be negligible.

F. ANNUAL WAGE REPORTING

Under present law, employers will report their employees' wages for social security and income tax purposes annually on forms W-2 beginning with wages paid in 1978. Employers are required to report quarterly wage data on the forms W-2 to enable the Social Security Administration to determine whether a worker has enough quarters of coverage to be eligible for social security benefits. The bill would change the quarter-of-coverage measure and certain automatic provisions of the social security law so that annual data would be used, instead of quarterly data. Under the bill, employers would no longer have to report quarterly data on the forms W-2 and they and the Government would realize the maximum advantages that annual reporting was designed to achieve.

The most significant program change would be a provision setting out how annual wages would be credited in terms of quarters of coverage. Under present law, a worker generally receives credit for a quarter of coverage for a calendar quarter in which he received at least \$50 in wages. Under your committee bill, a worker would receive one quarter of coverage (up to a total of four) for each \$250 of earnings in a year, and the \$250 measure would be increased automatically every year to take account of increases in average wages.

Effective date: January 1, 1978.

G. OTHER PROVISIONS

1. *Eliminate windfall cost-of-living increases*

Under your committee's bill, future benefit increases for people receiving actuarially reduced benefits, would be reduced in proportion

to the reduction in the person's basic benefit. (Under present law, the failure to fully reduce the amount of the increase results in increases beyond those needed to keep up with changes in the cost of living.) The provision would apply to people who receive reduced benefits after December 1977; special rules would apply to those already on the rolls.

Effective date: Benefit increases after 1977.

Estimated number of people affected and dollar payments: About 15 million people would have their benefits affected by the provision at the time of the June, 1978 cost-of-living benefit increase, and there would be a program saving of \$90 million in calendar year 1978.

2. *Limitation on retroactive benefits*

Under present law, a person who files an application after he is first eligible for benefits may be paid benefits, including actuarially reduced benefits, for a retroactive period up to 12 months before the month in which the application is filed, if all conditions of entitlement are met for those months. Under the bill, except in those cases where the benefits were disability-related or where unreduced dependents benefits were involved, monthly cash benefits would not be paid retroactively for months before the month in which the application was filed when such retroactivity would result in permanently reduced benefits.

Effective date: With applications filed on or after January 1, 1978.

Number of people affected and dollar payments: In 1978, an estimated 1 million people would be affected by the change. Reductions in benefit payments would range from \$0.3 billion in 1978 to \$0.6 billion in 1982.

3. *Early payment of social security and SSI benefit checks in certain situations*

Under present law, social security benefit payments for a particular month are payable after the end of that month, and payment is normally made on the third day of the month; SSI benefit checks for a particular month are delivered on the first day of that month. Under the bill, when the delivery date falls on a Saturday, Sunday, or legal public holiday, social security and SSI checks would be delivered on an earlier date.

Effective date: Upon enactment.

III. GENERAL DISCUSSION

A. FINANCING

Over the years your committee and the Congress have devoted more attention to financing than any other aspect of the social security program in order to assure that funds will be available to meet benefit payments as they fall due. Whenever benefit improvements have been enacted, your committee has recommended, and the Congress has provided, financing arrangements that, based on the best available economic and demographic assumptions, assured the future financial soundness of the program over the long-range future.

When the Congress last enacted major social security legislation, in 1973, the program was adequately financed, both in the short run and

over the long term, based on then-current assumptions which were considered reasonable by economists and actuaries at that time. It was assumed at that time that over the long range wages would rise at an average annual rate of 5 percent and prices at an average annual rate of $2\frac{3}{4}$ percent and that the fertility rate would be around 2.5.¹

Under these assumptions, trust fund levels would have stabilized around 1978 at about 60–65 percent of a year's outgo; over the long term, the estimated actuarial balance was about –0.5 percent of taxable payroll, which was not unreasonable, given the inherent uncertainty of making economic and demographic assumptions for a dynamic system with built-in cost-of-living increases over a 75-year period.

Since 1973, the Nation has experienced much higher rates of inflation and unemployment as well as declines in the fertility rate and real wage growth. As a result of recent and current economic experience, the social security trust funds have been experiencing annual deficits since 1975 and deficits are projected to continue in the future. In addition, the assumptions on which estimates of social security income and outgo over the long term are based have been revised to reflect what now is considered a more realistic view of the future. As a result, the long-range deficit has increased to over 8 percent of taxable payroll.

The recent sharp decline in birth rates means that the number of people working and paying social security contributions in the future will be smaller in relation to the number of people drawing social security benefits. For example, today there are about three workers for every person getting social security benefits; in the next century, it is expected that there will be only about two workers for every beneficiary. Consequently, the cost of the program per worker will rise.

About half of the long-range deficit under present law is due to revised demographic assumptions and the other half is the effect of changes in the long-range economic assumptions on replacement rates—initial benefit levels as a percent of pre-retirement earnings.

Whereas replacement rates would have been relatively constant in the future under the economic assumptions made when the automatic adjustment provisions were enacted in 1972, replacement rates under the revised assumptions are now expected to rise in the future, particularly after the mid-1990's. The decoupling plan proposed by your committee would prevent replacement rates from rising in the future. The proposal would reduce the long-range deficit by more than one-half—from 8.2 percent to 3.49 percent of payroll. However, since the present benefit structure does not have significant cost effects until the mid-1980's and later, decoupling would not impact significantly on benefit outgo until after the mid-1980's and it does not take care of the increased costs due to recent inflation, the decline in the birth rate or the increase in the incidence of disability.

In order to eliminate the short-range deficit due to recent and current economic experience and to reduce the longer-range deficit due to demographic shifts and disability experience, the committee bill includes changes in social security tax rates for employees, employers,

¹ High- and low-cost estimates were prepared based on fertility rates of 2.3 and 2.8, respectively.

and the self-employed, and increases in the contribution and benefit base for employees, employers, and the self-employed.

While the financing provisions of the bill would not completely assure the long-range soundness of the program for all of the customary 75-year valuation period, your committee believes that because there is considerable uncertainty about future demographic and economic developments—changes in birth rates, labor-force participation of women and the aged, and productivity gains—it is not now necessary to take steps to assure the program's financing for the full 75-year period. The legislation eliminates the medium-range deficits (over the next 25) years and provides adequate financing well into the next century. Your committee keeps continuously abreast of developments affecting social security financing and expects to make recommendations in the relatively near future to respond to the recent and unexpected rise in the projected cost of the disability insurance program.

1. Increase in contribution and benefit base

Your committee's bill provides for increasing the contribution and benefit base—in four steps—to a level where about 90 percent of all payroll in covered employment would be taxable for social security purposes (and about 93 percent of all workers would have their full earnings credited for benefit purposes). When the social security program began in 1937, about 92.5 percent of all payroll in covered employment was covered, and about 97 percent of the workers in covered employment had their full earnings counted for benefit purposes. Your committee believes that it would be desirable to move toward taxing a higher proportion of total payroll in covered employment than the 85 percent that is now taxable.

Accordingly, your committee's bill provides for *ad hoc* increases in the contribution and benefit base in 1978, 1979, 1980, and 1981. After 1981, the base would be automatically adjusted to keep up with average wage levels in the same way the present-law base is adjusted. As a result of the automatic adjustment, the proportion of total payroll covered by the base will be eliminated at a constant level over the long run.

The following table shows the contribution and benefit bases projected under present law and under your committee's bill:

Years	Present law	Committee bill
1978.....	\$17,700	¹ \$19,900
1979.....	18,900	¹ 22,900
1980.....	20,400	¹ 25,900
1981.....	21,900	¹ 27,900
1982.....	23,400	30,000
1983.....	24,900	31,800
1984.....	26,400	33,600
1985.....	27,900	35,400
1986.....	29,400	37,500
1987.....	31,200	39,600

¹ Ad hoc increases.

Special provisions are included in your committee's bill to exempt the ad hoc earning base increase from tier-II of the Railroad Retirement Act and the Pension Benefit Guaranty Corporation (PBGC). Those provisions are discussed in some detail in item G-4.

2. Changes in OASDI tax rates

Since raising the contribution and benefit base would result in additional income to the HI program, it is possible, under your committee's bill, to transfer a portion of future tax rate increases already scheduled for HI to the OASDI program, without adversely affecting the status of the HI trust fund. The bill therefore would provide for allocating a portion of future income from HI tax-rate increases already scheduled in the law to the OASDI program as a way of meeting part of currently projected OASDI income shortfalls. Of the 0.20 percent HI tax-rate increase scheduled for employers and employees each in present law for 1978, 0.10 percent would be shifted to OASDI for the years 1978 through 1980, and 0.05 percent would be shifted in 1981 and thereafter.

The tax rates for the OASDI program for employers and employees, each, would be increased (beyond the increases resulting from reallocation of scheduled HI tax-rate increases, which do not result in any net OASDI tax rate increase over present law) by 0.15 percent, 0.35 percent, and 0.55 percent in 1981, 1985, and 1990, respectively. Thus, by 1990 the overall tax rate increase would amount to a 1.0 percent each, brings the total combined OASDI tax rates to 7.45 percent each, the level scheduled in present law for the year 2011 and thereafter. The present law rates and the rates under your committee's bill are shown below.

TAX RATES FOR EMPLOYER AND EMPLOYEE, EACH, PRESENT LAW AND COMMITTEE BILL

[In percent]

Years	OASDI		HI		Total	
	Present law	Bill	Present law	Bill	Present law	Bill
1977.....	4.95	4.95	0.90	0.90	5.85	5.85
1978-80.....	4.95	5.05	1.10	1.00	6.05	6.05
1981-84.....	4.95	5.15	1.35	1.30	6.30	6.45
1985.....	4.95	5.45	1.35	1.30	6.30	6.75
1986-89.....	4.95	5.45	1.50	1.45	6.45	6.90
1990-2010.....	4.95	6.00	1.50	1.45	6.45	7.45
2011 and later.....	5.95	6.00	1.50	1.45	7.45	7.45

3. Changes in self-employed tax rates for OASDI

Your committee's bill provides for changes in the OASDI tax rate applied to self-employment income so as to reestablish the original ratio of 1½ times the employee rate. When the self-employed were first covered under the social security program in 1951, the contribution rate for them for cash benefits was three-fourths of the combined employee-employer rate, which is the equivalent of one and one-half times the rate paid by employees. Since a self-employed person gets the same protection that an employee with the same earnings gets under the program, there is a financial disadvantage to the program in covering the self-employed person, as compared to covering an employee, unless the self-employed person pays contributions at a rate as high as the combined employee-employer rate. On the other hand, though, looked at from the standpoint of an individual contributing toward his own protection, the self-employed individual could easily feel that he was being overcharged if he were required to pay social security contributions over a lifetime at the combined em-

ployee-employer rate. The self-employed rate of one and one-half times the employee rate that was established when the self-employed were first covered represents a reasonable compromise between these alternatives.

In the last several years, the social security cash benefits contribution rate for the self-employed has been below the level of one and one-half times the employee rate that was originally provided. Your committee believes that the self-employed rate should be restored to its original levels of one and one-half times the employee rate and has included such a change in the bill.

TAX RATES FOR THE SELF-EMPLOYED, PRESENT LAW AND COMMITTEE BILL

[In percent]

Years	OASDI		HI		Total	
	Present law	Bill	Present law	Bill	Present law	Bill
1977.....	7.00	7.00	0.90	0.90	7.90	7.90
1978-80.....	7.00	7.10	1.10	1.00	8.10	8.10
1981-84.....	7.00	7.70	1.35	1.30	8.35	9.00
1985.....	7.00	8.20	1.35	1.30	8.35	9.50
1986-89.....	7.00	8.20	1.50	1.45	8.50	9.65
1990 and later.....	7.00	9.00	1.50	1.45	8.50	10.45

4. *Change in allocation to the disability insurance trust fund*

The committee bill would revise the allocation of tax income to the disability insurance trust fund, beginning in 1978, to assure the financial soundness of the disability insurance program. The present-law and proposed allocation schedules are shown below :

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

[In percent]

Calendar year	Taxable wages, employer- employee—each		Self-employment income	
	Present law	Bill	Present law	Bill
1977.....	0.575	0.575	0.815	0.815
1978.....	0.600	0.775	0.850	1.090
1979-80.....	.600	.750	.850	1.055
1981-84.....	.650	.800	.920	1.200
1985.....	.650	.900	.920	1.350
1986-89.....	.700	.900	.990	1.350
1990-2010.....	.700	1.100	.990	1.650
2011 and later.....	.850	1.100	1.000	1.650

This new re-allocation will increase disability insurance financing by 0.56 percent on a long-term basis.

Your committee realizes the necessity of allocating money to the disability insurance trust fund which could otherwise be exhausted in late 1978. It regrets, however, that it must once again make a re-allocation to this program without dealing legislatively with some of the problems which may be contributing to adverse experience in disability. The decoupling-wage indexing provisions in this bill with no transition guarantee will have the effect of reducing some of the work-disincentive aspects of the current benefit formula. However, action may be necessary in other aspects of the program such as the Federal-

State administrative structure (including the appeals process), the definition of disability, other rehabilitation and work-incentives provisions, and the treatment of the blind as compared to other groups of disabled people. It was decided by the Subcommittee on Social Security that there was not time to go into all the complex issues in disability and enact legislation this year. However, the Subcommittee on Social Security plans to take up disability in phase II of this legislation immediately in the next session. Your committee understands that the Department of Health, Education, and Welfare is exploring various amendments to the disability program and will present them to the Congress early next year. This will help the Subcommittee in finding solutions to these difficult problems.

5. Standby authority for loans to the OASDI trust funds from general revenues

Your committee is especially concerned about the need for the public in general—current and future workers as well as social security beneficiaries—to be assured that the program will be able to meet its benefit obligations at all times. While the other actions your committee has taken would restore the financial soundness of the program into the next century your committee believes that a further guarantee of the future financial stability of the program is necessary.

Accordingly, your committee has included a provision granting standby authority for automatic loans to the OASDI trust funds appropriating funds from Federal general revenues whenever the assets of a cash trust fund drops below a specified level in relation to annual outgo. Specifically, if at the end of any calendar year the assets of the OASI or DI trust fund amounted to less than 25 percent of the outgo from the fund in the calendar year, an automatic loan would be made. The amount of the loan would be equal to the difference between the year-end balance in the fund and 27½ percent of the year's outgo. The loans would be automatically repaid with accrued interest, when assets of the fund at the end of a year exceeded 30 percent of the year's outgo from the fund. To provide for automatic repayment, in case a loan was made, there would be temporary social security tax-rate increases of 0.1 percent for employees and employers, each (0.15 percent for the self-employed), if at the end of any year in which a loan was made the reserve level is less than 35 percent and the loan debt exceeds \$2 billion; the temporary tax rate increase would go into effect 1 year later.

Your committee emphasizes its belief that, under reasonable projections, it will not become necessary for such loans to the trust funds to be made in this century. Your committee expects that, if—as is not now anticipated—the loan authority should actually be needed, the Subcommittee on Social Security would immediately meet to consider the financial status of the OASDI program and alternative measures to deal with the situation. Nevertheless, your committee believes—in view of the extensive publicity the financing difficulties of the program have received and the resulting concern about the financial soundness of the program—that an appropriate guarantee such as that recommended by your committee is necessary and desirable.

Under your committee's bill, the standby authority for automatic loans would not be applicable to the HI fund. Even under existing

law, the HI trust fund balances are adequate for a number of years, and your committee's bill would provide additional revenue to this trust fund. Pending hospital cost containment legislation, if adopted, would have the effect of further strengthening the hospital insurance fund. Moreover, it is expected that the broad issue of health care financing (including financing of protection for beneficiaries of the present medicare program) will be considered when the President's national health insurance proposal is submitted during the second session of this Congress. Accordingly, your committee chose not to extend automatic borrowing authority to the HI fund at this time.

B. REVISED BENEFIT STRUCTURE

A major factor contributing to the long-range deficit is the projected rise in social security benefit replacement rates—initial benefit levels as a percent of prior earnings—under current long-range economic assumptions. This rise in replacement rates causes roughly one-half of the long-range deficit. Current projections show that benefit levels will rise by about 50 percent more than wages over the next 75 years, with most of this increase occurring after the 1990's. Replacement rates can fluctuate widely in the future, either up or down, depending on future changes in wages and prices. When the automatic provisions were enacted in 1972, it was expected, on the basis of the economic assumptions made then, that future replacement rates would remain fairly constant.

The projected increase in replacement rates under present law is due to the fact that benefits for people who will retire in the future will be affected by the changes in both wages and prices that occur during their working years. Their benefits will be affected by the automatic cost-of-living benefit increases, which were provided for by the 1972 social security amendments, since such increases apply to future benefits for current workers as well as the benefits paid to current beneficiaries. A current worker's future benefits will also increase because his earnings are expected to increase as economic growth occurs.

Under your committee's bill, the benefit structure would be "decoupled," that is, current workers' future benefits would be separated from those of beneficiaries currently on the rolls; the automatic cost-of-living increases would apply only to beneficiaries on the rolls when such benefit increases becomes effective. The decoupling proposal provides a new benefit formula for future beneficiaries that would produce replacement rates and costs that are much more predictable than under present law. The benefit amounts payable to workers who retire in the future would generally reflect the increase in the standard of living that occurs during their working years.

A major feature of the plan is that the worker's earnings would be indexed to reflect the change in general wage levels that has occurred during his working lifetime. These indexed earnings would be averaged and a three-step, weighted benefit formula¹ would be ap-

¹ The formula for 1979 follows:
 90 percent of the first \$180 of AIME, plus
 32 percent of AIME over \$180 through AIME of \$1,085, plus
 15 percent of AIME above \$1,085.

plied to his average indexed monthly earnings (AIME) to produce the worker's benefit amount. For those becoming entitled to benefits in the future, the benefit factors (percentage amounts) would not be indexed, but the bend points (dollar amounts) in the formula would be adjusted automatically as average wages increase.

By providing for the indexing of earnings and the benefit formula to the increase in general wage levels, benefits would be based on the worker's relative earnings position averaged over his working lifetime. As a result, all workers with the same relative earnings positions would be treated the same regardless of when they become entitled to benefits. Thus, while the dollar amounts of benefits of, say, workers with average earnings retiring 20 or 30 years apart would be substantially different, their replacement rates would be virtually the same.

In addition, your committee recommends that replacement rates be stabilized at a level 5 percent lower than the levels that will prevail in January 1979, when the revised benefit structure will be implemented. This recommendation would result in replacement rates more nearly in line with those that could have been anticipated under the 1972 legislation than those that have in fact occurred. Your committee believes that the gradual increase in replacement rates (and costs) that has occurred was unintended and that replacement rates that existed in recent years should be reestablished and maintained at relatively constant levels in the long-range future.

Your committee's bill would assure that social security benefit protection will generally keep pace with rising wages during the worker's lifetime and with the cost of living after the worker and his family start to receive benefits. This was the underlying premise of the 1972 automatic adjustment provisions and, in fact, the way the system generally operated before the automatic provisions were enacted.

Replacement rates for hypothetical workers at various earnings levels under present law and under the revised benefit structure are shown below. For purposes of illustration, replacement rates are defined as the worker's initial benefit as a percentage of final year earnings. This definition of replacement rates is convenient both for comparing two different benefit structures (present law and the new, revised structure under the committee bill) and for illustrative purposes. However, for purposes of evaluating the effect of the new system on various individuals and groups within the system, lifetime average earnings, indexed to earnings levels (AIME) may be a preferable measure on which to base replacement rates. Because of the effect of ad hoc increases in the contribution and benefit base in the past and those provided under your committee's bill, the replacement rates for the worker with earnings equal to the maximum taxable do not become stabilized for a number of years. The replacement rates appear to rise from 1985 through 2000 if measured in terms of final year earnings, as shown below, but—when measured in terms of average indexed monthly earnings—the replacement rates are shown to fall over this period.

REPLACEMENT RATES: HISTORICAL BEHAVIOR AND PROJECTIONS UNDER PRESENT LAW AND UNDER THE COMMITTEE BILL

[In percent]

Calendar year	Replacement rate for worker with—		
	Low earnings ¹	Average earnings ²	High earnings ³
Historical behavior:			
1970	45	33	28
1971	47	35	31
1972	48	36	34
1973	51	39	35
1974	54	41	33
1975	56	43	30
1976	57	45	32
1977	58	44	32
Present law:			
1979	57	44	34
1985	58	47	34
1990	60	48	35
1995	66	49	37
2000	75	52	39
2010	84	56	42
2020	91	60	41
2030	96	63	46
2040	101	65	47
2050	106	67	48
Committee bill:			
1979	57	44	34
1985	55	43	26
1990	55	43	26
1995	55	43	27
2000	55	43	28
2010	55	43	30
2020	55	43	30
2030	55	43	30
2040	55	43	30
2050	55	43	30

¹ Assumed at \$4,600 in 1976 and following the trends of the average.

² Assumed to be 4 times the average 1st quarter covered earnings.

³ Assumed at the maximum taxable under the program.

⁴ Reflects the benefit guarantee provision in the bill.

Note: The estimates in this table are based on the intermediate set of assumptions used in the 1977 OASDI trustees report. The replacement rates pertain to workers with steady employment at increasing earnings and compare the annual retirement benefit at age 62, ignoring the actuarial reduction factor, with the earnings in the year immediately prior to retirement.

The plan included in your committee's bill necessarily involves many substantial changes in provisions of present law, transitional provisions for the period during which the new system is implemented, and a number of "conforming" amendments to minimize possible disruptions that such a basic change in the benefit structure might otherwise produce.

The key elements of your committee's bill with respect to "decoupling" and the establishment of replacement rates that would be constant in relation to wage levels over time are outlined below.

1. Wage indexing of earnings

Your committee's bill would provide that a worker's benefits would be based on earnings levels that prevail just prior to age 62, disability, or death. The worker's earnings in each year after 1950 would be updated (indexed) to reflect the increase in average wages through the second year before the worker reaches age 62, becomes disabled, or dies.¹ Under present law, for the purpose of computing a worker's

¹ While it would seem reasonable to update earnings through the first year before the year of retirement, data on actual wage growth will not be available in time to allow for such current indexing. For 1978 and subsequent years, the law provides that earnings will be reported on an annual, rather than a quarterly basis. Thus, for example, data on average wage levels in 1980 will not become available until late in 1981—too late for indexing earnings of 1981 retirees; 1979 would be the indexing year for 1981 retirees.

benefit, his earnings are counted in actual dollar value, and these earnings do not reflect their value relative to average earnings at the time they were earned.

A worker's earnings would be indexed by multiplying the actual earnings by the ratio of average wages in the second year before he reaches age 62, becomes disabled, or dies, to the average wages in the year being updated. For example, if a worker earned \$3,000 in 1956, and retired at age 62 in 1979, the \$3,000 would be multiplied by the ratio of average annual wages in 1977 (\$10,002) to average annual wages in 1956 (\$3,514), as follows:

$$\$3,000 \times \frac{\$10,002}{\$3,514} = \$8,539$$

Thus, while the worker's actual earnings for 1956 were \$3,000, his relative or indexed earnings would be \$8,539. The worker's earnings each year would be adjusted in this manner. The result would be that the worker's benefits would be based on earnings levels that prevail just prior to age 62, and benefits would be based on the worker's relative earnings (that is, relative to average wages) averaged over the time the worker could reasonably be expected to have worked in covered employment.

Under present law, a worker who had above-average earnings in the 1950's and who had below-average earnings in the last 10 years is disadvantaged compared to one who had the reverse earnings pattern. While the two workers might have had the same earnings relative to average earnings over the period as a whole, the worker with the more recent above-average earnings would have higher average monthly earnings and, consequently, a higher benefit. Under the bill, these workers would get the same benefit amount, all other things being equal. Moreover, even if they reach age 62 at different times, they would get benefits that represented the same percent of the preretirement earnings.

In addition, indexing wages as proposed by your committee assures that benefit amounts would generally be related to the standard of living that prevails when the worker retires, becomes disabled, or dies; that is, workers would share in the general rise in the standard of living that occurs during their working lifetimes.

Your committee would also note that this method of indexing the worker's wages (the benefit formula would be similarly indexed) would virtually eliminate the unintended and growing advantage that young disabled workers and their families and the survivors of deceased workers have over retired workers under present law. Under the present method of computing benefit amounts, benefits for young disability and survivor cases are based on recent and relatively high earnings while benefits for new retirees are based, at least in part, on past earnings levels that were generally much lower than current earnings levels. For a worker with average earnings, the difference in benefit amounts can be substantial—almost \$150 a month, and in disability cases may create certain work disincentives. Under wage indexing, the difference would be virtually eliminated.

2. *Base year for indexing*

Your committee's bill would index earnings in retirement cases through the second year before age 62 (the age of first eligibility)

rather than to retirement (when the worker is first entitled to benefits). Indexing earnings to first eligibility has significant advantages in the areas of public understanding and administration.

Since the indexing point is based solely on the date of birth rather than on the year retirement benefits are elected, workers would be assured that their age-62 benefit would not decline should they choose to delay retirement and that it would rise with the Consumer Price Index. If wages were indexed to the date of retirement instead of to age 62, the worker's benefit amount would decline if average wages decline and could be lower than if he had retired earlier, depending on whether price increases out-pace wage increases in the interim. Thus, with retirement indexing, both the worker and his family and Social Security Administration field personnel would be presented with a difficult decision. The worker would have to know how wage and price increases might affect his monthly benefit and would expect SSA personnel to advise him as to the optimum time to retire. Yet neither would have the information necessary to make the correct decision.

Thus, indexing to eligibility, as under the committee bill, would furnish greater certainty for the worker and SSA personnel in advising the worker concerning his decision as to when to retire and apply for benefits.

In addition, age-62 indexing is less complex from an administrative standpoint, and therefore administrative costs would be lower than if earnings were indexed to retirement.

Your committee recognizes that indexing to first eligibility presents some problems. It provides less incentive for a worker to remain in the work force since, all other things being equal, the worker who retires at age 62 and the worker who retires 3 years later at age 65 would receive benefits based on approximately the same PIA. Retirement indexing would provide benefit amounts that are closer to those provided under present law than would occur if earnings were indexed to age 62.

In order to deal with these problems and at the same time retain the advantages of indexing to age 62, your committee has provided for a substantial increase—from one-twelfth of 1 percent per month to three-twelfths of 1 percent per month (from 1 percent to 3 percent per year)—in the delayed retirement credit. Thus, incentives for remaining in the work force would be maintained, and workers' benefits would be increased as a result of work after age 65. (See item B-9 for a discussion of the increase in the delayed retirement credit.)

3. Computation period

Your committee's bill, like present law, provides that benefits will generally be based on a worker's earnings averaged over the number of years after 1950 (or age 21, if later) up to the year the worker reaches age 62, becomes disabled, or dies, whichever occurs first (excluding 5 years of lowest or no earnings). The number of years in the computation period will expand over time—for example, for workers reaching age 65 in 1979, the computation period will be 20 years, and eventually, for workers reaching age 65 in 1994 or later, the computation period will be 35 years.

With the use of actual earnings, as under present law, the expanding computation period depresses replacement rates since early wages, which are generally much lower than current wage levels, must be used in computing the benefits. However, wage indexing would assure that if a worker's earnings increase at the same rate as average wages in the economy, his average indexed monthly earnings (AIME) would rise at the same rate as average wages in the economy.

If the computation period were set at, say, 10 or 20 years, workers with 10 or 20 years of coverage could get the same benefit as workers with 35 or 40 years of service. To avoid such a result, some consideration would probably need to be given to providing for an explicit measure of length of service. However, an explicit provision for measuring continuity of service would pose administrative problems and would tend to raise questions of individual and group equity. Even if there were no administrative problems or questions of equity, a short computation period has the potential for workers to manipulate their earnings late in their careers so that their average earnings are relatively high and, as a result, benefit amounts are relatively high.

Your committee recognizes that, over time, the long computation period tends to distinguish between short- and long-term workers, since, all other things being equal, the latter would have higher average earnings and would, therefore, get higher benefit amounts. Since this method of recognizing length of service seems reasonably adequate and the alternatives present serious problems, your committee is not recommending any change in the computation period.

4. Benefit formula

Under present law, benefit amounts for a worker are derived from a table in the social security law and are related to the worker's average monthly earnings in covered employment. The benefit formula that roughly approximates the benefit amounts shown in the present table has 9 steps and, whenever the contribution and benefit base is increased, a new step is added to take account of the higher average earnings possible as a result of the new, higher base. Each time there is an automatic cost-of-living benefit increase, the percentage factors in the formula are increased by the percentage increase in the cost of living.

Under your committee's bill, the benefit formula shown below would be applied to the worker's average indexed monthly earnings (AIME). The formula is designed to produce benefit amounts which are on the average about 5 percent lower than the benefits which would be payable under present law to workers who retire in January 1979, when the revised benefit structure would go into effect:

90 percent of the first \$180 of AIME, plus
32 percent of AIME over \$180 through AIME of \$1,085, plus
15 percent of AIME above \$1,085.

This formula would apply to those who reach age 62, become disabled, or die in 1979. The dollar amounts or bend points (the AIME levels at which the weighting in the benefit formula changes) would be adjusted automatically as average wages increase for those who start getting benefits in the future, and the adjusted bend points would be rounded to the nearest multiple of \$1.

Indexing both the worker's wages and the bend points in the benefit formula results in maintaining the progressive benefit structure in the future and in the worker's benefit protection rising with general wage levels while he is working.

5. *Maximum family benefit*

Under present law, the maximum family benefit ranges from 150 percent to 188 percent of the primary insurance amount (PIA).¹

Your committee recommends retaining the same relationship between maximum family benefits and PIA's as in present law and to accomplish this recommends determining the family maximum by applying the following formula to the worker's PIA :

- 150 percent of the first \$230 of PIA, plus
- 272 percent of PIA's over \$230 through \$332, plus
- 134 percent of PIA's over \$332 through \$433 plus
- 175 percent of PIA's above \$433.

In the future, the dollar amounts in the formula would be increased based on increases in average wages. This would assure that the current relationship between maximum family benefits and PIA's is maintained.

6. *Transition*

Your committee's bill would provide a transitional provision to protect the benefit rights of people who are now approaching retirement and whose retirement plans have taken social security benefits into account.

Under your committee's bill, the transitional provision would "guarantee" that a worker (and his dependents or survivors) who first becomes eligible for retirement benefits within 10 years after the effective date would get an initial benefit that would be the higher of :

1. The benefit derived under the new, wage-indexing formula ;

or

2. The benefit based on the present law benefit as it is in the law on the effective date of the revised system—January 1979.

For purposes of the guarantee, the January 1979 benefit table would not be subject to future automatic benefit increases, but all individual benefits would be subject to all benefit increases becoming effective beginning with age 62. Earnings after age 61 would not be used under the guaranteed benefit computation. With the passage of time, benefits under the wage-indexing system would rise beyond the levels generally payable under the guarantee, since annual wage increases would be reflected in higher AIME and in the adjustments in the benefit formula each year while the guaranteed benefit amounts would remain constant in the future. As a result, the proportion of new retirees that would receive higher benefits under the guarantee would decrease with each passing year.

As shown below, it is estimated that the percent of new retirees eligible for guarantee benefits each year that would receive such benefits would decline from about 43 percent in 1979 to about 2 percent in 1988.

¹ The amount on which all benefits are based.

Percent of new retirees who become eligible for benefits during transitional period and who would get benefits under guarantee

Year :	Percent
1979 -----	43
1980 -----	33
1981 -----	18
1982 -----	18
1983 -----	8
1984 -----	4
1985 -----	3
1986 -----	2
1987 -----	2
1988 -----	2

The committee's bill would not provide a transition for death and disability cases since benefits in such cases are, under present law, often significantly higher than in retirement cases—a situation which, as discussed in the following section, your committee does not believe should be perpetuated.

7. Disability and death cases

The exclusion of disability and death cases from the transitional guarantee under the bill reflects your committee's concern that benefits in cases where the worker becomes disabled or dies while young may be significantly higher than benefits in retirement cases. This situation occurs because benefits in early disability or death cases are based on earnings averaged over a period as short as 2 years while earnings in retirement cases are averaged over a longer period. For example, benefits for those retiring at age 65 in 1979 will be based on earnings averaged over 20 years. As a result, a younger disabled worker and his family, or the survivors of a worker who died while young, can get higher benefits than the retired worker with the same earnings over the last several years, even though the retired worker worked in covered employment and paid social security taxes over a much longer period. In addition to this problem of the difference in treatment of younger as compared to older workers, your committee is concerned that the high benefits payable in early disability cases can act as a disincentive for disabled workers to return to work or to seek vocational rehabilitation.

Your committee's bill would very substantially reduce—and in some cases eliminate—the higher early disability and death benefit levels that are possible under present law. This effect is due to the fact that wage-indexing brings all earnings up to date, and the length of the computation period becomes less material.

8. Treatment of earnings after age 62 or disability

Under your committee's bill, earnings subsequent to the year of first eligibility (age 62) or onset of disability would be counted at actual dollar value (that is, they would not be indexed) and substituted for earlier years of indexed earnings in the initial computation or recomputation if they would increase a worker's AIME and his PIA. These provisions are similar to those under present law. However, since past earnings would be higher after wage indexing than under present law, earnings after age 62 would, on the average, have substantially less effect in increasing benefit amounts than under present law. Your committee, recognizing that this effect, like the effect of

indexing earnings to age 62, may work to reduce incentives for remaining in the labor force, has provided for a substantial increase in the delayed retirement credit (discussed below) in order to increase the incentives for people to continue working past age 65.

Special rules would apply in the case of earnings after age 61 during the transitional period. Workers who are eligible for benefits under the transitional guarantee (because they reach age 62 in the period from 1979 through 1988) could have earnings after age 61 included only under the wage-indexing computation. Earnings after age 61 cannot be included in the computation of guarantee benefits. (Workers age 62 or disabled before 1979 would continue to have their benefits computed and recomputed under the provisions of present law even if they work in covered employment after 1976.)

9. Increase in the delay of retirement credit

Under present law, a person who continues working and delays retirement beyond age 65 gets a delayed retirement credit of one-twelfth of 1 percent of his benefit for each month (1 percent a year) he does not receive a benefit from age 65 and up to the month he reaches age 72.

To provide incentives for workers to remain in the labor force, your committee's bill would provide for an increase in the delayed retirement credit to one-fourth of 1 percent for each month (3 percent per year).

The increased delayed retirement credit would be provided for months after 1981 for workers whose benefits are computed under the new wage-indexed system or under the 10-year transitional guarantee. (Workers whose benefits are computed or recomputed under present law would continue to receive the 1-percent delayed retirement credit.) In 1983, the first year increased benefits reflecting the 3-percent delayed retirement credit would be payable based on credits provided for 1982, 100,000 people would get higher benefits, and \$15 million in additional payments would be made as a result of this provision.

10. Treatment of earnings before 1951

Under your committee's bill, earnings before 1951 would not be indexed and could not be used in computing benefits under the new wage-indexing system. Instead, the present-law computation method that applies in the case of pre-1951 earnings would be used; this present-law computation provides for an "empirical" method of allocating pre-1951 earnings. Because earnings in the period 1937-51 are not kept on machine records, the empirical method was devised to simplify the computation of benefits for workers who had earnings before 1951 by eliminating the time-consuming manual computations that would otherwise have to be done. In general, under the empirical method, total earnings in the period from 1937 up to 1951 are allocated equally to each of the years prior to 1951 that are used to determine the worker's average earnings on which his benefit is based. For all practical purposes, the use of pre-1951 earnings in benefit computations would wash out in 1991—when a worker who was age 22 in 1951 reaches age 62. The old start computation is currently used for about 10 percent of new retired worker beneficiaries.

Under your committee's bill the "empirical" computation method provided under present law would continue to be used in the case of

pre-1951 earnings. Further, the "empirical" method would be extended to apply to cases involving workers who reach age 21 after 1936¹ and before 1951, since it would represent an administrative simplification. Over the next few years, an increasing proportion of computations using pre-1951 earnings will involve workers age 21 after 1936—people reaching age 62 in 1978 and later attained age 21 after 1936.

11. Freeze the minimum benefit

Your committee's bill provides that the initial minimum PIA of future beneficiaries would be frozen at an amount equal to the minimum PIA in effect in January 1979 (now estimated at about \$120.60), rounded up to the next higher dollar. After the worker reaches age 62, becomes disabled, or dies, benefits based on the minimum PIA would be updated to CPI increases, as under present law.

The present minimum age-65 benefit amount is \$114.30, and this amount, like other age-65 benefit amounts, is automatically increased for current and future beneficiaries as the cost of living (as measured by the Consumer Price Index) rises. About 3.2 million beneficiaries are receiving benefits based on the minimum, and currently about 10 percent of benefit awards to retired workers are based on the minimum. The minimum benefit of \$114.30 is payable on average monthly earnings of \$76 or less. It equals 1½ times \$76 and about 28½ times the lowest average monthly earnings possible. To many, the minimum benefit represents an identifiable welfare aspect of the social security program.

In the past, the minimum has been increased more rapidly than benefit amounts generally, reflecting the view held widely in the past that people receiving the minimum were among the poorest beneficiaries and were most in need of higher benefits. Over the period 1940-77, the minimum was increased tenfold, while benefit amounts above the minimum have increased about fivefold.

Increasingly, the minimum benefit is being paid to people who did not, during their working years, rely on their covered earnings as a primary source of support. Such people include, for example, workers whose primary work was in noncovered employment subject to a staff retirement system—such as Federal civilian employees. As of December 1975, about 45 percent of civil service retirement annuitants were receiving social security benefits—more than a quarter of whom were receiving the minimum. The median monthly civil service annuity for all those getting social security benefits was about \$390, while for those receiving the minimum benefit, it was over \$480.

Other people for whom the minimum does not represent a primary source of support include those with marginal labor-force attachment because they were primarily dependent on someone else. (About 46 percent of women entitled to both a benefit on their husbands' earnings and a primary benefit based on their own earnings receive the minimum benefit based on their own earnings.) Less than 25 percent of all workers who first became entitled to the minimum in 1970 had more than 9 years in covered employment since 1950, and slightly more than one-fifth had earned over \$1,800 in any year since 1950.

¹ Under present law the "empirical" formula applies to people who reached age 21 before 1937.

Because of the characteristics of people getting the minimum, it has been characterized as being a "windfall" to people who have not worked regularly under the program. Criticism of the windfall aspect of the minimum has, however, been growing, because the minimum is increasingly going to people who were not primarily dependent on earnings from covered employment.

In general, low-paid workers who worked regularly under the social security program would not be disadvantaged if the minimum were frozen. A regular worker retiring this year with lifetime earnings equal to the prevailing Federal minimum wage each year would get benefits substantially higher than the minimum—\$233.50 as compared with \$114.30. Even a person who worked regularly at half of the prevailing Federal minimum wage would get more than the minimum—\$169.30. Also the special minimum benefit provision for long-term, low-income workers is liberalized by this legislation as noted in the next section of this report.

Freezing the minimum emphasizes that the supplemental security income (SSI) program is an appropriate source of income for needy aged, blind, or disabled people. Those social security beneficiaries who qualify for the relatively lower minimum in the future who are needy could receive SSI to a greater extent at age 65 and after than is true today. The committee believes that this is a more efficient and appropriate method of dealing with the problem of poverty for those who have only a marginal attachment to work covered by social security. Your committee also recognizes that SSI payments are not provided for nondisabled people under age 65 but does not believe that freezing the minimum for people under age 65 would impose an undue hardship. Freezing the minimum would avoid the sharp drop in benefit amounts involved in the elimination of the minimum and would involve similar, though more gradual, reductions in future benefits for people with very low average earnings under social security.

Social security costs would be reduced by about 0.09 percent of taxable payroll over the long range as a result of freezing the minimum benefit amount. Some 150,000 people would receive lower benefits than under present law, and benefit payments would be reduced by \$7 million during the first year.

12. Increase in the special minimum benefit

Under your committee's bill, the special minimum benefit, that is provided for long-term, low-paid workers would be (1) increased to take account of price increases since it was last adjusted and (2) kept up to date with future increases in the Consumer Price Index (CPI) for both present and future beneficiaries.

Present law provides a special minimum benefit of up to \$180 a month for a worker with 30 years of creditable covered earnings and \$270 for a couple. Your committee's bill would increase these benefit amounts to \$230 for an individual and \$345 for a couple, effective for January 1979, with automatic increases thereafter. The special minimum is calculated by multiplying \$9 times the number of years of coverage a worker has in excess of 10 and up to 30—for a maximum multiplier of 20—and under the bill the \$9 figure would be increased to \$11.50. Generally, a "year of coverage" under present law and

your committee's bill is a year in which a person has earnings at least as high as one-quarter of the contribution and benefit base (\$4,125 in 1977) in effect for the year and this amount would rise with average wages in the future. In 1979, when the provision takes effect, the special minimum will generally be payable only to low-paid workers with 22 or more years of coverage.

Unlike the regular minimum benefit which, increasingly, may represent a "windfall" for people who did not work regularly under social security, people who get special minimum benefits are ordinarily workers with significant attachment to the covered work force but with very low earnings. The purpose of the special minimum benefit is to provide a reasonably adequate benefit for long-term, low-paid workers under social security without incurring the high costs (and windfalls) that could result from a large increase in the regular minimum benefit or from other possible general benefit adjustments.

The special minimum provision was enacted in 1972, at the same time that the SSI program was enacted, and was designed to help reduce the extent to which long-term, low-paid workers under social security would have to turn to a welfare program to supplement their income. At that time, and in 1973 when the special minimum was last adjusted, there were no provisions for automatic adjustments in SSI payment levels and no provision was made for cost-of-living increases in the special minimum. (Automatic cost-of-living increases in SSI payment standards—currently \$177.80 for an individual and \$266.70 for a couple—began in 1975.) Since 1973 the number of people drawing benefits based on the special minimum has declined from 217,000 to less than 400 in July 1977.

Your committee believes that if the special minimum is to fulfill its intended purpose, it must be kept up to date in the future. Thus, the bill would provide that the special minimum benefit would be made inflation proof for future beneficiaries by automatically increasing it according to increases in the cost of living. Further, once on the social security rolls, special minimum beneficiaries would receive automatic cost-of-living increases in their special minimum benefits.

It is estimated that 220,000 people would become eligible for increased benefits under this provision and \$14 in additional benefits would be paid in the first full year. Social Security program costs would be increased by about 0.1 percent of taxable payroll over the long range.

C. COVERAGE

Your committee's bill would extend mandatory social security coverage to some 6 million jobs in Federal civilian, State and local, and nonprofit organization employment. As a result, the social security program would cover about 97 percent of all jobs.

The social security program now covers about 90 percent of the jobs in paid employment. The largest group of jobs excluded from social security coverage is about 5.7 million jobs in public employment, most of which are covered under public staff-retirement systems. (About 2.4 million jobs out of 2.7 million jobs in Federal civilian employment are excluded from coverage. Out of 12.3 million jobs in State and local employment, about 3 million jobs are not covered but could be covered if the States elected coverage for these employees and 0.3 million

jobs are excluded from coverage.) In addition, some 210,000 jobs in employment for nonprofit organizations are not covered but could be covered if the nonprofit organizations elected to cover their employees. Most of the other jobs not covered represent irregular or part-time work.

Your committee notes that in extending coverage under the bill to Federal and State and local employment, some categories of such employment which are now specifically excluded from coverage by law such as services performed by inmates of Federal and State and local prisons, services performed by temporary, emergency workers, and services by student employees of Federal hospitals would no longer be excluded. Whether coverage should be extended to these specially excepted groups is a complex question which your Commission has not been able to resolve in the time available. However, since under the bill coverage would not be extended to Federal civilian, State and local, and nonprofit organization employment until 1982, your Committee will have time to closely examine the issues and recommend any changes in the coverage extension it believes appropriate.

The following specific coverage groups are added.

1. Federal civilian employees

Your committee's bill would extend social security coverage to the approximately 2.4 million Federal civilian employees now excluded. Most of these employees are covered under the civil service retirement (CSR) system; the remainder are covered largely under other staff retirement systems. The Social Security Act of 1935 excluded from coverage all civilian employment for the Federal Government or for an instrumentality of the United States. At that time, the Federal CSR system, which covered most Federal civilian employment, had been in existence for 15 years and there seemed to be no need for Federal employees to be covered under two retirement systems.

The Social Security Amendments of 1950, as part of a major expansion of the social security program, covered civilian employees of the Federal Government who were not covered under any Federal retirement system. (These employees were short-term Federal employees who were considered likely to shift between Federal and private employment.) The 1950 amendments specifically excluded from coverage services performed for the Federal Government by the President, the Vice President, Members of Congress, legislative employees of the Congress, inmates of Federal penal institutions, certain student employees of Federal hospitals, and temporary, emergency employees.

Your committee has been concerned for many years because the exclusion of most civilian employees of the Federal Government from social security coverage has resulted in two major problems, related mainly to the large number of workers who shift between Federal employment and work covered under social security. The first problem is that there are gaps in protection of workers who have worked both under the CRS system and social security; some employees only qualify for benefits under one system so that their benefits are not based on their lifetime earnings and contributions to both systems, while other employees fail to get benefits under either system. The second problem is that many employees who have worked under both systems are able to qualify for social security benefits by working for relatively

short periods in jobs covered under social security, and to also qualify for substantial CSR benefits.

These social security benefits generally are based on substantially less than a full lifetime of covered work and are heavily weighted and represent a very high return on the employee's contributions. This situation is unfair to all workers covered under social security and to their employers, who must bear the cost of the windfall benefits payable to Federal employees.

Over the years many studies of this situation have been made by the executive agencies that have responsibility for administering the social security and CSR systems and various proposals to remedy the situation have been considered. Your committee directed that such studies be made in 1960, 1965, and 1972. None of the proposals advanced has proved acceptable to all concerned. Most recently, the 1975 Advisory Council on Social Security recommended that the social security system be made applicable to virtually all gainful employment and that the Congress should develop immediately ways of achieving this.

Your committee believes that the best way to eliminate the problems that now occur because Federal civilian employment is not covered under social security would be to extend coverage to Federal civilian employees. It is recognized that the complex issue of how the CSR system (and other Federal staff-retirement systems) should be modified to take account of the social security coverage should be resolved before the coverage is made effective. Any modification to the Civil Service Retirement Act will have to be approved by the Committee on Post Office and Civil Service. Thus your committee has delayed the effective date until January 1982.

In addition, the bill provides for a comprehensive study of methods for coordinating the social security system and the civil service retirement system. The study, to be completed not later than January 1, 1980, would be made by the Secretary of Health, Education, and Welfare in consultation with the Civil Service Commission. The Secretary would be directed to present to Congress a specific and detailed plan for the coordination of the two systems. The plan would be expected to provide Federal employees and their families with the best possible combination of retirement, dependents, survivors, disability and health benefits under the two systems at the lowest possible cost consistent with the solvency of the systems. The Secretary is directed to include in the plan benefit provisions and other features to assure that Federal employees would not be placed at a disadvantage either in the coverage protection or in the contributions required of them by the integration of the systems. The date for completion of the study would allow 2 years before the integration takes place for the relevant committees of Congress to act on the plan.

2. State and local employees

Under present law, social security coverage for State and local employees is generally available only on a group basis through voluntary agreements between the States and the Secretary of Health, Education, and Welfare. Coverage for a group of State and local employees can be terminated after 2 years' advance notice by the State if the group has been covered under social security for 5 years at the time notice is given, or by the Secretary at any time if he finds that the State has

failed or is unable legally to comply with the terms of the agreement and 2 years' advance notice is given.

Your committee is concerned that, because many State and local employees are not covered currently under social security and those who are covered may have their coverage terminated, inequities in benefit protection have arisen, especially for workers who move between covered and noncovered jobs. In some cases such workers qualify for staff-retirement benefits but do not have enough coverage under social security to qualify for social security benefits and therefore their benefits in retirement do not reflect their lifetime earnings. In other cases such workers qualify for substantial staff-retirement benefits and also for relatively low, heavily weighted (windfall) social security benefits that represent a very high return on the worker's social security contributions. Payment of windfall social security benefits to State and local employees is financially disadvantageous to the social security trust funds and is unfair to other workers, who are covered compulsorily under the social security program.

Your committee is also aware that the provisions in present law not only provide special treatment for State and local employees in general, but also provide special treatment for particular kinds of State and local employees. For example, State and local employees compensated wholly on a fee basis and employees of certain transportation systems acquired by State and political subdivisions from private ownership are covered compulsorily under social security. On the other hand, some State and local employment is excluded from social security coverage: services of employees who are hired to relieve them from unemployment, services in a hospital or other institution by a patient or inmate, and services performed on a temporary basis in the event of an emergency.

Further, certain services performed by employees in a group for which coverage is provided may be excluded at the option of the State: services in elective, part-time, or fee-basis positions and services performed by election workers or officials who are paid less than \$50 in a calendar quarter. In addition, a number of provisions which apply only to employees in certain named States, or only to certain employees in a named State, have been enacted from time to time. Your committee believes that provisions for special treatment for certain State and local employees are unfair to other State and local employees and complicate administration of the social security program.

The 1975 Advisory Council on Social Security studied major areas of employment not covered under social security (including State and local employment) and urged that these areas be covered compulsorily. Also, in April 1976 your committee held hearings to explore the issues relating to the social security coverage and termination of coverage of employees of State and local governments. During the hearings a number of approaches to solving the problems that arise under the present State and local coverage provisions were discussed; compulsory coverage is the most satisfactory approach to those problems.

Compulsory coverage of State and local employment would fill the gaps in protection of those who move between noncovered State and local employment and work covered under social security. Contributions and benefits provided under staff-retirement systems for groups

not now covered under social security could be adjusted to take account of social security coverage and contributions. Coordinated coverage under social security and a staff-retirement system would assure that benefits under both systems would be reasonably related to a worker's lifetime earnings and contributions.

Some have argued that under recent opinions of the Supreme Court it would be unconstitutional to provide for mandatory taxation of the States and localities as employers. However, recent decisions have been limited to the commerce power and there is no controlling opinion on the exercise of the general welfare and taxation power. Your committee believes that there is a compelling national interest in universal coverage linked to the solvency of the social security system which is sufficient to sustain this legislation.

Your committee's bill would provide compulsory social security coverage effective January 1, 1982, for all State and local employees (including employees of Guam, American Samoa, and the District of Columbia) who are not covered compulsorily under present law.

The bill would also provide that coverage could not be terminated for a group of State and local employees unless the required 2 years' advance notice was filed before September 14, 1977. This would prevent terminations after September 1979; State and local employees whose coverage had been terminated would also be covered effective January 1, 1982.

Your committee bill also contains a number of provisions affecting coverage for State and local employees in particular States.

3. Employees of nonprofit organizations

Under present law, work performed for nonprofit religious, charitable, educational, or other tax-exempt organizations specified in section 501(c)(3) of the Internal Revenue Code is excluded from compulsory coverage under the Social Security Act. The exclusion was enacted because it was believed that taxation of the organizations under the Federal Insurance Contributions Act would endanger the traditional tax-exempt status of the organizations. Work performed for other nonprofit organizations, listed in section 501(c) of the Code, is covered compulsorily.

Social security coverage is available to employees of an organization described in section 501(c)(3) of the Code if the organization files with the Internal Revenue Service a certificate expressing its desire to have the coverage extended to its employees. Current employees of such an organization have a choice of whether or not they want to be covered under social security; future employees of such an organization are covered compulsorily. Under the present provisions, 90 percent of all employees of these organizations are covered under social security. Under the bill, work performed for an organization specified in section 501(c)(3) of the Code would be covered compulsorily under social security beginning January 1, 1982.

Your committee believes that the basis used in the past for excluding these nonprofit organizations from social security taxation is no longer valid and that compulsory coverage under social security would solve the problems, such as those discussed earlier with respect to State and local coverage, that result because some employees are not covered currently under social security and those who are covered may have

their coverage terminated. Compulsory coverage would prevent gaps in the protection of employees who have divided their working lifetimes between covered and noncovered employment, and would prevent employees whose major employment is not covered or is terminated from qualifying for windfall social security benefits by working for relatively short periods in covered jobs. Also, some organizations have reported their employees' wages for social security purposes and have paid social security taxes without filing the required certificate. Such organizations have filed for refunds of the erroneously paid taxes, and some employees who were relying on the social security protection were no longer covered. Although Public Law 94-563, enacted October 19, 1976, was designed to prevent the loss of social security coverage in these situations, compulsory coverage would eliminate the complex provisions and problems that now apply.

Under present law, an organization which filed a certificate can terminate coverage of its employees by giving 2 years' advance notice of the termination provided coverage has been in effect for at least 8 years. Also, the coverage can be terminated by the Secretary of the Treasury, with concurrence of the Secretary of Health, Education, and Welfare, at any time if he finds that an organization has failed to or is unable to comply with the law and 60 days' notice of the termination is given. Under the bill, no termination would be allowed before compulsory coverage was effective unless the notice to terminate was given on or before September 13, 1977. The bar to future terminations would prohibit nonprofit organizations from terminating social security coverage of their employees in order to avoid paying social security taxes for a period before compulsory coverage was effective.

4. Quarter-of-coverage provision for Federal, State and local service, and service for nonprofit organizations performed prior to effective date of coverage

Your committee is concerned over possible disadvantages arising out of the late entry into social security coverage of Federal civilian and State and local employees and employees of nonprofit organizations. If no special provision is made for these employees, many who retire, become disabled, or die within a few years of the time social security coverage is extended will not have worked long enough to qualify for social security benefits for themselves or their families even though they (and their employers) may have paid substantial social security contributions. Under social security law, in order to be insured for retirement and survivors benefits, an individual generally needs as many quarters of coverage (but no more than 40) as the number of years elapsing after 1950 (or age 21, if later) and up to the year of attainment of age 62 or death. In addition, a person is insured for survivors benefits if he has at least 6 quarters of coverage in the 13-quarter period ending with the quarter in which he died. In order to qualify for social security disability benefits, an individual needs as many quarters of coverage as the number of years elapsing after 1950 (or age 21, if later) and up to the year he becomes disabled. In addition, if he becomes disabled at age 31 or older he must have 20 quarters of coverage (5 years) in the 40-quarter period ending with the quarter in which he becomes disabled. Thus, for example, a Federal civilian employee who was 57 years old in 1982, when social

security coverage became effective, and who retired in 1985 at age 60, would have earned at most 16 quarters of coverage from his Federal employment—not enough to qualify for social security disability or retirement benefits.

In recognition of this problem, your committee's bill would provide that any employee in covered Federal, State and local, or nonprofit employment on or after January 1, 1982 (who also performed service as an employee in such employment before 1982), would be granted credits for quarters of coverage, but not for earnings for benefit computation purposes, with respect to such employment before 1982, provided the employee earned at least 6 quarters of coverage from such employment after December 31, 1981.

5. Totalization Agreements

Under present law, there is no authority in the Social Security Act for entering into agreements with other countries to provide for coordination between the social security systems of the United States and of other countries. Your committee is concerned that because there is no coordination between the U.S. social security system and foreign social security systems, two serious problems occur.

First, the work of many U.S. citizens employed by U.S. employers in foreign countries is subject to the social security taxes of the United States and is also subject to the social security taxes of the foreign country. Not only are the tax payments to foreign systems generally higher than in the United States but frequently American workers get little if any, return for the taxes they and their employers pay to the foreign systems because social security eligibility requirements are usually stricter under foreign systems.

Second, many U.S. citizens who divide their working careers between work covered under the U.S. social security system and work covered under a foreign social security system suffer a loss of continuity in their social security coverage. Some who work abroad for a number of years and have periods of coverage under two or more social security systems may not qualify for benefits under one or more countries when they retire, become disabled, or die. (For example, American workers who work abroad for a number of years may lose their U.S. security disability protection because to be insured for disability benefits they must generally have substantial recent covered work covered by the U.S. system.) Others may qualify for social security benefits but the social security benefits they receive are not related to their work lifetimes since not all their credits can be taken into account.

Your committee's bill would help solve these problems by authorizing the President to enter into bilateral agreements (of a kind generally known as totalization agreements) with foreign countries to provide for limited coordination between this country's social security system and those of other countries. Each agreement would be submitted to the Congress and could not go into effect until 90 days (in which the Congress has been in session) after the agreement had been submitted.

A totalization agreement would eliminate dual coverage and dual employee and employer social security taxes for the same work. An agreement could also provide that each country would take into

account a worker's total work and earnings in both countries for purposes of determining eligibility for and the amount of benefits. Each country would pay only a part of the totalized benefit; the amount of the benefits paid would be the proportion of the totalized benefit which is attributable to the covered work performed in the paying country. The United States would not pay a totalized benefit to a worker who had less than 6 quarters of coverage under the U.S. system. While totalization would improve protection for people who worked in both countries, in a large proportion of cases of the worker is insured based on his U.S. work alone, his regular social security benefits would be higher than his totalized benefit.

Totalization agreements (which are common among European countries) have an advantage over other approaches to coordination in that the agreements are designed to allow each cooperating country to carry out its responsibilities virtually independently. The countries would exchange information on covered earnings and earnings credits and provide other administrative assistance, but otherwise each country would make its determinations and computations independently and would pay benefits directly, without any need for an interchange of funds or balancing of amounts paid as benefits.

A number of countries, including Italy, West Germany, Switzerland, Canada, France, and Japan, have approached the United States about the possibility of concluding social security totalization agreements, and the Social Security Administration has had technical discussions with representatives of each of these countries except Japan. A draft totalization agreement between the United States and Italy was signed in 1973 and a draft totalization agreement between the United States and West Germany was signed in 1976, to signify only that the countries accepted the text of the agreement for purposes of seeking the approval of their national legislatures. Both Italy and Germany have enacted the agreement with the United States into their laws. The agreements cannot become effective until they are authorized for the United States as provided in the bill. Thus, the agreements with Italy and West Germany would have to be submitted to the Congress after enactment and await the 90 day review period before they could become effective.

6. Exclusion of limited partnership income

Under present law each partner's share of partnership income is includable in his net earnings from self-employment for social security purposes, irrespective of the nature of his membership in the partnership. Under the bill the distributive share of income or loss received by a limited partner from the trade or business of a limited partnership would be excluded from social security coverage. However, the exclusion from coverage would not extend to guaranteed payments (as described in section 707(c) of the Internal Revenue Code), such as salary and professional fees, received for services actually performed by the limited partner for the partnership. Distributive shares received as a general partner would continue to be covered. Also, if a person is both a limited partner and a general partner in the same partnership, the distributive share received as a general partner would continue to be covered under present law.

Your committee has become increasingly concerned about situations in which certain business organizations solicit investments in limited

partnerships as a means for an investor to become insured for social security benefits. In these situations the investor in the limited partnership performs no services for the partnership and the social security coverage which results is, in fact, based on income from an investment. This situation is of course inconsistent with the basic principle of the social security program that benefits are designed to partially replace lost earnings from work.

These advertisements and solicitations are directed mainly toward public employees whose employment is covered by public retirement systems and not by social security. Also, these advertisements frequently emphasize the point that those who invest an amount sufficient to realize an annual net income of \$400 or more (the minimum amount needed to receive social security credit in a year) will eventually gain a high return on their social security contributions. Many of those who invest in limited partnerships will qualify for minimum benefits, which are heavily weighted for the purpose of giving added protection for people who have worked under social security for many years with low earnings. The cost of paying these heavily weighted benefits to limited partners must, of course, be borne by all persons covered by the social security program. The advertising injures the social security program in the public view and causes resentment on the part of the vast majority of workers whose employment is compulsorily covered under social security, as well as those people without work income who would like to be able to become insured under the social security program but cannot afford to invest in limited partnerships.

7. Social security employer taxes on tips when deemed as wages for the Federal minimum wage

Under the Fair Labor Standards Act of 1938, an employer can pay an employee less than the Federal minimum wage by an amount equal to the tips received by the employee but not by more than 50 percent of the minimum wage. Since employers are exempt from paying the employers' share of social security taxes on tips received by their employees, employers do not pay this tax on the amounts of tips deemed to be wages for purposes of the Federal minimum wage. Under the bill, liability for the employers' share of social security taxes would be extended to any tips deemed to be wages under the Fair Labor Standards Act. Your committee believes that these employers should not receive an advantage over other employers whose employees do not receive tips, and who must pay the employers' share of the social security tax on the full amount of the minimum wage.

8. Clergymen

Under present law, the services which a clergyman (including a Christian Science practitioner) or member of a religious order who has not taken a vow of poverty[] performs in the exercise of his ministry are covered as self-employment for social security purposes beginning with 1968 unless he obtains an exemption from social security taxes (and coverage) by filing within a prescribed period (under section 1402(e) of the Internal Revenue Code of 1954) an application for exemption, together with a statement that he is conscientiously opposed to the acceptance (with respect to his services as a clergyman) of any public insurance such as social security. Any exemption received under present law is irrevocable.

Your committee's bill would permit a clergyman to revoke his exemption if application for such revocation was filed before he became entitled to social security retirement or disability benefits and no later than the due date of a Federal income tax return for his first taxable year beginning after the date of enactment of this bill. However, once revocation was made, he could not again file an application for exemption. Social security coverage for a clergyman who revoked his exemption would begin with his first taxable year ending on or after enactment or beginning after enactment (whichever is specified in the application) and would be effective for social security benefits payable for months in or after the calendar year in which the application is filed.

9. *Other State and local changes*

a. Validation of coverage for policemen and firemen in Illinois

Under present law, social security coverage is available, in certain jurisdictions specifically named in the law, to policemen and firemen who are in positions covered under a State or local retirement system on much the same basis as to other State and local government employees who are covered under retirement systems.

In the States not named in the law, policemen in positions under a retirement system cannot be covered. However, firemen in these States who are under a retirement system can be covered if special conditions in the Federal law are met. The Governor of the State must certify that the overall benefit protection of the group of firemen would be improved by extension of social security to the group; the coverage can then be extended by means of a referendum in which only firemen may vote.

Illinois is not one of the States listed in the law in which social security coverage may be extended to policemen and firemen who are in positions under a retirement system, nor has it taken the required action to cover firemen in such positions. However, for a number of years, Illinois has been reporting as covered under social security the earnings of some policemen and firemen who are covered under the Illinois Municipal Retirement Fund (IMRF).

Your committee's bill would deem services performed prior to December 31, 1977, by policemen and firemen in Illinois covered under the IMRF to be covered under social security if social security contributions had been timely paid with respect to the services and either there has been no refund of the contributions or such refund is repaid within 90 days of enactment. The erroneous coverage would not be validated for the services of policemen and firemen employed by a political subdivision which indicated that it did not wish such coverage to be validated.

b. Coverage of policemen and firemen in Mississippi

The bill would make applicable to the State of Mississippi the provision in the Social Security Act which makes social security coverage available, in certain jurisdictions specifically named in the law, to policemen and firemen who are in positions covered under a State or local retirement system, on much the same basis as to other persons under retirement systems. Under present law, the provision applies to 21 States, Puerto Rico, and to all interstate instrumentalities.

In Mississippi, and in other States not named in the law, social security coverage is not available to policemen who are in positions covered under a State or local retirement system. It is available for firemen under a retirement system in these States, but only if special conditions set forth in the Federal law are met. The Governor of the State must certify that the overall benefit protection of the group of firemen which would be brought under coverage would be improved by reason of the extension of coverage to the group, and coverage can be extended only by means of a referendum in which only firemen may vote. Your committee's bill would add Mississippi to the list of States which may make social security coverage available to policemen and firemen who are covered under a State or local retirement system.

c. Coverage of State and Local Employees in New Jersey Under the Divided Retirement System Procedure

The bill would make applicable to the State of New Jersey the provision in the Social Security Act which makes social security coverage available, in certain jurisdictions specifically named in the law, under the divided retirement system procedure. Under present law, social security coverage for employees of the States and their political subdivisions is available only through agreements between the Secretary of Health, Education, and Welfare and the individual States. Each State decides what groups of eligible employees will be covered, subject to provisions in the Federal law which assure retirement system members a voice in any decision to cover them under social security. Federal law provides two methods for covering members of State and local government retirement systems. Under the first method, the referendum procedure which is available to all States, coverage is extended to all present and future employees who are in positions under a retirement system if a majority of the eligible employees approve such coverage in a referendum vote.

Under the other method, the "divided retirement system" procedure, which is now applicable to 20 States specifically listed in the law and all interstate instrumentalities, coverage may be extended to only those present employees in positions under a retirement system who desire it, with all employees who subsequently enter or reenter positions under the retirement system being coverage automatically. Your committee's bill would add New Jersey to the list of States which may use the divided retirement system procedure.

Even though your committee is extending mandatory coverage to State and local employees in the future, this provision has been included in the bill to make it possible for those employees in New Jersey who wish to come in to the system to do so at an earlier time.

d. Coverage of employees under Wisconsin retirement system

Social security coverage for employees of the States and their political subdivisions in positions not under a retirement system was made available by legislation enacted in 1950 through agreements entered into between the Secretary of Health, Education, and Welfare and the individual States. In 1953, the Social Security Act was amended to provide that the agreement with the State of Wisconsin could be modified to apply to service performed by all employees in positions covered by the Wisconsin Retirement Fund.

Subsequent amendments to the Social Security Act enabled all States to provide coverage for employees of a State or political subdivision in positions under a retirement system, by either of two methods. Under one method, applicable to all States, coverage is extended to all present and future members of a retirement system if a majority of the eligible employees approve such coverage in a referendum vote. Under the other method, which is applicable to certain specified States, including Wisconsin, coverage may be extended to only those current members of a retirement system who desire it, with all future members of the retirement system being covered compulsorily.

The State of Wisconsin, using the exception enacted in 1953, provided coverage for employees in all positions under the Wisconsin Retirement Fund but utilized the special referendum procedure in providing coverage for the Milwaukee Teachers Retirement System and the State Teachers Retirement System. The State now proposes to merge the three retirement systems; the successor system would be known as the Wisconsin Retirement System.

Your committee's bill would provide that the special provision of the Social Security Act that pertains to the Wisconsin Retirement Fund would apply to any successor of that Fund. This change would assure continued social security protection for members of the Wisconsin Retirement System, that future members of the System would be covered under social security, and that a referendum would not be necessary each time a new group becomes a participant in the System.

D. EQUAL TREATMENT OF MEN AND WOMEN

1. *Equal rights*

The social security law contains a number of relatively minor provisions that are different for men and women. Your committee believes that these provisions should be changed to eliminate the gender-based distinctions and terminology and provide the same rights for men and women. To accomplish this it has included in its bill the following provisions, most of which have negligible costs. With the exceptions indicated below, these provisions would be effective with respect to benefits for months after December 1977.

a. *Father's benefits*

Benefits are provided by the present statute for a woman who has in her care a minor or disabled child (entitled to child's benefits) of her retired, disabled, or deceased husband, or deceased former husband. By virtue of a 1975 Supreme Court decision in *Weinberger v. Wiesenfeld* benefits are also provided for a similarly situated widowed father. (In *Wiesenfeld*, the Court ruled that benefits must be provided for a widower with an entitled child in his care on the same basis as they are provided for a widow with an entitled child in her care.) Also under the law, benefits are not provided for a father who has in his care an entitled child of his retired or disabled wife or deceased former wife.

Your committee's bill would provide benefits for men who were not covered by the Supreme Court decision—young husbands of retired or disabled workers, and surviving divorced husbands with an entitled minor or disabled child of the retired, disabled, or deceased worker in

their care. The bill would also change the statute to reflect the Supreme Court decision in *Weinberger v. Wiesenfeld*.

It is estimated that 2,000 husbands or surviving divorced husbands would become newly eligible for benefits or eligible for larger benefits on the effective date. An estimated \$2 million in additional benefits would be paid in the first full year of operation.

b. Benefits for divorced men

Present law provides benefits based on a former spouse's social security earnings record for an aged divorced wife and an aged or disabled surviving divorced wife but not for divorced men in like circumstances. The committee bill would provide such benefits for aged divorced husbands and aged or disabled surviving divorced husbands.

It is estimated that 2,000 people would become newly eligible for benefits or eligible for larger benefits on the effective date. An estimated \$3 million in additional benefits would be paid in the first full year of operation.

c. Remarriage of widowers before age 60

Present law provides that an aged or disabled widow (or surviving divorced wife) may qualify for widow's benefits if she "is not married" when she applies for benefits. For a widower (or surviving divorced husband), on the other hand, the requirement specifies that he may qualify for widower's benefits if he "has not remarried." As a result of this difference, a widower (or surviving divorced husband) cannot ever become entitled to widower's benefits based on his deceased wife's (or deceased former wife's) earnings if he has remarried before age 60, even if he is not married at age 60.

The committee bill would permit a widower (or surviving divorced husband) to obtain benefits based on his deceased wife's (or deceased former wife's) social security if he is not married at the time he applies for widower's benefits, as widows now can. This provision would be effective after December 1977. However, this provision will be superseded when another provision in your committee's bill to eliminate marriage or remarriage as a factor in terminating or reducing benefits becomes effective in 1979.

d. Transitional insured status

A 1965 amendment to the social security law made certain people who attained age 72 before 1969 eligible for benefits based on a shorter time in covered employment than would otherwise be required. Benefits were also provided for certain wives and widows who attained age 72 before 1969, but similar benefits were not provided for husbands or widowers.

Your committee's bill would provide such benefits for husbands and widowers under the same conditions as for wives and widows.

e. Benefits at age 72 for certain uninsured individuals

An amendment to the social security law enacted in 1966 made it possible for certain people who reach age 72 before 1968 to get special monthly cash payments (financed from general revenues) even though they have not worked in jobs covered by social security. The special payments can also be made to people who reach age 72 after 1967 and before 1972 if they have a specified amount of work under social security but not enough to qualify for regular retirement benefits.

When both members of a couple are receiving such payments, the husband receives a full benefit (now \$78.50) and the wife gets a benefit equal to one-half the husband's benefit (now \$39.30).

The committee bill would provide that when both members of a couple are receiving special age-72 payments, the total amount of the payments (\$117.80) to the couple would be divided equally between the two.

f. Benefits of spouses of childhood disability or disabled worker beneficiaries

When a childhood disability beneficiary (a retired, disabled, or deceased worker's child who has been disabled since before age 22) marries another person getting dependent's or survivor's benefits, and when a disabled worker marries a childhood disability beneficiary or a mother, surviving divorced mother, or father, neither's benefits are terminated by reason of the marriage. Subsequent treatment of the spouse's benefits if the childhood disability beneficiary or disabled worker beneficiary has medically recovered or engages in substantial work and has his or her disability benefits terminated varies depending on the sex of the disability beneficiary. If the disability beneficiary is a male, the benefits of his spouse end when his benefits end. If, on the other hand, the disability beneficiary is a female, the benefits of her spouse do not end when her benefits end.

Your committee has approved a change in the law under which this disparity in the rights of men and women would be removed. Specifically, the committee-approved bill provides that the benefits of the spouse of a female disability beneficiary would be terminated if she ceases to be disabled, as is now the case if the disability beneficiary is a male. The termination of benefits of the spouse of the disability beneficiary would be consistent with the treatment under present law accorded other dependent and survivor beneficiaries who remarry. However, under the provisions of the committee bill to eliminate marriage or remarriage as a factor in terminating or reducing benefits, which will take effect later than the equal rights provisions of the bill, spouses of disability beneficiaries whose benefits are terminated under this equal rights provision of the bill will be able to become reentitled to benefits.

g. Benefit rights of illegitimate children

Present law provides that a man's illegitimate child who cannot inherit from him under applicable State law relative to devolution of intestate personal property may nevertheless be deemed to be his child for purposes of receiving social security benefits under certain conditions. Certain of these provisions may also apply with respect to such a child of a woman, but certain others do not.

Since the child may become entitled to benefits on his mother's social security record under other provisions of the law, the lack of exactly the same provisions in the case of mothers has not resulted in a denial of benefits for the child.

Nevertheless, your committee believes that the law should be changed to avoid such a gender-based distinction. Accordingly, the committee bill would provide that an illegitimate child's status for purposes of entitlement to child's insurance benefits will be determined with re-

spect to the child's mother in the same way as it is now determined with respect to the child's father.

In addition, the committee bill would change the social security statute with respect to children of disabled workers to conform to a 1974 Supreme Court decision in *Jimenez v. Weinberger*. That decision provided that certain illegitimate children could get benefits based on a worker's earnings if the relationship and/or living with or support requirements in the law are met at the time the child applies for benefits instead of before the worker becomes disabled, as the statute provides. The committee bill makes a similar change with respect to children of retired workers.

h. Waiver of civil service survivors annuities

Generally, present law provides that if a civil service annuity based in part of military service performed before 1957 is payable to an individual, such service may not be used in determining eligibility for or the amount of such individual's social security benefit. An exception applies to a widow (or child), but not a widower, entitled to a civil service survivor's annuity based in whole or in part on pre-1957 military service. The widow (or child), but not a widower, may waive the right to the civil service survivor's annuity and receive credit for pre-1957 military service for purposes of determining eligibility for or the amount of social security survivor's benefits.

The committee believes that a widower, as well as a widow, should be permitted to waive payment of a civil service annuity attributable to credit for military service performed before 1957 in order to have the military service credited toward eligibility for or the amount of a social security benefit, and has made provision for such in the bill.

i. Crediting of self-employment income in community property States

Present law provides that all income from self-employment in a trade or business owned or operated by a married couple in a State in which community property statutes are in effect be deemed to be the husband's for social security purposes unless the wife exercises substantially all the management and control of the business, in which case all the self-employment income is treated as the wife's. In non-community property States, self-employment income of married couples is credited to the spouse who owns or is predominantly active in the business.

The committee bill would permit self-employment income of a married couple in a community property State to be credited for social security purposes to the spouse who exercises more management and control over the trade or business, with respect to taxable years after 1977. Where the husband and wife exercised the same amount of management and control the self-employment income would be divided equally between both the husband and wife.

2. Elimination of marriage or remarriage as a factor terminating or reducing benefits of certain beneficiaries

Present law provides, in general, that the marriage (or remarriage) of a worker's divorced or surviving spouse, parent, or child prevents or terminates entitlement to benefits based on the worker's social secu-

rity earnings record. For example, a widow who remarries before age 60 cannot get benefits based on her first husband's earnings as long as she is married. If she remarries after age 60, the benefits based on the first husband's social security are reduced or terminated; the widow gets either a wife's benefit based on her first husband's earnings (which is less than the widow's benefit she was getting) or a wife's benefit based on her current husband's earnings (if he is a beneficiary), whichever is higher. Benefits are not payable to divorced spouses and young surviving spouses who are remarried.

Your committee is especially concerned about the effect of these provisions on older surviving spouses (and divorced spouses). Accordingly, your committee has recommended changes in the law which would eliminate marriage or remarriage as a factor affecting entitlement to benefits or benefit amounts. Specifically, under your committee's bill, marriage or remarriage would not bar or terminate entitlement to benefits as a divorced spouse, surviving spouse (including those with an entitled child in their care), parent, or child, and remarriage would not cause any reduction in aged widow's or widower's insurance benefits. Also, the dependent's benefits of a person married to a disabled worker or an adult disabled since childhood would no longer be terminated under provisions of present law. An estimated \$1.4 billion in additional benefits would be paid in the first full calendar year 1980.

The amendments made by your committee would apply with respect to benefits for months after December 1978. People whose dependents' benefits were terminated because of marriage or remarriage (or because of the recovery of a previously disabled spouse) prior to January 1979 may again become entitled to such benefits thereafter upon application for reentitlement.

In the first full year of operation an estimated 670,000 people would be eligible for benefits that they would not get because of the provisions of present law. An estimated \$1.3 billion in additional benefits would be paid in the first full year.

3. Duration-of-marriage requirement for divorced women (and men)

In 1965, the Congress provided benefits for aged divorced wives and aged surviving divorced wives of retired, disabled, or deceased insured workers, subject to a 20-year duration-of-marriage requirement. In providing these benefits, your committee stated that the purpose of doing so was to:

. . . provide protection mainly for women who have spent their lives in marriages that are dissolved when they are far along in years—especially housewives who have not been able to work and earn social security benefit protection of their own—from loss of benefit rights through divorce.

Generally speaking, with a period of marriage considerably shorter than 20 years there is a greater likelihood that a divorced person will either qualify for benefits as a spouse in a second marriage or have earnings and qualify for benefits as a worker under social security. Your committee is concerned, however, that older divorced people married less than 20 years may nevertheless reach old age without any social security protection. Accordingly, your committee's bill would reduce from 20 years to 5 years the length of time a person must

have been married to a worker in order for benefits to be payable to an aged divorced spouse or surviving divorced spouse.

The amendment would be effective with respect to benefits for months after December 1978.

It is estimated that 70,000 people would become newly eligible for benefits or eligible for larger benefits on the effective date. An estimated \$160 million in additional benefits would be paid in the first full calendar year, 1980.

4. Study of proposals to eliminate dependency and sex discrimination

As discussed previously, your committee's bill contains amendments which would make a number of relatively minor social security provisions the same for men and women. However, there are a number of more broad-scale proposals for changing the social security program to take into account the changing role of women in society. Your committee is concerned that the social security program provide adequate protection in terms of the needs of today's society and that women, as well as men, be treated equitably under the program.

Therefore, your committee has directed the Secretary of Health, Education, and Welfare, in consultation with the Task Force on Sex Discrimination in the Department of Justice, to carry out a detailed study of proposals: (1) to eliminate dependency as a requirement for entitlement to social security spouse's benefits, and (2) to bring about the equal treatment of men and women in any and all respects. In conducting this study the Secretary shall take into account the effects of the changing role of women in today's society including such things as: (1) changes in the nature and extent of women's participation in the labor force, (2) the increasing divorce rate, and (3) the economic value of women's work in the home. The study shall include appropriate cost analyses. A full and complete report shall be submitted by the Secretary to the Congress within 6 months after enactment of the bill.

E. IMPROVEMENTS OF THE EARNINGS TEST

The earnings limitation or retirement test for social security beneficiaries continues to bother many Americans who believe that retirees should be encouraged to work rather than discouraged from working. Your committee has provided what it believes is the most liberal amendment possible, consistent with the fiscal condition of the old-age and survivors insurance system.

1. *Annual exempt amount.*—Under present law, if a beneficiary under age 72 earns more than the annual exempt amount (\$3,000 in 1977; more in subsequent years) in a year, \$1 less in benefits is paid for each \$2 of earnings in excess of the \$3,000. However, full benefits are paid, regardless of the amount of annual earnings, for any month in which the beneficiary neither works for wages in excess of the monthly measure (\$250 in 1977; more in later years) nor renders substantial services in self-employment. Under the bill, beginning in 1978, the annual exempt amount would be increased so that a beneficiary age 65 or over (but under age 72) would receive the full amount of his benefits each month if his annual earnings did not exceed \$4,000, and beginning in 1979, such a beneficiary would receive the full amount of his benefits each month if his annual earnings did not exceed \$4,500. Bene-

ficiaries under age 65 would continue to be subject to the annual exempt amount provided under present law. The provisions for the automatic adjustment of the annual exempt amount under present law would not be effective for beneficiaries age 65 or over (but under 72) for either 1978 or 1979.

2. *Monthly earnings test.*—The bill would change the retirement test so as to eliminate, for years after the initial year of retirement, the provision under present law that allows a beneficiary to receive full benefits for any month in which the beneficiary neither works for wages of more than the monthly measure nor renders substantial services in self-employment.

The present test, with a combined annual-monthly measure of earnings, creates an anomaly by permitting the payment of benefits in some situations where payment is difficult to justify. For example, a beneficiary who earns, say, \$20,000 a year and who works regularly throughout the year has all benefits withheld. A beneficiary who earns the same amount, but works only part of the year, say 8 months, can receive benefits for the remaining 4 months. Also, people who customarily work less than a full 12 months each year (for example, in seasonal employment) can, upon reaching the age of eligibility for benefits, receive some social security benefits during the year even though their work patterns have not changed and their annual earnings are substantial.

Your committee's bill would provide that the monthly measure would apply only in the initial year of retirement. This provision would assure that a beneficiary who retires after earning a substantial amount in the year of retirement would get benefits for the months in that year in which the beneficiary actually was retired.

3. *Foreign work test.*—The regular earnings-related retirement test is not a practical test for beneficiaries who work outside the United States in employment that is not covered by social security, primarily because of the wide variations in earnings levels in the many countries in which U.S. social security benefits are payable, the changing values of foreign currencies, and the administrative difficulties that a monthly earnings test would present in dealing with beneficiaries living abroad. For these beneficiaries, benefits are payable in full for any month in which a beneficiary works 6 or fewer calendar days, regardless of how many hours he works in these days and regardless of how much money he earns; he receives no benefits for any month in which he works in 7 or more calendar days.

Unless your committee's bill, benefits would not be payable for any month in which a beneficiary worked in 9 or more calendar days in 1978 and in 12 or more calendar days in 1979. Liberalization of the foreign work test is meant to allow beneficiaries who work outside the United States an increase in their earnings without losing benefits, just as the increased amount of the annual exempt amount for the regular retirement test allows beneficiaries in the United States to earn more without suffering deductions from their benefits.

F. ANNUAL WAGE REPORTING

Public Law 94-202, enacted January 2, 1976, made changes in the law to institute a single annual wage reporting system under which

forms W-2 will be used as the annual reports of wages for both social security and income tax purposes effective with reports of wages paid in 1978. Annual reporting will eliminate the quarterly reporting of a detailed listing of wages paid to each employee covered under social security. Employers will still have to file with the Internal Revenue Service quarterly reports which contain summary wage and tax liability information. State and local employment is excluded from the change to annual reporting.

The annual reporting provisions of Public Law 94-202 made no changes in the provisions of the Social Security Act which deal with the crediting of covered work on a quarterly basis. As a result, employers will have to include on forms W-2 data on wages paid the worker in each quarter so that the Social Security Administration can determine whether a worker has enough quarters of coverage to be eligible for benefits. Thus, the annual reporting provisions of present law do not provide the optimum advantages for employers or for the Government that annual reporting was intended to achieve because quarterly wage data will still need to be reported by employers and the data will have to be processed by the Social Security Administration.

Your committee's bill would change the provisions of the social security law which refer to, or are based on, the use of quarterly wage data, so that only annual data would be reported on the forms W-2. Under the bill, annual wage data would be substituted for quarterly wage data for automatically adjusting the contribution and benefit base and the retirement test exempt amount, as well as in computing the benefit reduction when a worker is entitled to workmen's compensation, in applying coverage tests to certain jobs, and in granting military service noncontributory wage credits.

The most significant program change would be a provision setting out how annual wages would be credited in terms of quarters of coverage. Under present law, a worker generally receives credit for a quarter of coverage for a calendar quarter in which he received at least \$50 in wages. Under the bill, a worker would receive one quarter of coverage (up to a total of four) for each \$250 of earnings in a quarter, and the \$250 measure would be increased automatically every year to take account of increases in average wages.

Your committee believes that because wage levels have advanced so tremendously since the \$50 measure was established in 1939, raising the measure to \$250 in this context would not make it more difficult for workers in general to secure social security credits. While there would be relatively few workers who would lose some quarters of coverage, over a working lifetime most would become insured anyway. On the other hand, some workers would get some additional quarters of coverage, but again most would have become insured anyway. The quarter-of-coverage measure was set at \$250, with annual automatic adjustments, in order to avoid significant increases in program costs.

G. OTHER PROVISIONS

1. *Limit cost of living increases for early retirees*

Your committee's bill would change the method of increasing reduced benefits after the initial month of entitlement. If an individual

elects to receive social security benefits before reaching age 65, the benefits are reduced to take into account, in general, the longer period for which benefits are to be received. Currently, benefits are reduced for the number of months from first entitlement to age 65. However, if benefits are subsequently increased, the increase is reduced for the number of months from the month of increase to age 65.

After age 65 there is no reduction in the increase. Thus, a person who started getting retirement benefits at age 62 (with a 20 percent actuarial reduction) gets benefit increases without reduction after age 65. In such cases, the cost-of-living increase in the individual's benefits will exceed the percentage increase necessary to maintain the purchasing power of his original reduced benefit amount.

Under your committee's bill subsequent benefit increases would be subject to the same reduction factor as that which was initially applied—from the month of initial entitlement to retirement age. As under current law, the reduction factor would be adjusted at age 65 (and also at age 62 for widows and widowers) to take account of prior months for which benefits were not payable. (Your committee's bill also contains a provision to prevent deliberalization of benefits of individuals already receiving social security benefits.) Enactment of this legislation would reduce outlays by \$90 million in calendar year 1978 and \$280 million in calendar year 1979.

2. Limitation of retroactive benefits

Under present law, social security retirement benefits are payable to workers and their spouses as early as age 62, with the benefits paid before age 65 actuarially and permanently reduced so that, on the average, the beneficiaries will get the same amount of lifetime benefits that they would receive if their benefits began at age 65. Benefits payable as early as age 60 to widows and widowers are also actuarially and permanently reduced when benefits are received for months prior to age 65.

Under present law, a person who files an application after he is first eligible for benefits may be paid benefits, including actuarially reduced benefits, for a retroactive period of up to 12 months before the month in which the application is filed, if all conditions of eligibility are met for those months.

Under the bill, except in those cases where the benefits were disability-related or where unreduced dependents benefits were involved, monthly benefits would not be paid retroactively for months before the month in which the application was filed where such retroactivity would result in permanently reduced benefits.

Under present law, the applicant-beneficiary who is eligible for reduced benefits may be faced with options that are unclear and misleading to him, and which could make it difficult for him to decide whether or not to elect reduced benefits. For example, if a worker's monthly benefit amount were \$160 as of the month he attained age 65 and filed an application, his monthly benefit would be reduced to \$149.40—a permanent reduction of \$10.60 a month—if he chooses to take benefits for 12 months prior to the month he filed his application in order to get the one-time payment of \$1,792.80.

Your committee has been concerned about the high proportion of applicants in such situations who choose to receive a relatively high

one-time retroactive benefit payment, even though it means a permanent reduction in the monthly benefits they would get in the future. The retroactive payment is likely to be quickly used up, and, while some beneficiaries make up for the reduction in monthly benefits with supplemental security income (SSI) payments, many cannot qualify for these payments and their continuing income, on which they have to rely for the remainder of their lives, may be too small to provide for current needs. Under the change, this difficult choice would be removed and many older beneficiaries would have higher continuing incomes to meet their ongoing needs.

3. Early payment of social security and SSI benefit checks in certain situations

Under present law, social security benefit payments for a particular month are payable after the end of that month, and payment is normally made on the third day of the month; SSI benefit checks for a particular month are delivered on the first day of that month.

The bill would require that, when the delivery date for either payment falls on a Saturday, Sunday, or legal public holiday, the checks would be delivered on an earlier date.

The committee has been concerned that social security and SSI beneficiaries have to wait several days before they could get their benefit checks cashed in those instances where the delivery date fell on a Saturday, Sunday, or legal public holiday. Under the committee's bill, this situation would be alleviated.

Under the bill, if the usual delivery date for an SSI payment, for example, were September 1, and that date fell on a Monday that was a legal public holiday, the check would be paid on August 29. If the beneficiary were to die on, say, August 31, he would not be entitled to benefits for that month, and the check paid on August 29 would be erroneous. Your committee believes that any such erroneous payments that occur as a direct result of this provision should not be recovered. Therefore, the bill would provide that where an erroneous payment occurred under this provision, the erroneous payment would not be an overpayment, and therefore would not be recovered, if the event that caused the payment to be erroneous occurred after the check was delivered.

4. Relationship of the taxable earnings base under the railroad retirement program (Tier II) and the Pension Benefit Guaranty Corporation (PBGC).

The Railroad Retirement Act of 1974 restructured the railroad retirement program so that the benefits paid were divided into two parts—tier-I and tier-II. The tier-I benefit is essentially a social security benefit based on both railroad employment and non-railroad employment covered by social security. The benefit is financed out of a tax on employers and employees equal to the tax that would be paid under social security. Moreover, each time the social security tax base and tax rates are increased, an identical increase occurs in the railroad tier-I tax. Each year the tier-I taxes collected under the railroad program are transferred to the social security trust funds and the social security trust funds transfer to the railroad program the amount of social security benefits that would have been paid had railroad employment been covered under the social security program.

The tier-II benefit is an industry annuity program which is financed from a 9.5 percent tax on wages paid by employers without any contribution from employees. Both the amount of earnings taxed and the benefit paid are limited by the amount of earnings taxed under the social security program and rise as the social security tax base rises.

Although the tier II program is authorized by Federal law, financed by Federal taxes and administered by a Federal agency, the present program is the result of industry-wide negotiations between railway management and railway labor organizations. Your committee has been informed that railway labor and management are now engaged in industry-wide negotiations regarding wages, conditions of work and fringe benefits (including railroad retirement benefits), and that these negotiations could be prejudiced if the increases in the social security tax base included in the amendments reported by your committee were also to go into effect for purposes of tier-II of the Railroad Retirement Act. Your committee has no intention of affecting in any way these negotiations and the bill provides that the tier-II tax base and benefit computation base will be at the same levels they would have been under the automatic increase provision of the Social Security Act had your committee's bill not been enacted.

A somewhat similar situation exists with respect to the Pension Benefit Guaranty Corporation (PBGC) under the Employee Retirement Income Security Act of 1974 which provides for the insurance of pensions up to a certain maximum monthly amount. Initially, this was \$750. The intent was that this amount should be automatically adjusted annually to reflect increases in the general level of wages. The mechanism was to increase the amount according to the increases in the Social Security maximum taxable earnings base, which under present law rises in accordance with increases in the general level of earnings. However, the ad hoc increases in the earnings base in the bill would have the unintended effect of increasing the maximum amount of pension insured under ERISA more than was the intention of the initial legislation. Accordingly, your committee's bill would rectify this situation by a technical change, so as to maintain the original intent. This would be done by tying the indexing of the insured pension amount under ERISA to the current Social Security earnings base as it would increase under current law had your committee's bill not been enacted.

IV. ACTUARIAL COST ESTIMATES UNDER THE BILL

A. ACTUARIAL SOUNDNESS OF THE OASDHI SYSTEM

In order to determine the financial soundness of the OASDHI system over a long-range period, the concept of long-range actuarial balance has normally been used. The long-range actuarial balance for OASDI is the difference between the 75-year average OASDI tax rate and the 75-year average expenditures expressed as a percentage of taxable payroll. The long-range actuarial balance for HI is calculated in a similar fashion, but over a 25-year period. If the difference is positive (that is, if the average tax rate exceeds the average expenditures), the system is said to have an actuarial surplus; if it is negative, the

system is said to have an actuarial deficit. In addition, if that difference is less than 5 percent of the average expenditures, the system is said to be in close actuarial balance. In the past when there has been an actuarial imbalance (i.e., an actuarial deficit or actuarial surplus), the Congress has traditionally acted to revise either taxes or benefits, or both, so as to bring the program into close actuarial balance.

The provisions of the committee bill are summarized in the following section. The long-range cost of the OASDI system under the committee bill is estimated to be 13.42 percent of taxable payroll and the average OASDI tax rate is 11.73 percent which results in an "actuarial deficit" of 1.69 percent of taxable payroll. This is significantly lower than the deficit under present law of 8.20 percent of taxable payroll, but still outside the 5 percent limit of variation which is 0.67 percent of taxable payroll based on the estimated cost of 13.42 percent of taxable payroll.

The long-range cost of the HI system under the committee bill is estimated to be 3.53 percent of taxable payroll and the average HI tax rate is 2.69 percent. This results in a substantial "actuarial deficit" of 0.84 percent of taxable payroll, which is lower than the deficit under present law of 1.16 percent of taxable payroll, but still outside the 5 percent limit of variation for close actuarial balance, which is 0.18 percent of taxable payroll based on the estimated cost of 3.53 percent of taxable payroll.

B. ACTUARIAL COST ESTIMATES FOR THE OASDI SYSTEM

1. *Effect of the bill on the actuarial balance of the OASDI system*

From an actuarial cost standpoint, the major features of the bill are as follows:

a. Decoupling

Benefits are decoupled using a wage indexing procedure for those attaining age 62, dying or becoming disabled after 1978. For retirement cases, there would be a 10-year guarantee of the benefits that would result from the computation procedures in present law based on the benefit table in effect at the end of 1978.

b. Benefit level

The decoupling benefit formula would be designed to produce replacement rates that, on the average, are 5 percent lower than those projected under present law for the beginning of 1979.

c. Freezing the minimum benefit

The minimum PIA in the decoupling procedure would be frozen for all future years at the level shown in the benefit table in effect at the end of 1978.

d. Delayed retirement increment

Retirement benefits would be increased by 3 percent (instead of the 1 percent in present law) for every year that the beneficiary fails to receive benefits between ages 65 and 72.

e. Increase in retirement test

For beneficiaries aged 65 and over, the exempt amount in the earnings test would be increased to \$4,000 in 1978, to \$4,500 in 1979, and

(as in present law) would automatically increase thereafter. For beneficiaries under age 65, the exempt amount would remain as in present law. The monthly measure would be eliminated except in the year of retirement.

f. Elimination of remarriage terminations

Remarriage would not be a cause for precluding or terminating entitlement to benefits.

g. Elimination of windfall for early retirees

Future percent increases in benefits would be applied to the amounts being paid, rather than to PIA's.

h. Universal coverage

Effective in 1982, coverage would be extended on a compulsory basis to all Federal, State and local government employees and employees of nonprofit organizations.

i. Increase in the taxable wage base

The taxable wage base for employers, employees, and self-employed persons would be increased to \$19,900 in 1978; \$22,900 in 1979; \$25,900 in 1980; \$27,900 in 1981; and as in present law would automatically increase thereafter.

j. Increase in self-employed tax rate

Effective in 1981 the OASDI tax rate for self-employed persons would be equal to 1½ times the rate for employees.

k. Tax rate increases

The tax rates would be increased as shown in tables 1 and 2.

TABLE 1.—CONTRIBUTION RATES FOR OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE UNDER PRESENT LAW AND UNDER THE COMMITTEE BILL

[In percent]

Calendar years	Employer and employee rate, each		Self-employed rate	
	Present law	Committee bill	Present law	Committee bill ¹
1977.....	4.95	4.95	7	7.00
1978-80.....	4.95	5.05	7	7.10
1981-84.....	4.95	5.15	7	7.70
1985-89.....	4.95	5.45	7	8.20
1990-2010.....	4.95	6.00	7	9.00
2011 and later.....	5.95	6.00	7	9.00

¹ Approximately 1½ times the employee rate beginning in 1981.

TABLE 2.—CONTRIBUTION RATES FOR OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE UNDER THE BILL, SUBDIVIDED BY TRUST FUND

[In percent]

Calendar years	Employer and employee rate, each			Self-employed rate		
	OASI	DI	Total	OASI	DI	Total
1977.....	4.375	0.575	4.95	6.185	0.815	7.00
1978.....	4.275	.775	5.05	6.010	1.090	7.10
1979-80.....	4.300	.750	5.05	6.045	1.055	7.10
1981-84.....	4.350	.800	5.15	6.500	1.200	7.70
1985-89.....	4.550	.900	5.45	6.850	1.350	8.20
1990 and later.....	4.900	1.100	6.00	7.350	1.650	9.00

The changes in the medium-range and long-range actuarial balances of the system from the levels under present law to those under the bill are shown in tables 3 and 4.

TABLE 3.—CHANGES IN ACTUARIAL BALANCE OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM OVER THE MEDIUM-RANGE PERIOD (1977-2001) EXPRESSED AS PERCENT OF TAXABLE PAYROLL, BY TYPE OF CHANGE, PRESENT LAW AND THE BILL

[In percent]			
Item	OASI	DI	Total
Medium-range actuarial balance under present law.....	-1.45	-0.89	-2.34
Wage-indexing decoupling.....	.35	.19	.54
Benefit level.....	.26	.08	.33
Freezing the minimum benefit ¹.....	.03	.01	.04
Delayed retirement increment.....	-.04	0	-.04
Retirement test.....	-.05	0	-.05
Elimination of remarriage terminations.....	-.10	0	-.10
Elimination of windfall for early retirees.....	.13	0	.13
Universal coverage.....	.49	.07	.56
Miscellaneous provisions ²	0	0	0
Increase in the taxable wage base.....	.41	.08	.48
Increase in self-employed tax rates.....	.08	.01	.09
Tax rate increases.....	.75	.56	1.31
Total effect of changes in bill.....	2.29	1.00	3.29
Medium-range actuarial balance under bill.....	.84	.10	.95

¹ Includes updating the special minimum and increasing it automatically after 1979.

² Includes equal treatment by sex (without the effect of any dependency test or pension offset provisions), employer liability for taxes on minimum wage for employees receiving tips, correction of the flaw in present law regarding limited partnerships, elimination of retroactive payments of actuarially reduced benefits, reducing marriage requirements from 20 yr to 5 yr for certain divorced beneficiaries, and annual reporting of earnings.

NOTES

Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which are described in the 1977 Report of the Board of Trustees of the Federal old-age and survivors insurance and disability insurance trust funds. These assumptions incorporate ultimate annual increases of 5¼ percent in average wages in covered employment and 4 percent in Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.

Figures may not add due to rounding.

TABLE 4.—CHANGES IN ACTUARIAL BALANCE OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM OVER THE LONG-RANGE PERIOD (1977-2051) EXPRESSED AS PERCENT OF TAXABLE PAYROLL, BY TYPE OF CHANGE, PRESENT LAW AND THE BILL

[In percent]			
Item	OASI	DI	Total
Long-range actuarial balance under present law.....	-6.06	-2.14	-8.20
Wage-indexing decoupling.....	3.19	.95	4.14
Benefit level.....	.53	.12	.66
Freezing the minimum benefit ¹.....	.07	.02	.09
Delayed retirement increment.....	-.09	0	-.09
Retirement test.....	-.07	0	-.07
Elimination of remarriage terminations.....	-.08	0	-.08
Elimination of windfall for early retirees.....	.24	0	.24
Universal coverage.....	.29	.05	.34
Miscellaneous provisions ²	0	0	0
Increase in the taxable wage base.....	.36	.07	.43
Increase in self-employed tax rates.....	.09	.02	.11
Tax rate increases.....	.19	.56	.75
Total effect of changes in bill.....	4.73	1.78	6.51
Long-range actuarial balance under bill.....	-1.33	-.36	-1.69

¹ Includes updating the special minimum and increasing it automatically after 1979.

² Includes equal treatment by sex (without the effect of any dependency test or pension offset provisions), employer liability for taxes on minimum wage for employees receiving tips, correction of the flaw in present law regarding limited partnerships, elimination of retroactive payments of actuarially reduced benefits, reducing marriage requirements from 20 yr to 5 yr for certain divorced beneficiaries, and annual reporting of earnings.

NOTES

Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which are described in the 1977 Report of the Board of Trustees of the Federal old-age and survivors insurance and disability insurance trust funds. These assumptions incorporate ultimate annual increases of 5¼ percent in average wages in covered employment and 4 percent in Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.

Figures may not add due to rounding.

These medium-range and long-range estimates are based on the assumption that average earnings will increase after 1982 at an annual rate of $5\frac{3}{4}$ percent, and that the CPI will increase at 4 percent per year. Somewhat higher increases were assumed in the early years.

2. Income and outgo in near future for the OASDI system

Tables 5 through 7 show the progress of the OASI, DI, and the combined OASDI trust funds under present law in the past and under the bill in the future.

TABLE 5.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, CALENDAR YEARS 1972-87

[Amounts in billions]

Calendar year	Income	Disbursements	Net increase in fund	Funds at end of year	Fund at beginning of year as a percentage of disbursements during year	Fund at end of year as a percentage of disbursements during year
1972.....	\$40.1	\$38.5	\$1.5	\$35.3	88%	92%
1973.....	48.3	47.2	1.2	36.5	75	77
1974.....	54.7	53.4	1.3	37.8	68	71
1975.....	59.6	60.4	-.8	37.0	63	61
1976.....	66.3	67.9	-1.6	35.4	54	52
Estimated future experience:						
1977.....	72.5	75.6	-3.1	32.3	47	43
1978.....	80.6	83.6	-3.1	29.3	39	35
1979.....	90.8	92.7	-1.9	27.4	32	30
1980.....	100.8	101.3	-.4	26.9	27	27
1981.....	110.7	109.9	.8	27.8	25	25
1982.....	129.4	118.5	10.9	38.7	23	33
1983.....	140.5	127.5	12.9	51.6	30	40
1984.....	150.7	137.5	13.3	64.9	38	47
1985.....	168.2	148.3	19.9	84.8	44	57
1986.....	181.3	159.7	21.6	106.4	53	67
1987.....	194.4	171.9	22.5	128.8	62	75

TABLE 6.—OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND, CALENDAR YEARS 1972-87

[Amounts in billions]

Calendar year	Income	Disbursements	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of disbursements during year	Fund at end of year as a percentage of disbursements during year
1972.....	\$5.6	\$4.8	\$0.8	\$7.5	140%	157%
1973.....	6.4	6.0	.5	7.9	125	133
1974.....	7.4	7.2	.2	8.1	110	113
1975.....	8.0	8.8	-.8	7.4	92	84
1976.....	8.8	10.4	-1.6	5.7	71	55
Estimated future experience:						
1977.....	9.6	12.0	-2.4	3.3	48	27
1978.....	14.2	13.7	.5	3.8	24	28
1979.....	15.9	15.3	.6	4.4	25	29
1980.....	17.6	17.1	.5	4.9	26	28
1981.....	20.3	19.0	1.4	6.2	26	33
1982.....	24.0	20.9	3.1	9.3	30	45
1983.....	26.1	23.0	3.1	12.4	40	54
1984.....	28.0	25.3	2.6	15.0	49	59
1985.....	33.3	27.9	5.4	20.4	54	73
1986.....	36.2	30.7	5.5	25.9	66	84
1987.....	38.8	33.7	5.2	31.0	77	92

TABLE 7.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND THE DISABILITY INSURANCE TRUST FUNDS, COMBINED, CALENDAR YEARS 1972-87

[Amounts in billions]

Calendar year	Income	Disbursements	Net increase in funds	Funds at end of year	Funds at beginning of year as a percentage of disbursements during year	Funds at end of year as a percentage of disbursements during year
1972.....	\$45.6	\$43.3	\$2.3	\$42.8	93%	99%
1973.....	54.8	53.1	1.6	44.4	80	84
1974.....	62.1	60.6	1.5	45.9	73	76
1975.....	67.6	69.2	-1.5	44.3	66	64
1976.....	75.0	78.2	-3.2	41.1	57	53
Estimated future experience:						
1977.....	82.1	87.6	-5.5	35.6	47	41
1978.....	94.7	97.3	-2.5	33.1	37	34
1979.....	106.7	108.0	-1.3	31.7	31	29
1980.....	118.5	118.4	.1	31.8	27	27
1981.....	131.0	128.9	2.2	34.0	25	25
1982.....	153.4	139.4	14.0	48.0	24	34
1983.....	166.5	150.5	16.0	64.0	32	42
1984.....	178.7	162.8	15.9	79.8	39	49
1985.....	201.5	176.2	25.3	105.1	45	60
1986.....	217.4	190.4	27.1	132.2	55	69
1987.....	233.2	205.6	27.6	159.8	64	78

3. Increases in OASDI benefit disbursements and contribution income in 1978-87

The increases in the total benefit disbursements and contributions income of the old-age, survivors, and disability insurance system in calendar years 1978-87, as a result of the changes in the bill, are shown in tables 8 and 9.

TABLE 8.—ESTIMATED AMOUNT OF ADDITIONAL DASDI BENEFIT PAYMENTS IN CALENDAR YEARS 1978-87 UNDER THE PROVISIONS IN THE BILL

[In billions]

Calendar year	Additional benefits		
	OASI	DI	DASDI
1978.....	-\$0.4	(¹)	-\$0.4
1979.....	.7	(¹)	.7
1980.....	.7	-\$0.2	.5
1981.....	.5	-.4	(¹)
1982.....	.1	-.8	-.6
1983.....	-.3	-1.1	-1.4
1984.....	-.7	-1.4	-2.1
1985.....	-1.1	-1.8	-2.9
1986.....	-1.6	-2.2	-3.7
1987.....	-2.0	-2.7	-4.6

¹ Less than \$50,000,000.

TABLE 9.—ADDITIONAL CONTRIBUTION INCOME RESULTING FROM THE COMMITTEE BILL IN CALENDAR YEARS 1978-83, BY PROVISION
(In billions)

Calendar year	Increase in contribution and benefit base	Reallocation of tax rates between OASDI and HI	Increase in OASDI self-employment tax rate to 1½ times employee rate	Increase in tax rates	Subtotal, excluding universal coverage	Additional amount due to universal coverage	Total additional amount ¹
OASDI:							
1978.....	\$2.3	\$1.7			\$4.0		\$4.0
1979.....	4.6	2.0			6.6		6.7
1980.....	6.3	2.3			8.5		8.6
1981.....	7.0	1.3	\$0.1	\$3.4	11.8		11.9
1982.....	7.5	1.3	.4	4.0	13.2	\$11.7	25.0
1983.....	7.9	1.4	.4	4.3	14.0	14.2	28.3
HI:							
1978.....	.5	-1.7			-1.2		-1.2
1979.....	1.0	-2.0			-1.0		-1.0
1980.....	1.4	-2.3			-.9		-.9
1981.....	1.8	-1.3			.5		.5
1982.....	2.0	-1.3			.7	3.0	3.7
1983.....	2.1	-1.4			.7	3.6	4.3
Total:							
1978.....	2.8				2.8		2.8
1979.....	5.6				5.6		5.6
1980.....	7.6				7.6		7.7
1981.....	8.8		.1	3.4	12.3		12.3
1982.....	9.5		.4	4.0	13.9	14.7	28.7
1983.....	10.0		.4	4.3	14.7	17.8	32.6

¹ Includes relatively small amounts of additional taxes payable by employers on employees' income from tips.

4. Long-range OASDI cost projections

Table 9 shows the long-range cost estimates of the OASDI system as modified by the bill and as compared with the taxes provided.

TABLE 10.—ESTIMATED EXPENDITURES OF OLD AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM AS PER CENT OF TAXABLE PAYROLL UNDER THE BILL, FOR SELECTED YEARS 1977-2055
(In percent)

Calendar year	Expenditures as percent of taxable payroll ¹			Tax rate in bill	Difference
	Old-age and survivors insurance	Disability insurance	Total		
1977/.....	9.39	1.50	10.89	9.90	-0.99
1970.....	9.05	1.48	10.52	10.10	-.42
1979.....	8.91	1.47	10.38	10.10	-.28
1980.....	8.74	1.48	10.22	10.10	-.19
1981.....	8.72	1.51	10.22	10.30	.01
1982.....	7.99	1.41	9.40	10.30	.93
1983.....	8.05	1.45	9.50	10.30	.80
1984.....	8.12	1.50	9.62	10.30	.69
1985.....	8.20	1.55	9.75	10.90	1.14
1986.....	8.27	1.59	9.86	10.90	1.01
1987.....	8.34	1.63	9.97	10.90	.93
1988.....	8.36	1.69	10.05	10.90	.86
1989.....	8.37	1.75	10.12	10.90	.72
1990.....	8.38	1.81	10.19	12.00	1.88
1991.....	8.38	1.86	10.24	12.00	1.70
1992.....	8.39	1.90	10.29	12.00	1.78
1993.....	8.39	1.95	10.34	12.00	1.60
1994.....	8.41	2.00	10.40	12.00	1.65
1995.....	8.42	2.05	10.47	12.00	1.58
1996.....	8.41	2.10	10.51	12.00	1.43
1997.....	8.40	2.16	10.56	12.00	1.44
1998.....	8.40	2.21	10.62	12.00	1.35
1999.....	8.41	2.27	10.68	12.00	1.33
2000.....	8.42	2.32	10.74	12.00	1.26
2001.....	8.45	2.38	10.83	12.00	1.12
2005.....	8.57	2.62	11.19	12.00	.88
2010.....	9.21	2.77	11.98	12.00	.01
2015.....	10.40	2.96	13.36	12.00	-1.32
2020.....	11.94	2.99	14.93	12.00	-2.96
2025.....	13.45	2.88	16.33	12.00	-4.37
2030.....	14.31	2.75	17.06	12.00	-5.08
2035.....	14.41	2.67	17.08	12.00	-5.06

TABLE 10.—ESTIMATED EXPENDITURES OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM AS PERCENT OF TAXABLE PAYROLL UNDER THE BILL, FOR SELECTED YEARS 1977-2055—Continued
[In percent]

Calendar year	Expenditures as percent of taxable payroll ¹			Tax rate in bill	Difference
	Old-age and survivors insurance	Disability insurance	Total		
2040	13.94	2.69	16.62	12.00	-4.62
2045	13.47	2.76	16.23	12.00	-4.23
2050	13.32	2.79	16.11	12.00	-4.11
2055	13.38	2.80	16.18	12.00	-4.18
25-yr averages:					
1977-2001	8.45	1.80	10.25	11.20	.9
2002-26	10.52	2.82	13.34	12.00	-1.35
2027-51	13.89	2.74	16.63	12.00	-4.63
75-yr average: 1977-2051	10.96	2.46	13.42	11.73	-1.69

¹ Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which are described in the 1977 Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. These assumptions incorporate ultimate annual increases of 5¼ percent in average wages in covered employment and 4 percent in Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contributions rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.

It may be noted from table 9 that the OASDI tax rates scheduled in the committee's bill would exceed the yearly costs for at least the next 30 years. Under the proposed tax schedule there would be a significant accumulation of trust funds as may be observed from table 10. However, due to the projected long-range actuarial imbalance, the trust funds are eventually exhausted. This is projected to occur around the year 2009 for the disability insurance program and around the year 2029 for the old-age and survivors insurance program.

TABLE 11.—TRUST FUND RATIOS: FUNDS AT BEGINNING AND END OF YEAR AS A PERCENTAGE OF DISBURSEMENTS DURING YEAR
[In percent]

Calendar year	Funds at beginning of year as a percentage of disbursements during year			Funds at end of year as a percentage of disbursements during year		
	OASI	DI	Total	OASI	DI	Total
1977	47	48	47	43	27	41
1978	39	24	37	35	28	34
1979	32	25	31	30	29	29
1980	27	26	27	27	28	27
1981	25	26	25	25	33	26
1982	23	30	24	33	45	34
1983	30	40	32	40	54	42
1984	38	49	38	47	59	49
1985	44	54	45	57	73	60
1986	53	66	55	67	84	69
1987	62	77	64	75	92	78
1988	71	84	73	84	95	86
1989	79	87	80	93	95	93
1990	88	87	87	111	115	112
1991	104	106	105	129	132	130
1992	121	121	121	147	145	146
1993	138	133	137	164	156	163
1994	154	143	152	182	163	178
1995	171	150	166	199	167	193
1996	187	153	181	217	168	207
1997	204	154	194	235	167	221
1998	221	153	207	253	163	234
1999	238	149	219	271	156	246
2000	255	143	230	288	148	258
2001	270	135	240	305	136	268
2005	328	84	271	365	73	296
2010	364	(¹)	278	394	(¹)	297
2015	339	(¹)	238	355	(¹)	244
2020	257	(¹)	157	256	(¹)	147
2025	138	(¹)	44	119	(¹)	19
2030	(²)	(¹)	-91	(³)	(¹)	-128

¹ Fund exhausted in 2009.

² Figures are theoretical because it is estimated that the disability trust fund will be exhausted in 2009.

³ Fund exhausted in 2029.

C. BASIC ASSUMPTIONS FOR COST ESTIMATES FOR OLD-AGE, SURVIVORS, AND
DISABILITY INSURANCE SYSTEM

1. *General basis for long-range cost estimates*

The long-range estimates for the old-age, survivors, and disability insurance program presented in this report are based on the assumption that average earnings in covered employment will increase after 1982 at an annual rate of 5¾ percent. Similarly, the assumption has been made that the CPI will increase at an annual rate of 4 percent. Higher increases for both earnings and CPI are assumed for the yearly years. These assumptions yield, over the long-range, an implied increase in real earnings of 1¾ percent per year, which is based on the actual average experience of the last 25 years (estimated at about 1.7 percent per year based on annual averages for the period 1956-76), although recent experience has been much lower (about 1.1 percent in the last 15 years and 0.5 percent in the last 10 years based on annual averages).

The estimates reflect the effects under present law and under the system as it would be modified by the committee bill of various changes assumed to occur as a result of the automatic provisions. Table 11 summarizes those changes.

TABLE 12.—ASSUMED FUTURE CHANGES RESULTING FROM AUTOMATIC PROVISIONS UNDER PRESENT LAW AND UNDER THE COMMITTEE BILL

Calendar year	General benefit increase ¹ (percent)	Contribution and benefit base		Annual exempt amount under the retirement test	
		Present law ²	Committee bill ³	Present law	Committee bill ⁴
1977.....	5.9	\$16,500	\$16,500	\$3,000	\$3,000
1978.....	5.5	17,700	19,900	3,240	4,000
1979.....	5.2	18,900	22,900	3,480	4,500
1980.....	5.0	20,400	25,900	3,720	4,920
1981.....	4.2	21,900	27,900	3,960	5,280

¹ Under present law, applies to both persons eligible for benefits at the time of the benefit increase and to persons becoming eligible for benefits thereafter. Under the Committee bill, applies only to persons eligible for benefits as of the time of the benefit increase, for years after 1978.

² Under present law, the contribution and benefit base for each year is determined under the automatic increase provisions of the law.

³ Under the Committee bill, the increases in the contribution and benefit base in each year 1978-81 are ad hoc increases. For years after 1981, the base is determined under the automatic increase provisions of the law.

⁴ The higher exempt amounts under the Committee bill apply only to those beneficiaries subject to the retirement test who are aged 65 and over. The exempt amounts that are provided under present law would continue to apply to beneficiaries who are under age 65.

It should be observed that the assumptions of constant annual increases in the CPI were not adopted because it was felt that these increases would remain constant in the future. These assumptions are intended to represent average increases over the long-range future, with the increases being higher in some years and lower in others.

The long-range cost projections are based on assumptions that are intended to represent close to full employment (average unemployment is assumed at 5 percent of the labor force).

The long-range cost estimates presented in this report were prepared for a 75-year period. A valuation period of this length has been selected because it approximates the life span of the current working population.

2. Measurement of costs in relation to taxable payroll

Long-range costs included in this report are expressed as a percentage of taxable payroll. This measure is used because it is directly comparable to the combined employer-employee tax rate. Because of this characteristic the adequacy of any tax schedule can be readily determined and new tax schedules can be readily designed to meet the cost of the program.

D. ACTUARIAL COST ESTIMATES FOR THE HI SYSTEM

1. Effect of the bill on the actuarial balance of the HI system

From an actuarial cost standpoint, the major features of the bill that affect the HI system are as follows:

a. Universal coverage

Effective in 1982, coverage would be extended on a compulsory basis to all Federal, State, and local government employees and employees of non-profit organizations.

b. Increase in the taxable wage base

The taxable wage base for employers, employees, and self-employed persons would be increased to \$19,000 in 1978; \$22,900 in 1979; \$25,900 in 1980; and \$27,900 in 1981. As in present law, the wage base would increase automatically thereafter.

c. Tax rate decreases

The tax rates would be decreased, as shown in table 12.

The changes in the actuarial balance of the HI system, from a deficit of 1.16 percent of taxable payroll under present law to a deficit of 0.84 percent under the bill, are shown in table 13.

2. Short-range estimates of the income and outgo of the HI system

Table 14 shows the progress of the HI trust fund under present law in the past and under the bill in the future.

3. Long-range estimates for the HI system.

The adequacy of a schedule of contribution rates to support the HI system is measured by comparing on a year-to-year basis the tax rates with the corresponding total costs of the program, expressed as percentages of taxable payroll. The total cost of the program in any year essentially is the combined employer-employee contribution rate that will be sufficient to (a) provide the benefit payments and administrative expenses for the year for insured beneficiaries and (b) build the trust fund to the level of a year's disbursements and maintain it at that level. If the tax rate and the total cost (expressed as a percentage of taxable payroll) are exactly equal in each year of the 25-year pro-

jection period and all projection assumptions are realized, tax revenues along with interest income will be sufficient to provide for benefits and administrative expenses for insured persons and to build the trust fund gradually to the level of a year's outgo by the end of the period. To the extent that small differences between the yearly costs of the program and the corresponding tax rates occur for short periods of time and are offset by subsequent differences in the reverse direction, adequate financing will have been provided.

Table 15 shows the long-range cost estimates of the HI system as modified by the bill and as compared with the taxes provided. As indicated in this table, the HI tax rates scheduled in the bill would be less than the total costs in nearly every year of the 25-year projection period. Under the proposed tax schedule, the assets in the trust fund decline as a percentage of a year's outgo from a level of 77 percent at the beginning of 1976 to a level of approximately 50 percent during the mid-1980's. As shown in table 16, the assets in the trust fund decline very rapidly in the late 1980's, with the fund projected to be exhausted completely in 1991.

TABLE 13.—CONTRIBUTION RATES FOR HOSPITAL INSURANCE UNDER BILL, AS COMPARED WITH THOSE UNDER PRESENT LAW

[In percent]

Calendar year:	Employer, employee, and self-employed rate, each	
	Present law	Bill
1977.....	0.90	0.90
1978.....	1.10	1.00
1979-80.....	1.10	1.00
1981-84.....	1.35	1.30
1985.....	1.35	1.30
1986-2001.....	1.50	1.45

TABLE 14.—Changes in actuarial balance of the hospital insurance system expressed as percent of taxable payroll, by type of change, present law and the bill

Item	Percent
Actuarial balance under present law.....	-1.16
Universal coverage.....	+ .24
Increase in wage base for employers.....	+ .10
Increase in wage base for employees and self-employed persons.....	+ .09
Revised tax schedule.....	- .11
Total effect of changes in bill.....	+ .32
Actuarial balance under bill.....	- .84

NOTE.—Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which is described in the 1977 Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund. These assumptions incorporate ultimate annual increases of 5% percent in average wages in covered employment and 4 percent in Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contribution rate on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.

TABLE 15.—PROGRESS OF THE SOCIAL SECURITY HOSPITAL INSURANCE TRUST FUND UNDER BILL,
CALENDAR YEARS 1972-87

[Amounts in billions]

Calendar year:	Income	Disbursements	Net increase in fund	Fund at end of period	Fund at beginning of year as a percentage of disbursements during year
1972.....	\$6.4	\$6.5	-\$0.1	\$2.9	47%
1973.....	10.8	7.3	3.5	6.5	40
1974.....	12.0	9.4	2.7	9.1	69
1975.....	13.0	11.6	1.4	10.5	79
1976.....	13.8	13.7	.1	10.6	77
Estimated future experience:					
1977.....	16.1	16.2	-.1	10.5	66
1978.....	19.7	19.0	.6	11.1	55
1979.....	22.3	22.2	.1	11.2	50
1980.....	24.5	25.7	-1.2	10.0	44
1981.....	33.5	29.7	3.8	13.8	34
1982.....	39.7	33.9	5.8	19.6	41
1983.....	43.1	38.5	4.6	24.2	51
1984.....	46.1	43.7	2.4	26.6	55
1985.....	49.0	49.2	-.1	26.5	54
1986.....	57.5	55.0	2.5	29.0	48
1987.....	61.7	61.4	.3	29.4	47

Note: Figures may not add due to rounding.

TABLE 16.—ESTIMATED COST OF HOSPITAL INSURANCE SYSTEM AS PERCENT OF TAXABLE PAYROLL UNDER THE BILL, FOR CALENDAR YEARS 1977-2001

[In percent]

Calendar year:	Expenditures under the program ¹	Trust fund building and maintenance ²	Total cost of the program	Tax rate in bill ³	Difference
1977.....	1.99	0.15	2.14	1.80	-0.34
1978.....	2.04	.15	2.19	2.00	-.19
1979.....	2.13	.14	2.27	2.00	-.27
1980.....	2.22	.13	2.35	2.00	-.35
1981.....	2.36	.12	2.48	2.60	.12
1982.....	2.29	.12	2.41	2.60	.19
1983.....	2.44	.12	2.56	2.60	.04
1984.....	2.60	.11	2.71	2.60	-.11
1985.....	2.75	.11	2.86	2.60	-.26
1986.....	2.89	.11	3.00	2.90	-.10
1987.....	3.03	.11	3.14	2.90	-.24
1988.....	3.17	.11	3.38	2.90	-.38
1989.....	3.33	.10	3.43	2.90	-.53
1990.....	3.49	.10	3.59	2.90	-.69
1991.....	3.65	.10	3.75	2.90	-.85
1992.....	3.80	.10	3.90	2.90	-1.00
1993.....	3.97	.10	4.07	2.90	-1.17
1994.....	4.13	.10	4.23	2.90	-1.33
1995.....	4.30	.09	4.39	2.90	-1.49
1996.....	4.43	.09	4.52	2.90	-1.62
1997.....	4.57	.09	4.66	2.90	-1.76
1998.....	4.71	.09	4.80	2.90	-1.90
1999.....	4.85	.09	4.94	2.90	-2.04
2000.....	5.01	.09	5.10	2.90	-2.20
2001.....	5.16	.09	5.25	2.90	-2.35
Average ⁴	3.42	.11	3.53	2.69	-.84

¹ Ratio of benefit payments and administrative expenses for insured beneficiaries to taxable payroll. Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple-employer "excess wages."

² Allowance for building the trust fund balance to the level of a year's outgo and maintaining it at that level, after accounting for the offsetting effects of interest earnings.

³ Rate for employers and employees, combined.

⁴ Average for the 25-yr period 1977-2001.

TABLE 17.—*HI trust ratios: fund at beginning of year as a percentage of disbursements during year*

Calendar year:	Fund at beginning of year as a percentage of disbursement during year
1977	66
1978	55
1979	50
1980	44
1981	34
1982	41
1983	51
1984	55
1985	54
1986	48
1987	47
1988	43
1989	34
1990	22
1991	7
1992 and later	(¹)

¹ Trust fund exhausted in 1992.

V. SECTION-BY-SECTION ANALYSIS OF THE BILL

TITLE I—PROVISIONS TO IMPROVE THE FINANCING OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

Section 101. Adjustments in tax rates

Section 101 of the bill provides for shifting to the OASDI program 0.10 percent of the 0.2 percent tax rate increase already scheduled in present law for 1978–80 for the health insurance program, and restoring 0.05 percent of the shift in 1981 and after for increasing tax rates for employees and employers, each by 0.15 percent, 0.30 percent, and 0.55 percent, in 1981, 1985, and 1990, respectively, and for restoring the OASDI tax rate for the self-employed to 1½ times the employee tax rate.

Old-age, survivors, and disability insurance tax rates

Section 101(a) of the bill amends sections 3101(a), 3111(a) and 1401(a) of the Internal Revenue Code of 1954 to provide a new schedules of old-age, survivors, and disability insurance tax rates for employees, employers, and the self-employed.

Subsection (a) of the amended section 3101 and subsection (a) of the amended section 3111 provide new schedules of tax rates on wages for purposes of old-age, survivors, and disability insurance. Under present law, these tax rates for employees and employers, each, are as follows:

Calendar years:	Percent
1977–2010	4.95
2011 and after	5.95

Under the bill, the tax rates on wages for both employees and employers for old-age, survivors, and disability insurance are as follows:

Calendar years:	Percent
1977	4.95
1978 to 1980	5.05
1981 to 1984	5.15
1985 to 1989	5.45
1990 and after	6.0

Subsection (a) of the amended section 1401 provides new schedules of tax rates for self-employment income for purposes of old-age, survivors, and disability insurance. Under present law, the OASDI tax rate for the self-employed is 7 percent for all taxable years beginning after 1972.

Under the bill, the tax rates in self-employment income for old-age, survivors, and disability insurance are as follows:

Taxable years beginning after:	Percent
1972 (and before 1978)-----	7.00
1977 (and before 1981)-----	7.10
1980 (and before 1985)-----	7.70
1984 to 1989-----	8.20

Hospital insurance rates

Section 101(b) of the bill amends sections 3101(b), 3111(b), and 1401(b) of the Code to provide new schedules of hospital insurance tax rates for employees, employers, and the self-employed.

Subsection (b) of the amended section 3101 and subsection (b) of the amended section 3111 provide new schedules of tax rates on wages for purposes of hospital insurance. Under present law, these tax rates are as follows:

Calendar years:	Percent
1977-----	0.90
1978-80-----	1.10
1981-85-----	1.35
1986 and after-----	1.50

Under the bill, the tax rates on wages for employees and employers, each, for hospital insurance are as follows:

Calendar years:	Percent
1977-----	0.90
1978-80-----	1.00
1981-85-----	1.30
1986 and after-----	1.45

Subsection (b) of the amended section 1401 provides a new schedule of tax rates on self-employment income for purposes of hospital insurance.

Under present law, these tax rates are as follows:

Taxable years beginning after:	Percent
1973 (and before 1978)-----	0.90
1977 (and before 1981)-----	1.10
1980 (and before 1986)-----	1.35
1985-----	1.50

Under the bill, the tax rates on self-employment income for hospital insurance are as follows:

Taxable years beginning after:	Percent
1973 (and before 1978)-----	0.90
1977 (and before 1981)-----	1.00
1980 (and before 1987)-----	1.30
1985-----	1.45

Section 102. Allocations to disability insurance trust fund

Section 102(a)(1) of the bill amends section 201(b)(1) of the Social Security Act which deals with the amount to be allocated and appro-

apropriated to the Federal Disability Insurance Trust Fund each year with respect to wages. Under present law, the amounts so allocated and appropriated with respect to wages paid are as follows:

Calendar year:	Percent
1977 -----	1.150
1978-80 -----	1.200
1981-85 -----	1.300
1986-2010 -----	1.400
2011 and after -----	1.700

Under the amended section 201(b)(1), the amount so allocated and appropriated will be as follows:

Calendar years:	Percent
1977 -----	1.150
1978 -----	1.550
1979-80 -----	1.500
1981-84 -----	1.600
1985-89 -----	1.800
1990 and after -----	2.200

Section 102(a)(2) of the bill amends section 201(b)(2) of the Act, which deals with the amount to be allocated and appropriated to the Federal Disability Insurance Trust Fund each year with respect to self-employment income. Under present law the amounts so allocated and appropriated with respect to any self-employment income reported for a taxable year are as follows:

Taxable years beginning after:	Percent
1973 (and before 1978) -----	0.815
1977 (and before 1981) -----	.850
1980 (and before 1986) -----	.920
1985 (and before 2011) -----	.990
2010 -----	1.000

Under the amended section 201(b)(2), the amounts so allocated and appropriated will be as follows:

Taxable years beginning after:	Percent
1973 (and before 1978) -----	0.815
1977 (and before 1979) -----	1.090
1978 (and before 1981) -----	1.055
1980 (and before 1985) -----	1.200
1984 (and before 1990) -----	1.350
1989 -----	1.650

Section 103(a)(1) of the bill amends section 230(a) of the Act to provide that the Secretary will publish the *ad hoc* increases in the contribution and benefit base provided in subsection (c) in the Federal Register on or before November 1 of the year before the year they are to be effective. This change is needed because the *ad hoc* base increases for 1978-1981 are considered to be determined under subsection (b) as though they were automatic increases.

Section 103(a)(2) of the bill amends section 230(b) of the Act to take account of the *ad hoc* base increases provided in subsection (c).

Section 103(b) of the bill amends section 230(c) of the Act to provide for *ad hoc* increases in the base applicable to employees, employers, and the self employed to \$19,900 in 1978, \$22,900 in 1979, \$25,900 in 1980, and \$27,000 in 1981. For years after 1981, the base will

be automatically adjusted as under present law with the 1981 base to be used as the starting point for computing subsequent bases under this section. For purposes of computing tier II pensions under the Railroad Retirement Act of 1974 the contribution and benefit base will be the contribution and benefit base in effect as if this act had not been enacted.

Section 103(c)(1) provides that the contribution and benefit base determined under section 230 of the Act to compute the monthly insurance benefits guaranteed by the Pension Benefit Guaranty Corporation under P.L. 93-406 (ERISA) shall be the contribution and benefit base in effect as if this Act had not been enacted.

Section 103(d) of the bill amends section 215(i)(2)(D) of the Act to specify how the amounts to be included on the last line of Columns III and IV in the benefit table will be determined when the table is extended to reflect new AME levels possible under a new contribution and benefit base and the new base is not divisible by 12.

Section 104. Standby guarantee of trust fund levels

Section 104 of the bill provides standby authority for automatic loans from the general revenues of the Government to the social security trust funds whenever the assets of the old-age and survivors insurance or disability insurance trust fund at the end of any calendar year after 1977 are below 25 percent of the total outgo from that fund during that year. The section also provides for repayment of any such loan or loans and temporary tax-rate increases to provide funds to repay the loans.

Section 104(a) of the bill amends section 201 of the Act by adding a new subsection (j) which provides, in paragraph (1) thereof, that if at the close of any calendar year after 1977 the balance remaining in the Federal Old-Age and Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund (as determined by the Secretary of the Treasury in the following February) is less than 25 percent of the total amount of the expenditures made from such fund under Title II of the Act during that calendar year, there is automatically appropriated to the Secretary of the Treasury for loan to such fund as of the following July 1 an amount equal to the difference between such balance and 27½ percent of such total amount.

Paragraph 2 of the new subsection (j) provides that if at the close of any calendar year succeeding a year for which a loan was made under paragraph (1), (A) the balance remaining in the fund (as determined by the Secretary of the Treasury in the following February) is less than 35 percent of the amount of expenditures made from such fund during such succeeding year, and (B) the outstanding balance of all loans (including interest) which were made to the fund with respect to years before such succeeding year is \$2 billion or more, the tax rates set by sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1954 (self-employment, employee and employer rates, respectively) will be increased as provided in section 3125 of the Code (provided by section 104(b) of the bill, described below) in the second calendar year after such succeeding year.

Paragraph (3) of the new subsection (j) provides that any amount appropriated for loans to either the old-age and survivors insurance or disability insurance trust fund with respect to any calendar year

under paragraph (1) shall be repaid, with interest, by transfer from such fund to the general fund of the Treasury as follows: A repayment shall be made on July 1 next succeeding any subsequent calendar year at the close of which (as determined by the Secretary of the Treasury in the following February) the balance remaining in such funds exceeds 30 percent of the total amount of the expenditures made from such fund under Title II of the Social Security Act during that calendar year; the amount of the repayment will be equal to the difference between (A) such balance, and (B) 30 percent of the total amount of such expenditures.

Paragraph (a) also provides that interest on loans made under paragraph (1) shall be at a rate, as determined by the Secretary of the Treasury, equal to the average market yield on the outstanding marketable obligations of the United States of comparable maturities at the time the loan was made.

Section 104(b) of the bill amends chapter 21 of the Internal Revenue Code of 1954 by redesignating sections 3125 and 3126 as sections 3126 and 3127, respectively, and by adding a new section 3125 which provides that whenever an appropriation has been made under the new section 201(j) (1) for loans to the old-age and survivors insurance or disability insurance trust fund, and the new section 201(j) (2) applies with respect to a succeeding calendar year, as described above, the tax rate for employees and employers, each, which would otherwise be in effect (under sections 3101(a) and 3111(a) of the Code) with respect to wages received or paid in the 2nd calendar year after such succeeding year will be increased by 0.10 percent and the tax rate for the self-employed which would otherwise be in effect (under section 1401(a) of the Code) with respect to taxable years beginning in the second year after such succeeding year, will be increased by 0.15 percent.

Section 104(b) of the bill also amends the table of sections of Chapter 21 of the Code to take account of the redesignated and new sections, and amends section 1401(a) of the Code (as amended by section 101(a) (3) of the bill), and sections 3101(a) and 3111(a) of the Code (as amended by sections 101(a) (1) and (2) of the bill) to add appropriate conforming references to the new section 3125.

Section 105. Effective date

Section 105 of the bill provides that the amendments made by sections 101, 102, and 103 are to apply with respect to remuneration paid or received after 1977 and to taxable years beginning after 1977. Section 105 further provides that the amendments made by section 104 shall apply with respect to calendar years after 1977.

TITLE II—STABILIZATION OF REPLACEMENT RATES IN THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

General

Section 201 of the bill amends section 215 of the Social Security Act to provide a new method for calculating a worker's average earnings for benefit purposes and for determining primary insurance amounts (PIA's). This section also provides for a transition from the present to the new system in the case of workers reaching age 62 in the first

10 years under the new system and makes other benefit adjustments. Section 201 of the bill specifically provides for:

1. A new benefit formula for computing the PIA of workers who become eligible for old-age insurance benefits, become disabled, or die after 1978, which would be automatically updated to future changes in average wages;
2. Application of the new PIA formula to earnings that are indexed to take account of changes in average wage levels during the workers' lifetimes;
3. A transitional provision that guarantees workers who become age 62 in the period 1979-1988 that their retirement benefits will be no less than the amount derived from the table in the law in December 1978 with cost-of-living increases beginning only with eligibility (age 62);
4. A restatement of recomputation provisions (largely similar to present law) for workers who reach age 62, become disabled, or die after 1978;
5. An increase in the special minimum to a maximum of \$230 (instead of \$180 as under present law) and future automatic cost-of-living adjustments in special minimum PIA's; and
6. A regular minimum benefit frozen at the level under present law as of implementation (about \$121 in January 1979) with cost-of-living increases beginning with the year the worker reaches age 62, becomes disabled, or dies.

Computation of primary insurance amount

Section 201(a) of the bill provides a new section 215(a) of the Act. Paragraph (1) of the new section 215(a) provides for the basic PIA computation.

Subparagraphs (A) and (B) of the new section 215(a) (1) provide a formula for computing PIA's based on average indexed monthly earnings (AIME) and for automatically adjusting the formula in the future to increases in average wages in the economy. Subparagraph (A) of the new section 215(a) (1) specifies that factors in the new formula will be 90 percent for the lower part of the worker's AIME, 32 percent of the next higher portion of AIME, and 15 percent of remaining additional AIME. (These percentage factors will not be subject to automatic change in the future.) Subparagraph (A) further provides that the PIA will be the sum of the application of these percentages to the appropriate portions of AIME, rounded up (if necessary) to the next higher multiple of \$0.10 and increased under the automatic cost-of-living adjustment provisions.

Subparagraph (B) of the new section 215(a) (1) specifies the AIME levels to which the percentage factors in the formula would apply for 1979 and to whom the formula applies. For people who reach age 62, become disabled, or die in 1979, the formula will be: 90 percent of the first \$180 of AIME, plus 32 percent of AIME above \$180 but not above \$1085, plus 15 percent of AIME above \$1085. For those who reach age 62, become disabled, or die in each year after 1979, the 1979 amounts (\$180 and \$1085) will be automatically adjusted to wages by multiplying them by the ratio of: Average wages for the second

year before the year for which the determination is made to average wages in 1977. The resulting amounts (formula brackets) will be rounded to the nearest \$1, (or to the new higher \$1, if an exact multiple of \$0.50 but not of \$1). Thus, in computing a worker's PIA, the formula that applies is the one determined for the earliest of the year of eligibility for old-age benefits (age 62), onset of disability, or death.

For purposes of subparagraph (B), average wages means the average of total annual wages (as reported to the Secretary of the Treasury) as defined in the regulations of the Secretary (of HEW) and without regard to the contribution and benefit base limitation. (It is anticipated that, pursuant to regulations, Forms 1040 for 1977 and 1978 will be used in determining average wages for those years, and Forms W-2 for 1978 and later years will be used in determining average wages for years after 1978. The data will, beginning in 1977, include the reports of wages for employment both covered and not covered under the Act, and will include wages in excess of the contribution and benefit base.)

Subparagraph (C) of the new section 215(a)(1) provides that no PIA as computed under the new formula will be less than the greater of (1) the minimum PIA in the benefit table in the law in effect in December 1978, and rounded (if necessary) to the next multiple of \$1.00; or (2) the "special minimum" PIA. The minimum PIA will not be automatically adjusted to increases in the Consumer Price Index (CPI) as provided under subsection (i) until a worker reaches age 62, becomes disabled, or dies. This subparagraph also provides that, for 1979, the special minimum will equal \$11.50 times the number of a worker's years of coverage over 10 and up to (and including) 30. The special minimum will be automatically adjusted to increases in the CPI as provided under subsection (i) as amended by this bill for years after 1978. (Under present law, the dollar amount used to compute a special minimum benefit has been \$9.00 since the 1973 amendments.)

The new subparagraph (C) also restates the present-law definition of a year of coverage (the total number of which cannot exceed 30) for purposes of computing a special minimum benefit. The number of years of coverage for 1937-50 is determined by dividing total wages credited for that period by \$900 disregarding any fraction. The resultant number cannot exceed 14. The number of years of coverage after 1950 (excluding years wholly within a period of disability) is the number of years in which earnings equal no less than 25 percent of the contribution and benefit base in effect in each year.

For 1977, the base is \$16,500 and 25 percent of the base is \$4125. To maintain the present measure of a year of coverage in relation to average wages, a new provision is added under which for purposes of the special minimum provision the base for years after 1977 will be limited to the amount that would be in effect for those years if present law remained in effect without change.

Subparagraph (D) of the new section 215(a)(1) specifies that in each year after 1978, the Secretary is to publish by November 1 the benefit formula applicable for the following calendar year and the average wages on which the formula is based. The formula for a

given year will be applicable to those who reach age 62, have an onset of disability, or die in that year. The Secretary is also required to publish by November 1979, average wages for each year after 1950.

Paragraph (2) of the new section 215(a) provides for exceptions to the basic PIA computation outlined in paragraph (1) in certain cases involving disability insurance benefits.

Subparagraph (A) of the new section 215(a)(2) provides that where a worker was entitled to disability benefits in any of the 12 months before he reaches age 62, has a new onset of disability or dies, the year he reaches age 62, has the new onset of disability or dies will not count as a year of eligibility for purposes of sections 215(a), (b), and (i) as amended by this Act. In such cases, the year of eligibility will be the year of onset of the prior disability.

Subparagraph (B) of the new section 215(a)(2) provides that where a worker was entitled to disability benefits in any of the 12 months before he became entitled to a retirement benefit, reentitled to a disability benefit, or died, the PIA will equal the greater of: (1) The previous disability PIA increased by any intervening automatic and *ad hoc* benefit increases, (2) the minimum benefit, or (3) the special minimum benefit. The effect of this subparagraph is to provide for conversions from the disability to the retirement rolls at age 65 and to avoid providing a new, later, indexing year (or a wage-indexing computation, if the previous computation was made under the law in effect prior to 1978) in cases where an individual has been off the benefit rolls for only a short time before becoming reentitled to benefits.

Subparagraph (C) of the new section 215(a)(2) provides that when a PIA is computed after a previous disability entitlement has terminated, the PIA can be no lower than the disability PIA that was most recently determined (including automatic benefit increases up to the month of termination).

Paragraph (3) of the new section 215(a) specifies the (prospective) applicability of the new PIA computation method provided in paragraph (1) of the new section 215(a).

Subparagraph (A) of the new section 215(a)(3) specifies that the new computations provided in the paragraph (1) of the new section 215(a), except for the special minimum benefit computation, are applicable only to workers who had not attained age 62 prior to January 1979 and who became eligible for old-age or disability insurance benefits or die in or after January 1979. It also provides certain exceptions by reference to paragraph (4) (which relates to certain previously disabled workers and to the transitional provision).

Subparagraph (B) of the new section 215(a)(3) provides that unless fewer than 12 months have elapsed since the termination of a prior period of disability, a person will be deemed "eligible" (1) for old-age insurance benefits as of the month in which he attains age 62, or (2) for disability insurance benefits as of the month the period of disability began as provided under section 216(i)(2)(C) of the Act. (As specified in paragraph (2), a person who had a prior period of disability which terminated within 12 months will be deemed eligible as of the month the prior period of disability began.)

Paragraph (4) of the new section 215(a) excludes certain workers disabled before 1979 from the new PIA computation provisions

(except those relating to the special minimum benefit) and contains transitional provisions protecting benefit amounts for workers reaching age 62 after 1978 and before 1989 (the transitional "guarantee").

Subparagraph (A) of the new section 215(a)(4) excludes from the new computations, (except for the special minimum benefit computation provided in subparagraph (C)(i)(II) a worker disabled before 1979, unless at least 12 months elapse after the termination of the prior period of disability and before the month he attains age 62, becomes disabled again, or dies.

Transitional provision

Subparagraph (B) contains the transitional provisions and provides that the new computations (except for the special minimum computation) will not apply to a worker who otherwise would qualify for those computations if the present law PIA computed under subsections 215(a) or (d) as in effect in December 1978 is greater.

The transitional provisions apply to workers who reach age 62 after 1978 and before 1989. They also will apply to a small number of workers who have an onset of disability, or die after 1978 if their benefit computation includes earnings after 1936 and before 1951. In determining whether the present-law benefit is greater, the benefit table as in effect in December 1978 will apply with no cost-of-living increases added to the benefit after 1978 and before the year the worker reaches age 62, becomes disabled, or dies as provided in subsection (i)(2)(A)(iii). Also, in such cases, earnings beginning with the year of age 62, disability onset or death will be excluded in computing the average monthly wage on which the benefits are based.

New section 215(a)(5) provides that in computing PIA's after December 1978 for workers who reach age 62, become disabled, or die before 1979 and therefore do not qualify for the new benefit formula or the transitional provisions, the provisions for determining the PIA in effect in December 1978 will apply except that effective for January 1979, the dollar amount used to compute a special minimum benefit will be \$11.50. Also, for years after 1978, the PIA's and maximum family benefits for such workers will be increased by general ad hoc benefit increases and by automatic benefit increases (as provided by subsection (i)).

Computation of average indexed monthly earnings (AIME)

Section 201(b) of the bill provides a new section 215(b) of the Social Security Act for computing average indexed monthly earnings. The method of computing average earnings is generally the same as that used under present law except that indexed, rather than actual earnings, are used. New section 215(b)(1) provides that an individual's average indexed monthly under subsection (a)(1)(B) wages and self-employment income in his benefit computation years (as determined under paragraph (2)) by the number of months in those years.

New section 215(b)(2)(A) provides that the number of worker's benefit computation years—the number of years used in computing AIME—equals the number of elapsed years minus 5, but in no case can the number of such years be less than 2.

Clause (i) of section 215(b)(2)(B) defines benefit computation years as the computation base years that are equal to the number of elapsed years and in which the total of indexed wages and self-employment income is the highest.

Clause (ii) defines computation base years as years after 1950 and up to: (1) The year the first month of entitlement to old-age insurance benefits occurred or (2) if the worker died without becoming entitled to a benefit the year after the year of death. Years wholly within a period of disability are excluded from computation base years.

Clause (iii) defines elapsed years as the number of years after 1950, or age 21, if later, and up to the year of death or age 62 (but not less than 5 if the year of age 62 is used). Any part of a year included in a period of disability is not counted as an elapsed year. This definition applies in all cases except under the special provision in section 104(j)(2) of the Social Security Amendments of 1972, which applies to men who reach age 62 in 1973 and 1974.

New section 215(b)(3)(A) provides that, except as specified in paragraph (B), the wages or self-employment income credited to each of a worker's computation base years will be indexed by multiplying the wages or self-employment income by the ratio of: (1) Average wages for the indexing year to (2) average wages for the year being indexed. The indexing year is the second year after 1976 and before the year of the worker's initial eligibility for old-age or disability insurance benefits (age 62 or onset of disability), or death, whichever is earliest. However, a year will not be counted as the year of the worker's eligibility or death if the worker was entitled to a disability insurance benefit for any of the 12 months immediately preceding the month he attained age 62, had an onset of disability or died.

For purposes of this subparagraph (as for purposes of section 215(a)(1)(B)), average wages means the average of total annual wages (as reported to the Secretary of the Treasury) as defined in regulations of the Secretary (of HEW) and without regard to the contribution and benefit base limitation.

New section 215(b)(3)(B) provides that wages and self-employment income credited to an individual in all years that occur after the indexing year are counted in actual dollar amounts for purposes of computing AIME.

New section 215(b)(4) provides that for purposes of computing average monthly wages after 1978 under the provisions of the law in effect in December 1978 for a worker to whom the transitional guarantee provisions in subsection (a)(4) apply, computation base years include only years after 1950 (or 1936, if applicable) and up to the year of attainment of age 62, onset of disability, or death. Wages and self-employment income in years after those events cannot be used in a "guarantee" computation. As under present law, calendar years wholly within a period of disability also cannot be computation base years for purposes of a "guarantee" computation.

Benefit table applicable to workers eligible before 1979

New section 215(c) specifies that subsection (c) as in effect in December 1978 will remain in effect for workers who attain age 62, become disabled, or die before 1979. That is, the benefit table in effect in

December 1978, plus all subsequent cost-of-living increases under subsection (i) will apply to such workers.

Section 201(d) of the bill amends section 215(d) of the Social Security Act to provide a simplified method for computing the PIA's of workers age 21 after 1936 and before 1951 when wages before 1951 are included in the computations so that machine, rather than manual, procedures can be used in making such computations. The revised method of computing the PIA under new section 215(d) (1) is as follows: The average monthly wage of workers age 21 after 1936 and before 1951 is to be determined over the same period of years and in the same manner as provided under the law in effect in December 1977. However, the total wages paid to such workers prior to 1951 will for purposes of benefit computation years and computation base years be deemed to have been paid at an equal yearly rate up to \$3000 a year (the maximum amount creditable before 1951) for years after age 21 and before the earlier of 1951 or the year of death; the remainder (I) if less than \$3000, is deemed credited to the year preceding the year of age 21 or (II) if \$3000 or more, is deemed credited in \$3000 increments to the year of age 21 and to each year consecutively preceding that year with any remainder credited to the year immediately preceding the earliest year to which \$3000 was credited. For purposes of this subsection, total wages may not exceed \$42,000.

A new formula is provided for determining the PIA's which results in a PIA approximately equivalent to the amount that would result if actual yearly wages were used in the computation. The formula for determining the PIA is: 40 percent of the first \$50 of average monthly wages (AMW) as computed under this subsection, plus 10 percent of the next \$200 of AMW, increased by 1 percent for each increment year. The number of increment years used will not be less than 4 nor more than 14; the number is determined by dividing an individual's total wages before 1951 by \$1650. (Under present law, an "increment" is the term used to describe the 1-percent increase in the primary insurance benefit that is given for each year before 1951 in which the worker was paid \$200 or more; the maximum possible is 14—the number of years in the period 1937–50.)

Section 201(d) (3) of the bill amends section 215(d) (3) of the Act to delete the requirement that when wages prior to 1951 are included in computing the AMW of an individual who attains age 21 after 1936 and prior to 1951, the present law computation provisions in effect before the Social Security Amendments of 1967 must be used.

Section 201(d) (4) of the bill amends section 215(d) of the Act to add a new paragraph 4 which provides that when wages prior to 1951 are included in the computation, the present-law simplified method for computing PIA's of workers age 22 in or before 1937 remains in effect for workers who reach age 62, become disabled, or die before 1978.

References to average indexed monthly earnings

Section 201(e) of the bill amends section 215(e) of the Act, which specifies the maximum amounts of covered wages and self-employment income that can be used for purposes of computing PIA's to refer to AIME in addition to AMW, where appropriate.

Recomputations

Section 201(f) of the bill provides a new section 215(f)(2) for recomputing PIA's. The provisions for recomputing PIA's are largely the same as those in present law.

New section 215(f)(2)(A) provides that the Secretary at times prescribed in regulations, will recompute the PIA's of individuals who have covered wages or self-employment income after 1978 and who are entitled to an old-age or disability insurance benefit.

New section 215(f)(2)(B) provides that for recomputations of PIA's based on AIME, the benefit formula applied will be the one used in computing the worker's initial PIA (or for those to whom the transitional provisions apply as described in subsection (a)(4)(B)), the one that would have been used in computing the initial PIA if the "guarantee" PIA had not been higher.

New section 215(f)(2)(C) provides that as under present law, the number of computation base years are expanded to include years of additional earnings.

New section 215(f)(2)(D) provides that as under present law, a recomputation to take account of a year of additional earnings will be effective with January of the following year, or in a death case, with the month of death.

Section 201(f)(2) of the bill repeals section 215(f)(3) of the Act since it is obsolete. Paragraph (3) provides for recomputing PIA's for workers who had self-employment income in 1952 and applied for benefits or died prior to 1961.

New section 215(f)(4) provides that a recomputation will be effective only if it results in an increase in the PIA of at least \$1. Section 201(f)(4) of the bill adds new paragraphs (7) and (8) to section 215(f) of the Act. New paragraph (7) provides that present law recomputation provisions will continue to apply for workers who become eligible for old-age benefits, have an onset of disability, or die before 1978. However, for an individual whose PIA is computed under the transitional provisions, earnings in and after the year of attainment of age 62 or onset of disability, or death cannot be used for purposes of recomputing the "guarantee" PIA.

New paragraph (8) provides that special minimum PIA's that were computed for beneficiaries under the law in effect prior to January 1979 will be recomputed to take account of the increase from \$9 to \$11.50 in the dollar amount. The recomputation will be effective beginning January 1979.

Cost-of-living increases in benefits.

Section 201(g)(1) of the bill amends section 215(i)(2)(A)(ii) to specify that an automatic benefit increase effective for June of a year in which the Secretary determines that a cost-of-living computation quarter, which triggers such an increase, has occurred will apply to: (1) The benefits of those entitled to special payments under sections 227 and 228; (2) the PIA's on which beneficiaries are entitled including the frozen minimum PIA's and special minimum PIA's; and (3) maximum family benefits at the same time as the PIA's on which they are based, where a PIA was computed under the law in effect in December 1978 will be increased at the same time as the PIA's except as provided in new paragraphs 6 and 7 of section 203.

As under present law, the increase in the Consumer Price Index (CPI) measured from the last cost-of-living computation quarter to the current one (or from the last quarter in which an *ad hoc* increase became effective) and rounded to the nearest .1 of 1 percent will be applied to the benefits, PIA's, and family maximums listed above. The increased PIA's will be rounded to the next higher \$.10 if not an even \$.10. For beneficiaries getting special minimum benefits, the PIA's on which the special minimum benefits are based will be increased. The increase will be determined from the revised range of special minimum PIA's published by the Secretary.

Section 201(g)(2) of the bill amends section 215(i)(2)(A) of the Act by adding a new clause to make the automatic benefit increases in a year applicable to PIA's computed or recomputed in that year, regardless of when entitlement began in that year. However, the increases would be effective only for benefits payable for months after May of that year.

Section 201(g)(3) of the bill amends section 215(i)(2)(D) of the Act to provide that when the Secretary publishes the amount of an automatic cost-of-living benefit increase in the Federal Register, he must also publish the range of increased special minimum PIA's possible and corresponding family maximums for the next year. The effect of this provision is that the \$11.50 dollar amount for computing special minimum PIA's will not be increased to take account of increases in the cost of living. Instead the range of PIA's possible based on the \$11.50 dollar amount will be revised whenever an automatic benefit increase is effective. Each revised range of special minimum PIA's will apply to both current and future beneficiaries.

Section 201(g)(4) amends section 215(i) by adding a new paragraph (4) that provides that the automatic adjustment of benefit provisions in effect prior to 1979 shall continue to apply for workers who became eligible for old-age insurance benefits, have an onset of disability, or die before 1979 and requires that the Secretary publish the revised benefit tables for that purpose. The revised tables will not apply to those who became eligible for old-age insurance benefits, have an onset of disability, or die after 1978.

For people whose benefits are computed under the law in effect in December 1978 because the transitional provisions apply, the cost-of-living increases will not apply after 1978 and before they attain age 62, have an onset of disability or die (as provided in clause I of subsection (a)(4)(B)).

Maximum family benefits

Section 202 of the bill restates section 203(a) of the Social Security Act with changes to take account of the new system for computing PIA's based on wage-indexed earnings.

Paragraphs (1) and (2) of new section 203(a) provides for a formula for determining maximum family benefits. For workers who became eligible for old-age insurance benefits, have an onset of disability, or die in 1979, the formula for determining the maximum family benefit is:

150 percent of the first \$230 of PIA, plus
 272 percent PIA over \$230 through \$332, plus
 134 percent of PIA over \$332 through \$433, plus
 175 percent of PIA over \$433.

The resulting amounts will be rounded to the next higher \$.10 if not an even multiple of \$.10.

For workers who become eligible for old-age insurance benefits, have an onset of disability, or die in years after 1979, the dollar amounts in the formula will be increased to take account of increases in wages in the same way that the dollar amounts in the benefit formula in section 215(a) will be adjusted.

Subparagraph (C) of new paragraph (2) provides that by November 1 of each year after 1978, the Secretary will publish in the Federal Register the formula that will be applicable to workers who become eligible for old-age insurance benefits, have an onset of disability, or die in the following year. The formula will not apply for determining maximum family benefits for workers getting special minimum benefits.

Subparagraph (D) of new paragraph (2) provides that the formula in effect in a year will not apply to a worker who becomes eligible for a retirement or disability benefit or dies in that year if he was entitled to a disability benefit for any of the 12 months before he reached age 62, had a new onset of disability, or died. In such cases, the year of eligibility will be the year of onset of disability for the benefit the worker was entitled to during the prior 12 months.

New section 203(a)(3)(A) provides that when the family maximum provisions apply to a child entitled on the earnings of more than one insured worker, the maximum family benefit will not be less than the smaller of (1) the sum of each of the maximum family benefits (as under present law) or (2) 1.75 times the highest PIA possible in the year based on AIME equal to 1/12 of the contribution and benefit based effective in that year.

Section 203(a)(2) of the Act in effect prior to December 1978, the general saving clause for beneficiaries entitled prior to January 1971, is restated with reference changes and redesignated as section 203(a)(3)(B).

Section 203(a)(3) of the Act in effect prior to December 1978 is restated and redesignated as section 203(a)(3)(C). Also, references to "wife" are changed to "spouses" in order to take account of amendments made by title IV of the bill, which, among other changes, eliminated gender-based references in the Act and provides benefits for divorced husbands.

The new section 203(a)(4) restates that the matter following paragraph (3) of section 203(a) of the Act in effect prior to December 1978, which provides that when the total of monthly benefits are reduced for purposes of the maximum family benefit, each person's benefit, except an old-age or disability insurance benefit, will be reduced proportionately and deletes obsolete special provisions for reducing benefits of illegitimate children.

Section 203(a)(4) of the Act in effect prior to December 1978 (the "no-loss" saving clause) is redesignated as section 203(a)(5) and is

made applicable to all families whose benefits are limited by the family maximum. Under present law, only families in which the worker's benefit is reduced under section 202(q) are assured that the total benefits will not be less after a benefit increase than before the increase.

The new section 203(a)(6) provides that where an individual is entitled to benefits based on the PIA's of 2 or more workers and one of the PIA's is computed under the law in effect after 1978 and the other is computed under the law in effect prior to 1979, the total family benefits will be reduced to an amount equal to 1.75 times the highest PIA possible in the month based on AIME equal to 1/12 of the contribution and benefit base effective in that year.

The new section 203(a)(7) specifies that, subject to paragraph 6, the family maximum provisions in section 203(a) applicable under the law in December 1978 will remain in effect for workers who become eligible for old-age benefits, have an onset of disability, or die before 1979; for individuals who become eligible or die after 1978, the family maximum provisions in effect after 1978 will govern unless, as specified in new paragraph (2)(D), the worker was entitled to a disability benefit for any of the 12 months prior to the month he attained age 62, had an onset of disability, or death.

Increase in delayed retirement credit

Section 203 of the bill amends section 202(w) of the Act to permit the benefits to be increased after age 65 under this section regardless of whether the individual received any benefits reduced under section 202(q) prior to age 65.

This section further amends section 202(w) to provide that for workers who become eligible for old-age insurance benefits after 1978, the delayed retirement credit will be one-fourth of 1 percent per month.

Conforming amendments

Section 204(a) of the bill amends section 202(m)(1) of the Act to provide that, as under present law, a sole-surviving dependent will get a benefit equal to an amount no less than the minimum PIA provided in subsection (a)(1)(C)(i)(I). That benefit will be automatically adjusted under section 215(i) for increases in the cost of living beginning with months after May of the year in which the insured worker died.

Section 204(b) of the bill further amends section 202(w) of the Act to conform the references to the special minimum PIA for months before 1979 and for months after 1978.

Section 204(c) of the bill amends section 217(b)(1) of the Act to provide a conforming change in that provision to limit the references to computation provisions in section 215 to mean those sections as in effect prior to 1979.

Section 204(d) of the bill amends section 224(a) of the Act to retain the use of AME rather than AIME in the determination of average current earnings for purposes of determining the workmen's compensation offset.

Section 204(e) of the bill amends section 1839(c)(3)(B) of the Act to revise the method of automatically adjusting the supplementary medical insurance premium. The premium will be adjusted by using

the percentage increase in PIA's based on AIME of \$900. As under present law, the percentage is determined from May 1 of the year of promulgation to the following May 1.

Section 204(f) of the bill amends section 104(j)(2) of the Social Security Amendments of 1972 to refer to the section of the law defining elapsed years as amended by this bill.

Effective date

Section 205 of the bill provides that the amendments made in title II of the bill other than section 201(d) will be effective with respect to monthly benefits and lump-sum death payments for months after 1978. The amendments made by section 201(d) (the simplified method for computing PIA's where wages prior to 1951 are included in the computation) will be effective with respect to monthly benefits of an individual who becomes eligible for an old-age disability benefit, or dies after December 1977.

TITLE III—COVERAGE UNDER THE OLD-AGE SURVIVORS AND DISABILITY INSURANCE PROGRAM

Section 301. Coverage of Federal employees

Section 301 of the bill repeals the exclusion from social security coverage of services performed in the employ of the Federal Government.

Section 301(a) of the bill amends section 210(a) of the Social Security Act to repeal paragraphs (5) and (6), which now exclude from the definition of "employment" service performed in the employ of the United States or an instrumentality of the United States which is covered by a retirement system established by United States law, and of certain other instrumentalities of the United States. It also makes the technical and conforming changes in other provisions of the Act which are necessary to reflect the repeal of this exclusion.

Section 301(b) of the bill amends section 3121 of the Internal Revenue Code of 1954 to conform to the amendment made in section 210(a) of the Act by section 301(a) of the bill.

Section 301(c) of the bill provides that these amendments will be effective with respect to service performed after December 1981.

Section 301(d)(1) of the bill provides that the Secretary, in consultation with the Civil Service Commission shall make a study on how best to coordinate the benefits of the civil service retirement system with the OASDI program to develop for Federal employees a combined program of retirement, desirability, and related benefits to assure that employees are no worse off, comparing their benefits under the combined program with the benefits they would receive under the Federal staff systems then in effect, after their coverage under the OASDI program.

Section 301(d)(2) of the bill provides that no later than January 1, 1980, the Secretary shall submit a report of the study to Congress. The report will contain a specific and detailed plan for coordination of the two systems including provisions for financing and benefits.

Section 301(e) of the bill provides that the Secretary shall carry out a study of how best to coordinate the Medicare program and the program established by the Federal Employees Health Benefits Act

with the objective of developing for Federal employees a combined health insurance program to accompany the retirement and disability program developed under subsection (d). The combined health insurance program shall assure that Federal employees are no worse off under that program than they were under the Federal Employees Health Benefits Act. A report of the study shall be submitted to Congress along with the report submitted under subsection (d) (2).

Section 302. Coverage of State and local employees

Section 302(a) of the bill eliminates the provisions in present law for terminations of coverage of State and local employment.

Section 302(a) (1) of the bill amends section 218(g) of the Social Security Act to make the provisions under present law for termination of coverage under a State's agreement with the Secretary subject to a new paragraph, (4), which is added by Section 302(a) (2) of the bill.

Section 302(a) (2) of the bill adds to section 218(g) of the Act a new paragraph, (4), to provide that social security coverage under a State's agreement with the Secretary may not be terminated unless the 2 years' advance notice required under present law is given before September 14, 1977.

Section 302(b) of the bill provides compulsory coverage for employees of State and local governments with respect to services performed after December 1981.

Section 302(b) (1) of the bill repeals section 218 of the Act which provides coverage for employees of State and local governments under voluntary agreements between the States and the Secretary.

Section 302(b) (2) of the bill amends section 210(a) of the Act to remove the exclusion from the definition of "employment" of services performed by employees of a State or political subdivision and certain services performed in the employ of the District of Columbia or the Government of Guam and American Samoa.

Section 302(b) (3) of the bill amends section 3121 (b) of the Internal Revenue Code to remove the exclusion from the definition of "employment" of services performed by employees of a State or political subdivision and certain services performed in the employ of the District of Columbia, or the Governments of Guam and American Samoa.

Section 302(c) of the bill amends certain provisions of the Internal Revenue Code of 1954 to provide that, for purposes of adjustments because of payment of insufficient or excess employment taxes, State and local governments and their employees will be treated the same as other nonforeign governments and their employees.

Section 302(c) (1) (A) of the bill redesignates Sections 3126 and 3127 of the Code as Sections 3127 and 3128 respectively and adds a new section 3126. The new section permits the Governor of a State and his designees to make returns and payments of social security contributions for State and local employment in the State. The new section also permits the person making a return to pay the employer's contributions without regard to the limits imposed by the contribution and benefit base. (This provision is consistent with provisions in present law with respect to employment for the Governments of Guam, American Samoa, and the District of Columbia.)

Section 302(c)(1)(B) of the bill amends the table of sections for chapter 21 of the Code to conform to the amendment made by section 302(c)(1)(A) of the bill.

Section 302(c)(2)(A) of the bill amends section 6205(a) of the Code by changing the references in paragraphs (3) and (4) from "section 3125" to "section 3216" and by redesignating those two paragraphs as paragraphs (4) and (5) respectively. This section of the bill also adds a new paragraph (3) to provide that, for purposes of adjustments because of payments of insufficient social security employer and employee contributions, railroad retirement employer and employee taxes, and employees' withheld income taxes, with respect to remuneration for employment received from a State or political subdivision or instrumentality which is wholly owned by the State, the Governor of the State and each person designated by him under section 3126 of the Code shall be treated as separate employers. (This provision is consistent with provisions in present law with respect to remuneration for employment received from the Governments of the United States, Guam, American Samoa, and the District of Columbia.)

Section 302(c)(2)(B) of the bill amends section 6413(a) of the Code to conform to the amendment made by section 302(c)(1)(A) of the bill and by redesignating paragraphs (3) and (4) as paragraphs (4) and (5) respectively. This section of the bill also adds a new paragraph (3) to provide that, for purposes of adjustments because of payment of excess social security employer and employee contributions, railroad retirement employer and employee taxes, and employees' withheld income taxes with respect to remuneration received for employment from a State or political subdivision or instrumentality which is wholly owned by the State, the Governor of the State and each person designated by him under section 3126 of the Code shall be treated like separate employers. (These provisions are consistent with the provisions in present law with respect to remuneration for employment received from the Governments of the United States, Guam, American Samoa, and the District of Columbia.)

Section 302(c)(2)(C) of the bill replaces subparagraph (B) of section 6413(c)(2) of the Code with a new subparagraph (B). (Under the present subparagraph (B), remuneration for services covered by an agreement between a State and the Secretary of Health, Education, and Welfare under section 218 of the Act is treated as covered wages and the contributions made with respect to such remuneration are treated as other social security contributions for purposes of making refunds to employees for payment of excess social security employer and employee contributions, railroad retirement taxes, and withheld employees' income tax.) The new subparagraph (B) provides that the Governor of a State and each person designated by him under section 3126 of the Code shall be treated as a separate employer for purposes of refunding to employees the excess employment taxes paid on remuneration received from a State or a subdivision or an instrumentality which is wholly owned by the State. (This provision is consistent with provisions in present law with respect to refunds of employment taxes for employees of the Governments of the United States, Guam, American Samoa, and the District of Columbia.) This

section of the bill also amends subparagraphs (D), (E), and (F) of section 6413(C)(2) of the Code to conform to the amendment made by section 302(c)(1)(A) of the bill.

Section 302(c)(3) of the bill amends section 230(c) of the Act to conform to the amendment made by section 302(c)(1)(A) of the bill.

Section 302(d) of the bill makes changes to the Act to conform with the repeal of section 218 of the Act.

Section 302(d)(1) of the bill amends section 205(c)(5)(F)(iii) of the Act to provide that, after the repeal of section 218 of the Act, the social security earnings records of State and local employees can be corrected after the statute of limitations has run if assessments of the amounts due under section 218 of the Act were made within the prescribed time limits.

Section 302(d)(2) of the bill amends section 209(i) of the Act (which covers as wages sick pay to an employee over age 62) to remove the reference to section 218 of the Act.

Section 302(d)(3) of the bill amends section 210(a)(10)(B)(ii) of the Act (which makes an exception to the exclusion from covered employment of services performed by students in schools, colleges, and universities when such services are covered under an agreement between a State and the Secretary) to remove the reference to section 218 of the Act.

Section 302(d)(4) of the bill repeals section 210(k) of the Act which provides compulsory coverage for certain employees of transportation systems acquired by a State or political subdivision from private ownership.

Section 302(d)(5) of the bill amends section 211(c)(1) of the Act (which includes in the definition of a trade or business, functions performed by a State or local official compensated solely on a fee basis) to remove the reference to section 218 of the Act.

Section 302(d)(6) of the bill amends section 211(c)(2)(E) of the Act (which makes an exception to the exclusion from the definition of trade or business of service performed by an employee if the service is performed by an employee of a State or political subdivision compensated solely on a fee basis) to remove the reference to section 218 of the Act.

Section 302(e) of the bill makes changes to the Code consistent with the repeal of section 218 of the Act.

Section 302(e)(1) of the bill amends section 1402(b) of the Code (which defines self-employment income) to remove the reference to section 218 of the Act.

Section 302(e)(2) of the bill amends section 1402(c)(1) of the Code (which includes in the definition of a trade or business functions performed by a State or local official compensated solely on a fee basis) to remove the reference to section 218 of the Act.

Section 302(e)(3) of the bill amends section 1402(c)(2)(E) of the Code (which makes an exception to the exclusion from the definition of trade or business of service performed by an employee of a State or local subdivision if the service is compensated solely on a fee basis) to remove the reference to section 218 of the Act.

Section 302(e)(4) of the bill amends sections 3121(b)(10)(B)(ii) of the Code (which makes an exception to the exclusion from covered employment of services performed by students in schools, colleges, and universities, when such services are covered under an agreement between a State and the Secretary of Health, Education, and Welfare) to remove the reference to section 218 of the Act.

Section 302(e)(5) of the bill repeals section 3121(j) of the Code, which provides compulsory coverage for certain employees of transportation systems acquired by a State or political subdivision from private ownership.

Section 302(e)(6) of the bill repeals section 6511(d)(5) of the Code, which permits a refund of an overpayment of self-employment tax to a State or local employee where the overpayment is attributable to retroactive social security coverage.

Section 302(f) of the bill provides that sections 302(b) through 302(e)(5) apply with respect to services performed after December 1981, and section 302(e)(6) applies with respect to claims accruing after December 1981.

Section 303. Coverage of employees of nonprofit organizations

Section 303(a) of the bill phases out the provisions in present law for terminations of coverage of employment for tax-exempt, nonprofit organizations described in section 501(c)(3) of the Internal Revenue Code of 1954.

Section 303(a)(1)(A) of the bill amends section 312(k)(1)(D) of the Code to provide that termination of coverage of employees of nonprofit organizations is subject to the conditions specified in the new section 3121(k)(1)(G) of the Code.

Section 303(a)(1)(B) of the bill adds a new section 312(k)(1)(G) to the Code to provide that social security coverage of employees of a nonprofit organization may not be terminated by the organization unless the 2 years' advance notice required under present law is given before September 14, 1977.

Section 303(a)(2) of the bill amends section 3121(k)(2) of the Code to provide that coverage of employees of a nonprofit organization may be terminated by the Secretary with concurrence of the Secretary of Health, Education, and Welfare only if the required 60-day notice is given before September 14, 1977.

Section 303(b) of the bill provides compulsory coverage for employees of nonprofit organizations with respect to services performed after December 1981.

Section 303(b)(1) of the bill amends section 210(a)(8) of the Social Security Act by deleting subparagraph (B), thus eliminating from the list of services excluded from the definition of "employment" those services performed in the employ of the tax-exempt, nonprofit organizations.

Section 303(b)(2) of the bill amends section 3121(b)(8) of the Code to conform to the amendment made by section 303(b)(1) of the bill.

Section 303(b)(3) of the bill repeals section 3121(k) of the Code (relating to exemption of religious, charitable, and certain other organizations).

Section 304. Crediting of certain Federal, State, and local service, and certain service for nonprofit organizations, performed prior to the effective date of coverage

Section 304 of the bill amends section 213 of the Social Security Act to add a new subsection (d). The new subsection provides quarter-of-coverage credits in the case of an individual who performed services in the employ of the United States, a State or political subdivision, or a tax-exempt nonprofit organization before coverage is provided for such services (by the repeal of paragraphs (5) and (6) of section 210(a) of the Act by section 301(a) of the bill) and who also performs services in the same kind of employment and derives at least 6 quarters of coverage from such services after coverage is provided for such services under provisions of the bill. Each calendar quarter in which such an individual performed any such services before coverage was provided under provisions of the bill is treated as a quarter of coverage if it is not otherwise a quarter of coverage.

Section 305. Exclusion from coverage of certain limited partnership income

Section 305(a) of the bill amends section 211(a) of the Social Security Act by adding a new paragraph (11), which excludes from the definition of "net earnings from self-employment" the distributive share of income or loss received by a limited partner from the trade or business of a limited partnership. This exclusion does not extend to guaranteed payments as defined in section 707(c) of the Internal Revenue Code of 1954, such as salary and professional fees, received for services actually performed by the limited partner for the partnership.

Section 305(b) of the bill amends section 1402(a) of the Code by adding a new paragraph (12), which provides a change relating to definition of "net earnings from self-employment" to conform to the amendment made to section 211(a) of the Act by section 305(a) of the bill.

Section 305(c) of the bill provides that the amendment will apply with respect to taxable years beginning after December 31, 1977.

Section 306. Tax on employers of individuals who receive income from tips

Section 306(a) of the bill amends section 3121 of the Internal Revenue Code of 1954 by adding a new subsection (s), which provides that tips received by employees which are deemed to be wages under the Fair Labor Standards Act of 1938 will also be deemed to be wages under the Federal Insurance Contributions Act.

Section 306(b) of the bill amends section 3111 of the Code to impose social security taxes on employers for tips received by their employees deemed to be wages under the Fair Labor Standards Act.

Section 306(c) of the bill provides that the amendment will be effective with respect to wages paid for employment performed after December 1977.

Section 307. Revocation of exemption from coverage by clergymen

Section 307 of the bill permits clergymen who have waived social security coverage to revoke their waivers.

Section 307(a) of the bill provides that a minister or Christian Science practitioner who has received an exemption under section

1402(e) of the Internal Revenue Code from the payment of social security contributions which is in effect for the taxable year in which the bill is enacted may revoke the exemption by filing an application for revocation. Such application must be filed before the minister or Christian Science practitioner becomes entitled to social security retirement or disability benefits and no later than the due date of his Federal income tax return for his first taxable year beginning after the date of enactment of the bill. The revocation will be effective for social security benefit purposes and for self-employment tax purposes for the applicant's first taxable year ending on or after the date of enactment of the bill or beginning after that date (whichever is specified in the application) and for all succeeding taxable years. An individual whose exemption is revoked may not again file for an exemption. An application which is filed on or after the due date of the applicant's first taxable year ending on or after the date of enactment of the bill and which is effective for that taxable year must be accompanied by payment of the self-employment taxes due on the self-employment income derived in that taxable year.

Section 307(b) of the bill provides that the revocation provided in subsection 307(a) will apply (to the extent specified in subsection 307(a)) to services performed in taxable years ending on or after the date of the enactment and for social security cash benefits payable for months in or after the calendar year in which the application for revocation is filed.

Section 308. International agreement with respect to social security benefits

Section 308(a) provides that title II of the Social Security Act is amended by adding a new section 233 entitled "International Agreements."

Subsection (a) of the new section 233 authorizes the President to enter into agreements establishing totalization arrangements between the social security systems of the United States and of any foreign country. The purpose of such an agreement is to permit each country to establish entitlement to old-age, survivors and disability benefits and to benefits derived therefrom on the basis of an individual's credits in both countries, and in such cases to permit the establishment of special benefit amounts.

Subsection (b) (1) of the new section 233 defines "social security system" with respect to a foreign country as a social insurance or pension system which is of general application in the country and which pays periodic benefits (or the actuarial equivalent thereof) on account of old-age, death, or disability.

Subsection (b) (2) of the new section 233 defines the term "period of coverage" as a period of payment of contributions of a period of earnings based on wages for employment or on self-employment income, or any similar period recognized as equivalent under the U.S. social security system or that of the country party to an agreement entered into under the new section 233 of the Act.

Subsection (c) (1) of the new section 233 prescribes certain provisions that must be contained in any agreement.

Subsection (c) (1) (A) requires that an agreement contain a provision for combining periods of coverage under the Act with periods of

coverage under the foreign social security system for purposes of determining entitlement to and the amount of benefits under the Act. Subparagraph (A) also requires that an individual have at least 6 quarters of coverage under the Act before his periods of foreign coverage can be combined with his periods of coverage under the Act.

Subsection (c) (1) (B) (i) requires that an agreement contain provisions for the elimination of dual coverage. Under clause (i), an agreement must provide that employment or self-employment (or service recognized as equivalent under the Act or the social security system of the foreign country party to the agreement) shall, on or after the effective date of an agreement, result in a period of coverage under the Act or under the foreign system, but not under both.

Clause (ii) of subsection (c) (1) (B) requires that an agreement contain a provision setting forth the methods for determining under which system the service shall result in a period of coverage. Under this clause, a worker with a permanent connection with one system is covered by existing law under the other system, an agreement could provide that coverage be under the system with which the worker has the permanent connection. Further, where the work of a national of one country for a national of the other country now is not covered under any system [escapes coverage altogether], an agreement could cover him under one of the two systems.

Subsection (c) (1) (C) requires that an agreement contain a provision for payment of partial benefits under the Act where entitlement is acquired on the basis of combined periods of coverage under title II and under the foreign system. The benefit payable under the Act will be based on the proportion of the individual's periods of coverage completed under the Act.

Subsection (c) (2) describes two types of provisions that may be included in an agreement. Subparagraph (A) permits an agreement to make an exception to the existing alien non-payment provisions (section 202(t) of the Act) by permitting payment of benefits to any individual residing in the other country who qualifies for a benefit under the Act without recourse to an agreement or for a benefit under an agreement.

Subsection (c) (2) (B) permits an agreement to provide that if a resident of the United States receives benefits under an agreement both from the United States and from the other country party to the agreement, and the total amount of the two benefits is less than the minimum for which he would qualify under the U.S. system if all his periods of coverage had been covered under the U.S. system, the United States will supplement the amount to raise it to the minimum benefit for which he would have qualified. (This minimum would be the amount based on the lowest figure in the table in section 215(a) of the Act, but for persons becoming eligible after 1978, the amount would be frozen at the December 1978 level.)

Subsection (c) (3) of the new section 233 provides that an individual who qualifies for a cash benefit under the Act only by combining quarters of coverage under the Act with periods of coverage under a foreign system will not thereby become entitled to benefits under section 226 of the Act (Part A of Medicare).

Subsection (c) (4) of the new section 233 permits an agreement to contain other provisions not inconsistent with section 233.

Subsection (d) of the new section 233 authorizes the Secretary to make rules and regulations and to establish reasonable and necessary procedures to carry out an agreement.

Subsection (e) (1) of the new section 233 provides for oversight of agreements by Congress by providing that any agreement entered into must be transmitted to Congress by the President.

Subsection (e) (2) provides that an agreement cannot go into effect until 90 days after it has been transmitted to the Congress. (If the Congress concurs in the proposed agreement, no action by the Congress will be necessary. If the Congress disapproves of the proposed agreement, or wishes to alter any of its provisions, it will be necessary to enact a statute to that effect.)

Section 308 (b) (4) of the bill provides that where an agreement is in the Internal Revenue Code of 1954 necessary to implement subsection (c) (1) (B) (i) of the new section 233 which provides for the elimination of dual coverage and the designation of which system will cover the work of an individual. Amendments are made by adding new subsections (c) to section 1401 (self-employment tax), section 3101 (employee FICA tax) and section 3111 (employer FICA tax) of the Code. Each of the new subsections provides for an exemption from the respective taxes to the extent that the self-employment income or wages involved are taxed under the social security system of the foreign country.

Section 308 (b) (3) of the bill amends section 6051 (a) of the Code (relating to receipts for employees (Forms W-2) which employers must furnish after the close of each calendar year) by adding a new sentence at the end of section 6051 (a). The new sentence provides that wages exempted from the taxes imposed by sections 3101 (employee FICA tax) and section 3111 (employer FICA tax) of the Code pursuant to section 3101 (c) or section 3111 (c) of the Code as added by section 308 (b) (2) of the bill shall not be included in the total amount of wages as defined in section 3121 (a) of the Code (FICA wages) for purposes of the W-2. (This provision is intended to avoid the considerable administrative problems for the Social Security Administration and the Internal Revenue Service which would occur if wages exempted from FICA taxes under a totalization agreement were required to be included in the total amount of FICA wages paid as shown on the Form W-2.)

Section 308 (b) (1) and (2) of the bill make amendments to the In-effect between the United States and another country, an individual may not claim an income tax deduction or credit for the payment of the foreign social security tax.

Section 309. Validation of past Social Security coverage for Certain Illinois policemen and firemen.

Section 309 (a) of the bill validates coverage of certain earnings erroneously reported to the Secretary by the State of Illinois by deeming the agreement between the Secretary and the State of Illinois provid-

ing coverage for State and local employees in Illinois to apply[es] to all services performed prior to December 31, 1977, by any individual employed by the State of Illinois or by a political subdivision in a policeman's or fireman's position covered by the Illinois Municipal Retirement Fund. The validation would apply only for those services for which the State of Illinois has paid to the Secretary of the Treasury the sums due for such services under section 218(e)(1)(A) of the Act (amounts equivalent to social security employer and employee contributions) and has not received a refund or has received a refund but repays the refund to the Secretary of the Treasury within 90 days after the date of enactment of the bill.

Section 309(b) provides that the validation of coverage authorized by subsection (a) shall not apply with respect to services performed by individuals employed by any political subdivision which indicates in a manner and within a period to be prescribed by the Secretary that it does not wish the validation to apply with respect to those services.

Section 310. Coverage for policemen and firemen in Mississippi

Section 310 of the bill amends section 218(p)(1) of the Social Security Act to add the State of Mississippi to the list of States specifically named in the law which may modify their section 218 agreements to provide coverage under the social security program for policemen and firemen who are in positions under a State or local retirement system.

The provision would be effective upon enactment but coverage permitted by the provision would be effective on whatever date is specified by the State of Mississippi in the modification of its agreement, but could not be earlier than the beginning of the fifth year before the year in which the coverage is arranged.

Section 311. Coverage under divided retirement system for State and local employees in New Jersey

Section 311 of the bill amends section 218(d)(6)(C) of the Social Security Act to add the State of New Jersey to the list of States specifically named in the law which may modify their section 218 agreements to divide a retirement system to provide coverage under the social security program for those current retirement system members who want coverage and for all future employees.

The provision would be effective upon enactment but the effective date of coverage permitted pursuant to the provision would be whatever date is specified by the State of New Jersey in the modification of its agreement, but could not be earlier than the beginning of the fifth year before the year in which the coverage is arranged.

Section 312. Coverage of service under Wisconsin retirement system

Section 312 of the bill amends section 218(m)(1) of the Social Security Act by adding "or any successor system" after "the Wisconsin Retirement Fund". Under this change, the special provisions that apply to the Wisconsin Retirement Fund would apply to any successor to that fund.

This section would be effective upon enactment.

Section 313. Conforming amendments

Section 313(a) of the bill redesignates paragraphs (8) through (20) in section 210(a) of the Social Security Act as paragraphs (5)

through (17) respectively and makes conforming changes in references cited in sections 205(o), 210(b), and 211(c)(2) of the Act.

Section 313(b) of the bill redesignates paragraphs (8) through (20) in section 3121(b) of the Internal Revenue Code of 1954 as paragraphs (5) through (17) respectively and makes conforming changes in references cited in sections 1402, 3121, and 3124 of the Code.

Section 313(c) of the bill makes a conforming change in a reference cited in section 18(2) of the Railroad Retirement Act of 1974 to reflect the renumbering of paragraphs in section 210(a) of the Act by section 307(a) of the bill.

Section 313(d) of the bill provides that these amendments will be effective with respect to service performed after December 1981.

TITLE IV—ELIMINATION OF GENDER-BASED DISTINCTIONS UNDER THE OLD-AGE SURVIVORS AND DISABILITY PROGRAM

Part A—Equalization of Treatment of Men and Women Under the Program

Section 401. Divorced husbands

Section 401 of the bill provides benefits based on a retired, disabled, or deceased woman's social security earnings record for a divorced husband or surviving divorced husband on the same basis as benefits are now provided for women in like circumstances. (Section 416 of the bill will later shorten the duration-of-marriage requirement for divorced men and women.)

Section 401(a)(1) of the bill amends section 202(c)(1) of the Act, which provides husband's insurance benefits based on a retired or disabled woman's social security earnings record, to provide benefits for the divorced husband age 62 or over of a retired or disabled worker.

Section 401(a)(2) of the bill further amends section 202(c)(1) of the Act by adding a new subparagraph (C) which provides that a divorced husband (like a divorced wife) must not be married at the time he applies for benefits in order to become entitled to benefits based on his former wife's earnings. (This provision is subsequently repealed by Section 415 of the bill.)

The section also provides that benefits for husbands and divorced husbands will be terminated in the same situations as benefits for wives and divorced wives are now terminated by adding to the provisions of present law for terminating entitlement to husband's insurance benefits. Thus, husband's benefits will also terminate (1) when a retired or disabled worker and her husband are divorced and either he has not reached age 62 or he has reached age 62 but has not been married to the worker for a period of 20 years immediately before the divorce, or (2) when a divorced husband marries a person other than the worker. (The latter provision is subsequently repealed by the provisions of section 415 of the bill.)

Section 401(a)(3) of the bill makes a conforming change in section 202(c)(3) of the Act to provide that, except as provided in section 202(q) of the Act, the amount of a divorced husband's monthly benefit will be equal to one-half the primary insurance amount of his former wife.

Section 401(a)(4) of the bill further amends section 202(c) of the Act by adding a new paragraph (4) to provide that marriage to certain social security beneficiaries (women receiving benefits as an adult disabled since childhood, or a divorced wife, widow, mother, or parent) will not terminate benefits for divorced husbands, as is now the case for divorced wives. (This provision will be obviated by the provisions of section 415 of this bill.)

Section 401(a)(5) of the bill further amends section 202(c) of the Act to make a conforming change to take account of the redesignation (in section 401(a)(2)) of subparagraph (C) of section 202(c)(1) as subparagraph (D).

Section 401(a)(6) of the bill amends section 202(b)(3)(A) of the Act, which allows continuation of benefits for divorced wives who marry certain other social security beneficiaries, to provide that benefits for a divorced wife will not be terminated because of marriage to a person receiving benefits as a divorced husband. (These provisions will be obviated by the provisions of section 415 of the bill.)

Section 401(a)(7) of the bill makes a conforming change in section 202(c)(1)(E) of the Act, as redesignated by section 401(a)(2) of the bill.

Section 401(b)(1) of the bill amends section 202(f)(1) of the Act, which provides widower's insurance benefits based on a deceased woman's social security earnings record, to provide widower's insurance benefits for the surviving divorced husband, age 60 or over, of a deceased worker.

Section 401(b)(2), (3), and (4) of the bill make conforming changes in section 202(f) (widower's insurance benefits) of the Act to make reference to a deceased former spouse as well as a deceased spouse.

Section 401(b)(5) further amends section 202(f)(4) to make a conforming reference to the marriage rather than remarriage of a surviving divorced husband and to refer to a surviving divorced husband's entitlement to benefits as well as a widower's entitlement.

Sections 401(b)(6), (7), and (8) of the bill amend sections 202(e)(3)(A), 202(g)(3)(A), and 202(h)(4)(A) of the Act respectively which relate to continuation of benefits for widows, mothers and parents, respectively, who marry certain other social security beneficiaries to provide that their benefits will not be terminated because of marriage to a person receiving benefits as a divorced husband. These sections of the Act will be repealed effective January 1, 1979 by section 415 of this bill which eliminates marriage or remarriage as a factor terminating or reducing benefits.

Section 401(c)(1) of the bill amends section 216(d) of the Act to provide definitions of "divorced husband" and "surviving divorced husband" as a man divorced from an individual (or an individual who has died) but only if he was married to such individual for 20 years immediately before the divorce. The definition and duration-of-marriage requirement are equivalent to the current definition of and requirement for a divorced wife and surviving divorced wife in Section 216(d). The duration-of-marriage requirement for divorced spouses will be reduced from 20 years to 5 years effective January 1, 1979, by Section 416 of this bill.

Section 401(c)(2) of the bill amends the heading of section 216(d) of the Act by changing it from "Divorced Wives; Divorce" to "Divorced Spouses; Divorce".

Section 401(d)(1) of the bill amends section 205(b) of the Act, which relates to the procedural rights of individuals applying for benefits, to make a conforming change adding divorced husbands and surviving divorced husbands to the list of individuals who can request a hearing.

Section 401(d)(2) of the bill amends section 205(c)(1)(C) of the Act to make a conforming change by including a surviving divorced husband in the definition of a "survivor".

Section 402. Remarriage of surviving spouse before age 60

Section 402 of the bill amends section 202(f)(1)(A) of the Act to replace the existing requirement for entitlement to widower's insurance benefits that a widower must not have remarried before age 60 with the requirement that he not be married at the time he applies for such benefits, as is now the case for widows. (Section 202(f)(1)(A) as amended by this section would be deleted by section 415(d) of the bill which provides that marriage or remarriage will not bar entitlement to widower's benefits).

Section 403. Illegitimate children

Section 403 of the bill provides that an illegitimate child's status for purposes of entitlement to children's insurance benefits will be determined with respect to the child's mother in the same way as it is now determined with respect to the child's father. The section also amends the Social Security Act to conform to a 1974 Supreme Court decision in *Jimenez v. Weinberger*, which provided that certain illegitimate children could get benefits based on a disabled worker's earnings if the relationship and/or living with or support requirements in the statute are met at the time the child applies for benefits instead of before the worker becomes disabled, and makes a similar change with respect to children of retired workers (which were not covered by the Court's decision).

Section 403(a) of the bill amends section 216(h)(3) of the Act to provide that, as in the case of a man under present law, a woman's illegitimate child who cannot inherit from her under applicable State interstate property law and who, as a result, is not considered to be her child for social security benefit purposes, and cannot be deemed to be her child for such purposes under other provisions of such section 216(h)(3) (which are currently the same for men and women) will nevertheless be deemed to be her child for social security benefit purposes if the woman has been decreed by a court to be the child's mother, or, alternatively, the woman is shown by evidence satisfactory to the Secretary of Health, Education, and Welfare to be the child's mother and was living with or contributing to the child's support at the time the child applies for benefits.

Section 403(b) of the bill amends section 215(h)(3)(A)(i) of the Act (to parallel the Supreme Court decision in *Jimenez v. Weinberger*) to repeal the time requirement in present law that, for purposes of child's insurance benefits for an illegitimate child who cannot inherit from his parent under applicable State interstate property law, a

retired worker's acknowledgement or a court decree that the child is his son or daughter or a court order of support must be made not less than one year before the worker became entitled to old-age insurance benefits or reached age 65.

Section 403(c) of the bill amends section 216(h)(3)(A)(ii) of the Act (to parallel the Supreme Court decision in *Jimenez v. Weinberger*) to replace the present requirement that a retired worker who is shown by evidence satisfactory to the Secretary to be the parent of an illegitimate child who cannot inherit from his parent under applicable State interstate property law was living with or contributing to the child's support at the time the worker became entitled to old-age insurance benefits or reached age 65, with a requirement that such living with or support requirement be met at the time the child applies for benefits.

Section 403(d) of the bill amends section 216(h)(3)(B)(i) of the Act (to conform to the Supreme Court decision in *Jimenez v. Weinberger*) to repeal the time requirement in present law that, for purposes of child's insurance benefits for an illegitimate child who cannot inherit from his parent under applicable State interstate property law, a disabled worker's acknowledgement or a court decree that the child is his son or daughter or a court order of support must be made before the worker's most recent period of disability began.

Section 403(e) of the bill amends section 216(h)(3)(B)(ii) of the Act (to conform to the Supreme Court decision in *Jimenez v. Weinberger*) to replace the present requirement that a disabled worker who is shown by evidence satisfactory to the Secretary to be the parent of an illegitimate child who cannot inherit from his parent under applicable State interstate property law was living with or contributing to the child's support at the time the worker's most recent period of disability began, with a requirement that such living with or support requirement be met at the time the child applies for benefits.

Section 404. Transitional insured status

Section 404 of the bill amends section 227 of the Social Security Act, which provides benefits for certain people who do not meet the regular insured status requirements to provide benefits for husbands and widowers (where comparable benefits are paid to wives and widows under present law).

Section 404(a) of the bill amends section 227(a) of the Social Security Act to provide for the payment of husbands' benefits under section 227.

Section 404(b) of the bill amends section 227(b) and 227(c) of the Social Security Act to provide for the payments of widowers' benefits under section 227.

Section 404(c) of the bill amends section 216 of the Social Security Act by adding a new section 216(a). (The previous section 216(a), defining retirement age, was repealed in 1961.) The new section 216(a) would define "spouse" as a wife or husband as defined in subsection 216(b) or (f), respectively, and "surviving spouse" as a widow or widower as defined in subsection 216(c) or (g), respectively.

Section 405. Equalization of benefits under section 228

Section 405 of the bill amends section 228 of the Act, which provides special payments to certain uninsured individuals, to provide that

each member of an eligible couple will get an equal payment (rather than, as under present law, a larger amount for the man and half that amount for his wife).

Section 405(a) of the bill amends section 228(b)(2) of the Social Security Act to provide that where a husband and wife are both receiving benefits under section 228 both of them will receive the same amount, the greater of \$48.30 or \$48.30 increased under the automatic provisions. (\$48.30 is half the amount of the payment for a couple under the last *ad hoc* benefit increase, enacted in 1973, and effective June 1974. This amount increased by the automatic cost of living increases (8 percent in 1975, 6.4 percent in 1976, and 5.9 percent this year) would now be \$58.90 and subject to future automatic increases).

Section 405(b) of the bill amends section 228(c)(3) of the Social Security Act to provide that when both spouses are receiving benefits under this section and one spouse is also receiving a governmental pension, the benefit of the other spouse will be reduced by the amount that the governmental pension exceeds \$48.30 or \$48.30 increased under the automatic provision.

Section 405(c) of the bill authorizes the Secretary to increase the \$48.30 figure for those who get benefits under section 228 as amended by the benefit increases that have occurred since 1974.

Section 406. Father's insurance benefits

Section 406 of the bill provides benefits based on a retired, disabled, or deceased woman's social security earnings record for a husband, divorced husband, widower, or surviving divorced father caring for a minor or disabled child beneficiary on the same basis as benefits are provided for women in like circumstances.

Section 406(a) of the bill amends section 202(g) of the Act, which provides mother's insurance benefits based on a deceased worker's social security earnings record for a widow or surviving divorced mother caring for a minor or disabled child beneficiary, by changing the words in the present section that refer only to women—for example, widow—to words that refer to either men or women—example, surviving spouse—so as to provide benefits for a widower as well as a widow, and a surviving divorced father as well as a surviving divorced mother, on the same basis as for women.

Section 406(b) of the bill amends the heading of section 202(g) of the Act by changing it from "Mother's Insurance Benefits" to "Mother's and Father's Insurance Benefits".

Section 406(c) of the bill amends section 216(d) of the Act (as amended by section 401 of the bill) to provide definitions of "surviving divorced father" and "surviving divorced parent." A surviving divorced father is defined as a man divorced from an individual who has died if (a) he is the father of her son or daughter, or (b) he legally adopted her son or daughter, or (c) she legally adopted his son or daughter while he was married to her and while the son or daughter was under age 18, or (d) he was married to her at the time both of them legally adopted a child under age 18. This definition is equivalent to that of a surviving divorced mother in section 216(d)(3) of present law. A surviving divorced parent is defined as either a surviving divorced mother or surviving divorced father.

Section 406(d) of the bill makes a conforming change in section 202(c)(1) of the Act to provide a cross reference to section 202(s) of the Act which is amended by section 411(f) of the bill. Taken together, the effect of these changes is to preclude entitlement of a man to husband's insurance benefits before age 62 where the only entitled child he has in his care is getting benefits solely on the basis of being a full-time student, as is now the case with respect to a woman.

Section 406(e) of the bill amends section 202(c)(1)(B) of the Act to provide that a retired or disabled worker's husband under age 62 who is caring for an entitled child beneficiary may qualify for husband's insurance benefits.

Section 406(f) of the bill amends section 202(c)(1) of the Act (as amended by section 401(a)(2)(C) of the bill) to provide that husband's insurance benefits will terminate when a man under age 62 is no longer caring for an entitled child beneficiary.

Section 406(g) of the bill amends section 202(f)(1)(C) of the Act to provide for automatic conversion from father's insurance benefits to widower's insurance benefits at age 65.

Section 406(h) of the bill makes a conforming change in section 202(f)(6) of the Act with regard to the period of time during which, in the case of a widower who was previously entitled to father's benefits, the widower's disability must begin in order for him to become entitled to benefits as a disabled widower under age 60. Under present law, his disability must begin within 84 months after (1) his spouse's death or (2) the month his previous entitlement to disabled widower's benefits ended because his disability had ceased. Section 406(h) adds the 84-month period after his entitlement to father's benefits ends as an additional period of time during which a widower's disability may begin. This additional period of time is available to widows under present law.

Section 407. Effect of marriage on childhood disability beneficiary

Section 407(a) of the bill amends section 202(d)(5) of the Act to provide that the benefits of a male childhood disability beneficiary married to a childhood disability or disabled worker beneficiary would be terminated if the latter's benefits are terminated because she recovers or engages in substantial gainful work. (Present law provides for terminating the benefits of a female childhood disability beneficiary under similar circumstances.) Section 202(d)(5) of the Act would be deleted by section 415 of the bill, so that childhood disability benefits would not terminate for either men or women when the spouse's disability benefits are terminated.

Section 407(b) of the bill provides that the amendment made by section 407(a) of the bill will be effective with respect to terminations of benefits of a female beneficiary occurring after December 1977.

Section 408. Effect of marriage on other dependents' or dependent survivors' benefits

Section 408 of the bill provides for terminating the husband's, widower's, or parent's insurance benefits of a man married to a childhood disability beneficiary, if the disabled person's benefits are terminated because she recovers or engages in substantial gainful work, as is now the case for a woman receiving wife's, widow's, or parent's bene-

fits. (Amendments made by section 415 of the bill would provide that benefits of the spouse of a childhood disability beneficiary or disabled worker beneficiary would not terminate for either men or women when the benefits of the disabled beneficiary are terminated.)

Section 408(a) of the bill amends section 202(c)(4) of the Act (added by section 401 of the bill) to provide that the husband's insurance benefits of a man who is married to a childhood disability beneficiary will be terminated if the benefits of the childhood disability beneficiary are terminated because she recovers or engages in substantial gainful work, as is now the case for a woman receiving wife's benefits.

Section 408(b) of the bill amends section 202(f)(4) of the Act to provide that the widower's insurance benefits of a man who is married to a childhood disability beneficiary will be terminated if the benefits of the childhood disability beneficiary are terminated because she recovers or engages in substantial gainful work, as is now the case for a woman receiving widow's benefits.

Section 408(c) of the bill amends section 202(h)(4) of the Act to provide that the benefits of a man receiving aged parent's benefits who is married to a childhood disability beneficiary would be terminated because she recovers or engages in substantial gainful work, as is now the case for a woman receiving parent's benefits.

Section 408(d) of the bill provides that the amendments made by sections 408(a), (b), and (c) will be effective with respect to terminations of disability benefits occurring after December 1977.

Section 409. Treatment of self-employment income in community property states

Section 409(a) of the bill amends section 211(a)(5) of the Social Security Act and section 1402(a)(5) of the Internal Revenue Code, which relate to the treatment for social security purposes of self-employment income from a trade or business of a married couple in a community property state. Under present law, such self-employment income is credited to the husband unless the wife exercises substantially all of the management and control over the trade or business. The law would be changed to provide that such self-employment income will be credited for social security purposes to the spouse who exercises the greater management and control over the trade or business, except that such income and deductions shall be divided equally between the two spouses if each spouse exercises the same amount of management and control over the trade or business.

Section 409(b) of the bill provides that these amendments will be effective with respect to taxable years beginning after December 1977.

Section 410. Credit for certain military service

Section 410 of the bill amends section 217(f) of the Act, which gives widows and children the right to waive the right to a civil service survivor's annuity and instead to receive credit for military service prior to 1957 in determining eligibility for survivor's benefits or the amount of the benefit, to extend the same right to widowers.

Section 411. Conforming amendments

Section 411(a) of the bill amends section 202(b)(3)(A) of the Act (as amended by section 401(a)(6) of the bill), which relates to con-

tinuation of benefits for divorced wives who marry certain other social security beneficiaries, to allow a divorced wife who marries a man entitled to father's insurance benefits to continue to get benefits. (This section of the Act, which provides an exception to the general rules for terminating benefits upon marriage, will be made unnecessary and therefore repealed effective January 1, 1979, by section 415 of the bill, which eliminates marriage or remarriage as a factor terminating or reducing benefits in all cases.)

Section 411(b) of the bill amends section 202(p)(1) of the Act, which relates to extensions of the period of time for filing proof of support for good cause, by changing the reference to subparagraph (C) of section 202(c)(1) (relating to the support requirement for husband's benefits) to subparagraph (D) of such section to take account of the redesignation of such subparagraph by section 401(a)(2) of the bill. (However, the provisions of the section redesignated as 202(c)(1)(D) were rendered obsolete by the Supreme Court, which, in *Califano v. Abbott* and companion cases, declared unconstitutional the requirement that a man must establish that he received at least one-half of his support from his spouse in the year before she retired, became disabled, or died, in order to become entitled to husband's benefits based on her earnings record.)

Section 411(c) of the bill amends section 202(q)(3) of the Act by adding surviving divorced husbands to the categories of beneficiaries whose old-age or disability insurance benefits are reduced to take account of prior receipt of reduced survivor's benefits.

Section 411(d) of the bill amends section 202(q)(5) of the Act by adding a husband or widower getting benefits on the basis of having a minor or disabled entitled child in his care to the categories of beneficiaries whose benefits will not be actuarially reduced for any month such a beneficiary has such a child in his care.

Section 411(e)(1) of the bill amends section 202(q)(6)(A)(i) of the Act to make present-law provisions relating to certificates of election to receive actuarially reduced wife's insurance benefits, which are included in the law because it provides unreduced benefits to a wife with an entitled minor or disabled child beneficiary in her care, apply also with respect to husbands' insurance benefits, since the bill will provide unreduced benefits for a husband with an entitled minor or disabled child in his care.

Section 411(e)(2) amends subparagraph (B) of section 202(q)(7) to allow a husband or widower (like a wife or widow) who gets reduced benefits because he elected to receive benefits before he reached age 65 to later have his reduced benefits increased by adjusting the reduction period to take account of months the worker's child was in his or her care.

Section 411(f)(1) of the bill amends section 202(s)(1) of the Act to provide a reference to section 202(c)(1) of the Act (which is amended by section 406(d) of the bill to refer to subsection (s)). Taken together, the effect of these changes is to preclude entitlement of a man to husband's insurance benefits before age 62 where the only entitled child he has in his care is getting benefits solely on the basis of being a full-time student, as is now the case with respect to a woman.

Section 411(f)(2) of the bill amends section 202(s)(2) of the Act by adding a reference to section 202(c)(4) (which was added by section 401(a)(4) of the bill to provide that marriage to certain social security beneficiaries will not terminate benefits of divorced husbands). Taken together, the addition of paragraph (4) to section 202(c) and the change made by section 411(f)(2) allow continuation of the benefits of a divorced husband who marries a person age 18 or over entitled to child's insurance benefits only in cases where the child was under a disability. (This provision will be obviated by the provisions of section 415 of the bill, which, effective January 1, 1979, eliminates marriage or remarriage as a factor in terminating or reducing benefits.)

Section 411(f)(3) of the bill amends section 202(s)(3) of the Act to include references to subsection 202(c)(4), as added by section 401(a)(4) and amended by section 408(a) of the bill; and subsection 202(f)(4), as amended by sections 401(b)(5) and 408(b) of the bill.

Section 411(g) of the bill amends section 203(a)(3) of the Act by inserting references to divorced husbands under section 202(c) and surviving divorced husbands under section 202(f). This allows benefits for a divorced husband or surviving divorced husband to be paid without regard to the family maximum benefit provisions, in the same manner as they are paid to a divorced wife or surviving divorced wife under existing law.

Section 411(h) of the bill amends section 203(b) of the Act to insert a reference to father's benefits to provide that the earnings of his retired-worker spouse may result in deductions from a man's father's benefits, as is the case for mother's benefits under existing law.

Section 411(i) of the bill amends section 203(c) of the Act to authorize the Secretary to make deductions from benefits on account of failure to have a child in care to be the same for husbands and fathers as they are under existing law for wives and mothers.

Section 411(j) of the bill amends section 203(d) of the Act to authorize deductions from the benefits of a man getting benefits as a divorced husband or a widower getting father's insurance benefits who is married to a retired worker engaged in noncovered work outside the United States, where such deductions are now authorized for comparable female beneficiaries.

Section 411(k)(1) of the bill amends section 205(b) of the Act (as amended by section 401(d)(1) of the bill), which relates to the procedural rights of individuals applying for benefits, to add surviving divorced fathers to the list of individuals who can request a hearing.

Section 411(k)(2) of the bill amends section 205(c)(1)(C) of the Act (as amended by section 401(d)(2) of the bill) to include a surviving divorced father in the definition of "survivor" for purposes of the provisions of such section 205(c) relating to informing an individual or his survivor of the amounts of such individual's wages and self-employment income and the periods during which such wages were paid and such income was derived, as shown by records maintained by the Secretary.

Section 411(l) of the bill amends section 216(f) of the Act to allow a man who was entitled or potentially entitled to husband's insurance benefits based on the earnings of his former wife in the month before

his marriage to another individual not to have to meet the 1-year duration-of-marriage requirement for husband's insurance benefits based on such other individual's earnings.

Section 411(m) of the bill amends section 216(g) of the Act to allow a man who was entitled or potentially entitled to husband's insurance benefits based on the earnings of his former wife in the month before his marriage to another individual not to have to meet the 1-year duration-of-marriage requirement for widower's insurance benefits based on such other individual's earnings.

Section 411(n) of the bill amends section 222(b)(1) of the Act to authorize deductions from the benefits of a surviving divorced husband under age 60 who is getting benefits based on disability if he refuses to accept rehabilitation services, as is now true for other such disabled dependents.

Section 411(o) of the bill amends section 222(b)(3) of the Act to authorize deductions from the benefits of a man getting benefits as a divorced husband based on the earnings of a disability insurance beneficiary if she refuses to accept rehabilitation services and has deductions made from her benefits (as is now true for other such dependent beneficiaries).

Section 411(p) of the bill amends section 222(b)(2) of the Act to authorize deductions from the benefits of a man entitled to father's insurance benefits who is married to a disability insurance beneficiary if she refuses to accept rehabilitation services and has deductions made from her benefits (as is now true for mother's insurance benefits).

Section 411(q) of the bill amends section 222(d)(1) of the Act by adding surviving divorced husbands to those disabled beneficiaries for whom the costs of rehabilitation services may be paid from the social security trust funds.

Section 411(r) of the bill amends section 223(d)(2) of the Act to make the definition of disability for widows, surviving divorced wives, and widowers, in present law apply to surviving divorced husbands as well.

Section 411(s) of the bill amends section 225 of the Act to extend the Secretary's authority to suspend benefits based on disability if he believes that a person is no longer under a disability, to benefits of a surviving divorced husband (as is now the case for other benefits based on disability).

Section 411(t)(1) of the bill amends sections 226(h)(3) of the Act to provide that, for purposes of entitlement to Medicare hospital insurance benefits, a person entitled to father's insurance benefits will be deemed to have filed for disabled widower's benefits on the basis of his application for hospital insurance benefits, in the same manner as persons entitled to mother's insurance benefits may now be deemed to have filed for disabled widow's benefits.

Section 411(t)(2) of the bill amends section 226(h)(3) of the Act to provide that, for purposes of determining an individual's entitlement to hospital insurance benefits under the preceding section, an individual will, upon furnishing proof of disability within 12 months after enactment, be deemed to have been entitled to widow's or widower's benefits as of the time they would have been entitled if timely application had been made.

Section 412. Effective date

Section 412 provides that the following changes in Part A of Title IV of the bill will be effective with respect to social security benefits for months after December 1977:

1. Provision of benefits for divorced husbands (including surviving divorced husbands).
2. Elimination of remarriage before age 60 as bar to entitlement to widower's benefits.
3. Equalization of definition of illegitimate child with respect to either parent.
4. Provision of benefits for husbands and widowers under transitional insured status.
5. Equalization of payments to each member of a couple under section 228 of the Act (uninsured individuals).
6. Provision of benefits for young fathers (including surviving divorced fathers) and husbands caring for child beneficiaries.
7. Provision allowing widower to waive credit for certain military service.

Part B—Effect of Marriage, Remarriage, and Divorce on Benefit Eligibility

Section 415. Elimination of marriage or remarriage as a factor terminating or reducing benefits

Section 415 of the bill eliminates marriage or remarriage as a factor which bars or terminates entitlement to dependent's or survivor's benefits or reduces the amount of such benefits.

Section 415(a)(1) of the bill amends section 202(b)(1) of the Act by deleting subparagraph (C), which requires that a divorced wife not be remarried in order to become entitled to wife's insurance benefits based on her former husband's social security earnings record, by deleting subparagraph (H), which generally terminates benefits of a divorced wife upon remarriage, and by redesignating the remaining subparagraphs.

Section 415(a)(2) of the bill further amends section 202(b) of the Act by deleting paragraph (3), which permits a divorced wife beneficiary to marry certain other specified dependent or survivor beneficiaries without having her benefits terminated by the marriage (these exceptions to the general termination provision are no longer needed since the general provision is eliminated).

Section 415(b)(1) of the bill amends section 202(c)(1) of the Act (as amended by sections 401(a)(2) and 406(f) of the bill) by deleting subparagraph (C), added by section 401(a)(2), which requires that a divorced husband not be remarried in order to become entitled to husband's insurance benefits based on his former wife's social security earnings record, by deleting subparagraph (I), also added by section 401(a)(2), which generally terminates benefits of a divorced husband upon remarriage, and by redesignating the remaining subparagraphs.

Section 415(b)(2) of the bill further amends section 202(c) of the Act (as amended by sections 401(a)(4) and 408(a) of the bill) by deleting paragraph (4), added by section 401(a)(4), which permits a divorced husband beneficiary to marry certain other specified de-

pendent or survivor beneficiaries without having his benefits terminated by the marriage (these exceptions to the general termination provisions are no longer needed since the general provision is eliminated).

Section 415(b)(3) of the bill amends section 202(c)(2) of the Act (as amended by section 401(a)(5) of the bill) to change a reference to a redesignated subparagraph.

Section 415(c)(1) of the bill amends section 202(d)(1) of the Act by deleting from subparagraph (B) the requirement that a child be unmarried in order to become entitled to child's insurance benefits, and by deleting from subparagraph (D) the provision for generally terminating such benefits upon marriage.

Section 415(c)(2) of the bill further amends section 202(d) of the Act by deleting paragraph (5) (as amended by section 407 of the bill), which permits certain child insurance beneficiaries to marry certain other specified dependent or survivor beneficiaries without having his or her benefits terminated by the marriage (these exceptions to the general termination provision are no longer needed since the general provision is eliminated), and by redesignating the remaining paragraphs.

Section 415(d)(1) of the bill amends section 202(e)(1) of the Act by deleting subparagraph (A), which requires that a widow or surviving divorced wife not be married in order to become entitled to widow's insurance benefits based on her former husband's social security earnings record, by redesignating the remaining subparagraphs, and by changing references to the redesignated subparagraphs.

Section 415(d)(2) of the bill amends section 202(e)(2)(A) of the Act to remove a reference to a deleted paragraph.

Section 415(d)(3) of the bill further amends section 202(e) of the Act by deleting paragraph (3), which permits a widow or surviving divorced wife to marry certain other specified dependent or survivor beneficiaries without having her benefits terminated by the marriage, by deleting paragraph (4), which provides that the widow's insurance benefit for a widow who remarries at or after age 60 is one-half of the primary insurance amount of her deceased husband or former husband (these exceptions to the general termination provision are no longer needed since the general provision is eliminated), and by redesignating the remaining paragraphs.

Section 415(d)(4) of the bill amends section 202(e) of the Act by changing a reference to a redesignated subparagraph.

Section 415(d)(5) of the bill further amends section 202(e) of the Act by changing references to a redesignated subparagraph and paragraph.

Section 415(e)(1) of the bill amends section 202(f)(1) of the act (as amended by sections 401(b) and 402 of the bill) by deleting subparagraph (A), which requires that a widower or surviving divorced husband not be remarried in order to become entitled to widower's insurance benefits based on his former wife's social security earnings record, by deleting the provision for generally terminating such benefits upon remarriage, by redesignating the remaining subparagraphs, and by changing references to the redesignated subparagraphs.

Section 415(e)(2) of the bill amends section 202(f)(2) of the Act by changing a reference to a redesignated subparagraph.

Section 415(e) (3) amends section 202(f) (3) (A) of the Act by removing a reference to a deleted paragraph.

Section 415(e) (4) of the bill further amends section 202(f) of the Act (as amended by section 401(b) (3) and 401(b) (5) of the bill) by deleting paragraph (4), which permits a widower or surviving divorced husband beneficiary to marry certain other specified dependent or survivor beneficiaries without having his benefits terminated by the marriage, by deleting paragraph (5), which provides that the benefit for a widower or surviving divorced husband who remarries at or after age 60 is one-half of the primary insurance amount of his deceased wife or former wife (these exceptions to the general termination provision are no longer needed since the general provision is eliminated), and by redesignating remaining paragraphs.

Section 415(e) (5) of the bill further amends section 202(f) of the Act by changing a reference to a redesignated subparagraph.

Section 415(e) (6) of the bill amends section 202(f) of the Act by changing references to a redesignated subparagraph and paragraph.

Section 415(f) (1) amends section 202(g) (1) of the Act (as amended by section 406(a) of the bill) by deleting subparagraph (A), which requires that a surviving spouse or surviving divorced spouse not be remarried in order to become entitled to mother's or father's insurance benefits based on his deceased spouse's or former spouse's social security earnings record, by changing a reference to a redesignated subparagraph, by deleting the provision for generally terminating mother's or father's insurance benefits upon remarriage, and by redesignating the remaining subparagraphs.

Section 415(f) (2) of the bill further amends section 202(g) of the Act by deleting paragraph (3), which permits a mother's or a father's insurance beneficiary to marry certain other specified dependent or survivor beneficiaries without having his or her benefits terminated by the marriage (these exceptions to the general provision are no longer needed since the general provision is eliminated).

Section 415(g) (1) of the bill amends section 202(h) (1) of the Act by deleting subparagraph (C), which requires that a parent not have remarried since his deceased child's death in order to become entitled to parent's insurance benefits based on his deceased child's social security earnings record, by deleting the provision for generally terminating such benefits upon remarriage, and by redesignating the remaining subparagraphs.

Section 415(g) (2) of the bill amends section 202(h) (4) of the Act (as amended by section 408(c) of the bill) by deleting paragraph (4), which permits a parent beneficiary to marry certain other specified dependent or survivor beneficiaries without having his benefits terminated by the marriage (these exceptions to the general termination provision are no longer needed since the general provision is eliminated).

Section 415(h) of the bill amends section 202(p) (1) of the Act (as amended by section 411(b) of the bill) by changing the reference to subparagraph (D) of section 202(c) (1) to subparagraph (C) of such section to take account of the redesignation of such subparagraph by section 415(b) (1) of the bill.

Section 415(i) (1) repeals section 202(s) (2) of the Act (as amended by section 411(f) (2)), which restricted that portion of sections 292

(b), (c), (d), (e), (f), (g), and (h), providing that the marriage of certain social security beneficiaries to a child's insurance beneficiary would not terminate their benefits, to cases where the child beneficiary is over age 18 and disabled (this restriction is no longer needed since the general provision is eliminated).

Section 415(i) (2) amends section 202(s) (3) of the Act (as amended by section 411(f) (3) of the bill) by deleting references to subsections 202 (b) (3), (c) (4), (d) (5), (e) (3), (f) (4), (g) (3), and (h) (4), which have been deleted by the preceding subsections of this section of the bill.

Section 416. Duration-of-marriage requirement for divorced spouses and surviving divorced spouses

Section 416(a) of the bill amends sections 216(d) (1) and (2) of the Act, which define a divorced wife and a surviving divorced wife, respectively, and sections 216(d) (4) and (5) of the Act as added by section 401 of the bill, which define a divorced husband and surviving divorced husband, respectively, to specify that these definitions can be met if the individual was married to the worker for 5 (rather than 20) years immediately before divorce. The effect of the change is to reduce the duration-of-marriage requirement for aged divorced spouse's and aged or disabled surviving divorced spouse's benefits from 20 years to 5 years.

Sections 416 (b) and (c) of the bill amend section 202(b) (1) (F) of the Act (as redesignated by section 415 of the bill) and section 202(c) (1) (G) of the Act (as added by section 401 of the bill and redesignated by section 415 of the bill), respectively, to reduce from 20 years to 5 years the period immediately before divorce that a spouse age 62 or over getting wife's or husband's insurance benefits based on a retired worker's social security earnings record must have been married to the worker in order for their divorce not to terminate entitlement to wife's or husband's benefits.

Section 417. Effective date

Section 417(a) of the bill provides that section 415 of the bill, which eliminates marriage or remarriage as a factor which bars or terminates entitlement to or reduces the amount of dependent's or survivor's benefits, and section 416 of the bill, which reduces the duration-of-marriage requirement for divorced people, will be effective for benefits for months after December 1978, and, in the case of those who are not entitled to benefits of the type involved for December 1978, only on the basis of applications filed on or after January 1, 1979.

Section 417(b) of the bill provides that a person whose entitlement to dependent's or survivor's benefits terminated on account of such person's marriage or remarriage prior to January 1979, or on account of the termination (except by reason of death) of the benefits of his spouse as a childhood disability or disabled worker beneficiary, may become reentitled to such benefits (provided no event that would terminate such entitlement has since occurred) beginning with January 1979, or if later, with the first month after January 1979 in which he applies for such reentitlement.

Section 417(b) also provides that such reentitlement (and other resulting related entitlements) shall be treated as though the reentitlement were the person's initial entitlement.

Part C—Study

Section 421. Study of proposals to eliminate dependency and sex discrimination under the social security program

Section 421(a) of the bill directs the Secretary of Health, Education, and Welfare, in consultation with the Task Force on Sex Discrimination in the Department of Justice, to carry out, within the Department of Health, Education, and Welfare and the Social Security Administration, a detailed study of proposals to eliminate dependency as a factor in entitlement to spouse's social security benefits, and of proposals to bring about equal treatment of men and women in any and all respects under social security. In carrying out this study, the Secretary shall take into account the effects (particularly on women's entitlement to social security benefits) of such things as: changes in the nature and extent of women's labor-force participation, the increasing divorce rate, and the economic value of women's work in the home. The study shall include appropriate cost analyses.

Subsection (b) provides that the Secretary shall submit to Congress, within 6 months of enactment, a full and complete report on the study.

TITLE V—CHANGES IN EARNINGS TEST UNDER THE OLD-AGE, SURVIVORS,
AND DISABILITY INSURANCE PROGRAM

Section 501. Liberalization of earnings test for individuals age 65 and over

Section 501 of the bill amends section 203(f) of the Social Security Act to increase the amount of earnings a beneficiary, age 65 or over, may have in a year and still be paid full benefits for the year. (This provision would not change the exempt amount for beneficiaries under 65.) It also makes a conforming amendment in paragraph (1)(A) of section 203(h) of the Act.

Section 501(a) amends section 203(f)(8)(A) to provide that the automatic adjustment process shall apply to both the exempt amount for beneficiaries under age 65 and the new exempt amount for beneficiaries age 65 and over.

Section 501(b)(1) of the bill amends section 203(f)(8)(B) of the Act, to take account of the new subparagraph (D) added by section 501(b) of the bill.

Section 501(b)(2) of the bill amends section 203(f)(8)(B)(i) of the Act to conform with the concept of the two separate annual exempt amounts.

Section 501(b)(3) of the bill amends section 203(f)(8)(B) of the Act to conform with the concept of two separate annual exempt amounts.

Section 501(c)(1) of the bill amends section 203(f)(8) of the Act by adding new subparagraph (D) which sets the exempt amount for any beneficiary age 65 or over at \$333.33 for each month of any taxable year ending after 1977 and before 1979 and at \$375 for each month of any taxable year ending after 1978 and before 1980. Also section 501(c)(1) of the bill provides that the determination of the exempt amounts for years following 1978, shall take into account the exempt amount for beneficiaries age 65 and over set by section 501(b) of the bill as if the amount had been determined by the automatic adjustment process described in section 203(f)(8) of the Act.

Section 501(c)(2) of the bill provides that determination, publication and notification of the new exempt amount applicable to beneficiaries under age 65, under the automatic adjustment provisions of section 203(f)(8) of the Act shall be required in 1977 and 1978 because the exempt amount set by section 501(c)(1) of the bill applies only to beneficiaries age 65 or over. Section 501(c)(2) of the bill also provides that the annual exempt amount applicable to beneficiaries under 65, for 1978 as determined by the automatic adjustment process will go into effect despite the provisions of section 203(f)(8)(C) of the Act.

Section 501(d) of the bill amends subsections (f)(1), (f)(3), (f)(4)(B), and (h)(1)(A) of section 203 of the Act by deleting "\$200 or" and inserting "the applicable exempt amount" since in all cases the amount determined by the process set forth in section 203(f)(8)(B) of the Act will be greater than \$200.

Section 501(e) of the bill provides that these amendments will be effective for taxable years ending after December 1977.

Section 502.—Elimination of monthly earnings test

Section 502(a) of the bill amends Sec. 203(f)(1)(E) of the Social Security Act to eliminate the monthly measure of the retirement test.

The monthly measure will still apply in one limited situation—the year in which a person first receives social security benefits of a particular type (without having received benefits of any other type in the preceding month) which not rendering substantial services in self-employment or earning wages in excess of the exempt amount—but for all other years the annual measure only will be applied.

Section 502(b) of the bill provides that this amendment will apply with respect to monthly benefits payable for months after December 1977.

Section 503. Liberalization of test for determining deductions on account of noncovered work outside the United States

Section 503(a) of the bill amends sections 203(c)(1), (d)(1), and (d)(2) of the Social Security Act by changing, effective with respect to months in taxable years ending after 1977 and before 1979, from 6 to 8 the number of days in a month on which a beneficiary can work in noncovered work outside the United States, without losing his benefit for that month.

Section 503(b) of the bill amends sections 203(c)(1), (d)(1), and (d)(2) of the Act (as amended by subsection (a) of this section) by changing, effective with respect to months in taxable years ending after 1978, from 8 to 11 the number of days in a month on which a beneficiary can work in noncovered work outside the United States without losing his benefit for that month.

TITLE VI—COMBINED SOCIAL SECURITY AND INCOME TAX ANNUAL REPORTING

Part A—Amendments to Title II of the Social Security Act

Section 601. Annual crediting of quarters of coverage

Paragraphs (a)(1) and (a)(2) of section 601 of the bill amend sections 209(g)(3) and 209(j) of the Social Security Act to provide that

remuneration of less than \$100 in a year paid an employee by an employer for services not in the course of the employer's trade or business or for service described in section 210(j)(3)(C) of the Act (relating to home workers) will be excluded from the definition of wages. (Under present law, the remuneration is excluded from wages if it amounts to less than \$50 in a quarter.) Section 601(a)(1) of the bill also amends section 210(a)(17)(A) of the Act to provide that services in the employ of an organization registered or required to register as a Communist-action organization, a Communist-front organization, or a Communist-infiltrated organization will be excluded from the definition of employment in a year in which the organization is registered or required to register as such an organization. (Under present law, such service is excluded from employment in a quarter in which the organization is required to so register.) Section 601(a)(1) of the bill also amends section 210(f)(4)(B) of the Act to include in the definition of cooperative organization any unincorporated group of farm operators if the number of operators in a group is more than 20 at any time during a year. (Under present law, the definition applies to an unincorporated group of farm operators if the number is more than 20 during a quarter.)

Section 601(a)(3) of the bill changes the basis of the coverage exclusion of employees of certain tax-exempt organizations to the amount of wages paid in a year rather than the amount earned in a year because the annual wage reports will be reports of wages paid rather than earned.

Section 601(a)(3)(A) of the bill adds to section 209 of the Act a new subsection (p) to exclude from the definition of wages remuneration paid by an organization, exempt from income tax under section 501 of the Internal Revenue Code of 1954, in a year if the remuneration is less than \$100.

Section 601(a)(3)(B) of the bill deletes section 210(a)(10)(A) of the Act (which excludes from the definition of employment services performed in a quarter in the employ of an organization exempt from income tax under section 501 of the Code if the remuneration for such service is less than \$50) and redesignates section 201(a)(10)(B) of the Act as section 210(a)(10), and clauses (i) and (ii) of such section as subparagraphs (A) and (B), respectively.

Section 601(b) of the bill redesignates, effective January 1, 1978, section 212 of the Act as section 212(a), redesignates sections 212(a) and 212(b) as sections 212(a)(1) and 212(a)(2), and adds a new section 212(b).

The redesignated section 212(a)(1) of the Act provides that for a taxable year which is a calendar year beginning before 1978, self-employment income will be credited equally to each calendar quarter of the year for purposes of determining average monthly wage and quarters of coverage.

The redesignated section 212(a)(2) of the Act provides that in the case of a taxable year which is not a calendar year beginning before 1978, self-employment income will be credited equally to the calendar quarter in which such year ends and to each of the next three or fewer preceding quarters any part of which is in such year, for purposes of determining average monthly wage and quarters of coverage.

The new section 212(b)(1) of the Act provides that for a taxable year which is a calendar year or wholly within a calendar year beginning after 1977, self-employment income will be credited to such year for purposes of determining a person's average monthly wage or quarters of coverage.

The new section 212(b)(2) of the Act provides that for a taxable year which is not a calendar year beginning after 1977, self-employment income will be allocated proportionately to the two calendar years, portions of which are included within such taxable year, on the basis of the number of months in each such calendar year which are included completely within the taxable year. The calendar month in which such taxable year ends will be treated as completely within that taxable year.

Section 601(c) of the bill amends section 213(a)(2) of the Act effective January 1, 1978, by redesignating section 213(a)(2) as sections 213(a)(2)(A) and 213(a)(2)(B), and adds new sections 213(a)(2)(A)(ii), 213(a)(2)(B)(vi), and 213(a)(2)(B)(vii).

The redesignated section 213(a)(2)(A)(i) of the Act provides that, subject to the provision of subparagraph (B), for calendar years before 1978, a quarter of coverage is a quarter in which a person has been paid at least \$50 (except wages for agricultural labor paid after 1954) or in which he has been credited with \$100 or more in self-employment income.

The new section 213(a)(2)(A)(ii) of the Act provides that, subject to the provisions of subparagraph (B), for calendar years after 1977, a person will be credited with a quarter of coverage for each \$250 of wages paid and self-employment income credited in a year, with the quarters of coverage being assigned to specific calendar quarters only if it was necessary to enable a person to meet the requirements for insured status as prescribed in subsection (a) or (b) of section 214, or for entitlement to a computation or recomputation of his primary insurance amount, or of paragraph (3) of section 216(i).

Sections 213(a)(2)(i), 213(a)(2)(ii), 213(a)(2)(iii), and 213(a)(2)(v) of the Act are redesignated by the bill as section 213(a)(2)(B)(i), 213(a)(2)(B)(ii), 213(a)(2)(B)(iii), and 213(a)(2)(B)(v) respectively, but not otherwise changed.

The redesignated section 213(a)(2)(B)(iv) of the Act as amended by the bill provides that the special rule for determining quarters of coverage for wages paid for agricultural labor will only apply to calendar years after 1954 and before 1978.

The new section 213(a)(2)(B)(vi) of the Act provides that not more than one quarter of coverage may be credited to a calendar quarter.

The new section 213(a)(2)(B)(vii) of the Act provides that not more than four quarters of coverage may be credited in a calendar year after 1977. Section 601(d) of the bill provides that the amendments made by subsection (a) will apply with respect to remuneration paid and services rendered after December 31, 1977, and the amendments made by subsections (b) and (c) will be effective January 1, 1978.

Section 602. Adjustment in amount required for a quarter of coverage

Section 602(a) of the bill amends section 213(a)(2)(A)(ii) of the Social Security Act, as amended by section 601(c) of the bill, to

provide that the amount of wages and self-employment income needed for a quarter of coverage for years after 1977 will be determined under section 213(e) of the Act, as added by the bill.

Section 602(b) of the bill adds to section 213 of the Act new subsections (e) (1) and (e) (2).

The new subsection 213(e) (1) provides that the amount of wages and self-employment income needed for a quarter of coverage in 1978 will be \$250, and for years after 1978 the amount needed will be determined under subsection (e) (2).

The new subsection 213(e) (2) provides that beginning in 1978, and each year thereafter, the Secretary will determine and publish in the Federal Register on or before November 1 the amount of wages and self-employment income which will be required for a quarter of coverage in the following year. The amount required for a quarter of coverage will be the larger of (1) the amount already in effect, or (2) the product of the amount for 1978 (\$250) and the ratio of the average total wages of all workers in the year before the year the Secretary's determination is made to the average total wages of all workers in 1976, rounded to the nearest \$10. (The wage data used to determine the increase in average total wages, as defined in regulations promulgated by the Secretary, will be obtained from reports made to the Secretary of the Treasury. Forms 1040 for 1977 and 1978 will be used in the determination made in 1979, and Forms W-2 for 1978 and later years will be used in the determinations made after 1979. The data will, beginning in 1977, include the reports of wages for employment both covered and not covered under the Social Security Act, and will include wages in excess of the contribution and benefit base. For 1976, appropriate adjustments will be made in the average wage data in covered employment (the only adequate data available) to make it comparable to the broader measure used beginning with 1977.)

Section 602(c) of the bill provides that these amendments will be effective January 1, 1978.

Section 603. Technical and conforming amendments

Section 603(a) (1) of the bill makes an editorial change in section 203(f) (8) (B) (i) of the Social Security Act to clarify it.

Section 603(a) (2) of the bill amends section 203(f) (8) (B) (ii) of the Act to provide that automatic adjustments of the retirement test exempt amount will be based on increases in average yearly wages rather than on increases in wages reported for the first quarter of the year, beginning with the determination to increase the exempt amount in 1980. This corrects a defect in present law which requires the use of first quarter wage data for 1978, which will not be available under present annual reporting provisions. Under the bill, the wage data used to determine the increase in average yearly wages, as defined in regulations promulgated by the Secretary will be obtained from reports made to the Secretary of the Treasury. (Data from Forms 1040 for 1977 and 1978 will be used in determining the exempt amount for 1980, and data form W-2 for 1978 and later years will be used in determining the exempt amount for years after 1980. The data will, beginning in 1977, include the reports of wages for employment both covered and not covered under the Act, and will include wages in excess of the contribution and benefit base.)

Section 603(b) of the bill amends section 218 of the Act pertaining to voluntary agreements for coverage of State and local employees. Although the States are excluded from the change to annual wage reporting and will continue to report covered wages on a quarterly basis, the quarterly wages reported by the States will be compiled by the Social Security Administration and maintained as an annual amount for each employee. This will make it possible to apply the annual quarter-of-coverage measure as provided by the bill to State and local employees. Section 603(b) amends section 218 to make it consistent with this change.

Section 603(b)(1) of the bill amends section 218(c)(8) of the Act to provide that a State may modify its agreement to exclude services performed by election officials or election workers if the remuneration paid was less than \$100 in a year. (Under present law, the services may be excluded if the remuneration is less than \$50 in a calendar quarter.)

Sections 603(b)(2), 603(b)(3), and 603(b)(4) of the bill amend sections 218(q)(4)(B), 218(q)(6)(B), and 218(r)(1) respectively of the Act to make conforming changes in the rules pertaining to time limitations on assessments, credits, and refunds to take account of wages paid in a year rather than wages paid in a quarter.

Section 603(c)(1) amends section 224(a) of the Act by deleting the last sentence, so that the authority of the Secretary to estimate wages in determining the amount of reduction in benefit amounts in certain cases where the beneficiary is also receiving workmen's compensation payments will only apply to years before 1978. (Under annual reporting, a worker's total earnings will be reported on Forms W-2 and processed by the Social Security Administration; therefore, it will not be necessary to estimate the earnings in these cases.)

Section 603(c)(2) amends section 224(f)(2) of the Act, effective January 1, 1979, to provide that the periodic redetermination of the benefit reduction in cases where the worker is also entitled to workmen's compensation will be based on increases in average yearly wages rather than on increases in wages reported for the first quarter of the year. (Under present law, in redetermining the benefit reduction, a person's average current earnings are increased by the ratio of the average of the taxable wages of all persons reported to the Secretary for the first quarter of the year before the year the redetermination is made to the average of such wages for the first quarter of the year before the year the benefit reduction was first computed.) Under the bill, a person's average current earnings will be increased by the ratio of the average of the total wages reported to the Secretary of the Treasury or his delegate for the year before the year the redetermination is made to the average of such wages for 1977, or if later, the year before the year the benefit reduction was first computed. If a benefit reduction was first computed before 1978, the average current earnings will be further increased by the ratio of the average of the taxable wages reported to the Secretary for the first quarter of 1977 to the average of such wages reported for the first quarter of the year before the year the benefit reduction was first computed. The transitional provision is needed since annual wage data is not available for years before 1978.

Section 603(d) of the bill amends section 229(a) of the Act to provide that for years after 1977 a person, who was paid wages for service as a member of a uniformed service, will be deemed to have been paid \$100 for each \$300 of such wages to a maximum of \$1,200 of deemed wages in any calendar year. (Under present law, a person receives wage credits of \$300 in any calendar quarter in which he received pay for such service; the present law rule will continue to apply to calendar quarters after 1955 and before 1978.)

Section 603(e) (1) of the bill amends section 230(b) of the Act by deleting the last sentence in the matter after paragraph (2), which provides a transitional method for automatically adjusting the contribution and benefit base in accordance with increases in quarterly wages for 1978. However, quarterly wage data will not be available for 1978 since annual wages only will be reported beginning in that year.

Section 603(e) (2) of the bill makes an editorial change in section 230(b) (1) of the Act to clarify it.

Section 603(e) (3) of the bill amends section 230(b) (2) of the Act to provide that the contribution and benefit base will be automatically adjusted in accordance with increases in average yearly wages rather than with increases in wages reported for the first quarter of the year, beginning with the determination to increase the base in 1980. (Under present law, the transition from the use of quarterly wages to the use of annual wages to determine the increases in average wages will not be made until the determination to increase the base in 1981.) Under the bill, the wage data used to determine the increase in average yearly wages, defined in regulations promulgated by the Secretary, will be obtained from reports made to the Secretary of the Treasury. (Forms 1040 for 1977 and 1978 will be used in determining the base for 1980, and Forms W-2 for 1978 and later years will be used in determining the base for years after 1980. The data will, beginning in 1977, include the reports of wages for employment both covered and not covered under the Act, and will include wages in excess of the contribution and benefit base.)

Miscellaneous technical and conforming amendments

Section 603(f) (1) of the bill amends section 202(u) (1) (C) of the Act to provide that in the case of a person convicted of certain subversive activities after December 31, 1977, the court may order, in addition to all other penalties provided by law, that wages paid to the person in the year he was convicted or in any prior year be excluded in determining entitlement to social security benefits or the amount of the benefits. (Under present law, wages paid in the calendar quarter of the conviction or any prior calendar quarter may be excluded.)

Sections 603(f) (2) (A) and 603(f) (2) (B) of the bill amend section 205(c) (1) of the Act to redefine the term "period" as a year rather than a quarter, after 1977.

Section 603(f) (2) (C) of the bill amends section 205(o) of the Act which provides that railroad compensation which was remuneration for employment under the Act will be presumed, in the absence of evidence to the contrary, to have been paid in equal proportions with respect to all months in the year in which the employee rendered

services, by limiting the provision to compensation for years before 1978 (prior to annual reporting). Section 603(g) of the bill provides that the amendments made by subsection (b) will apply with respect to remuneration paid after December 31, 1977; the amendments made by subsections (d) and (f)(2) will be effective January 1, 1978; and except as otherwise specifically provided, the remaining amendments made by the section will be effective January 1, 1979.

Part B—Amendments to the Internal Revenue Code of 1954

Section 611. Deduction of Tax from Wages

Section 611(a) of the bill amends section 3102(a) of the Internal Revenue Code of 1954 to provide that an employer may deduct social security taxes from the remuneration paid an employee rendering services not in the course of the employer's trade or business or services described in section 3121(d)(3)(C) of the Code even though the total remuneration paid the employee in the year by the employer is less than \$100. (Under present law, an employer may deduct the taxes even though the total remuneration in a quarter is less than \$50.)

Section 611(b) of the bill amends section 3102(c) of the Code, which pertains to the special rule for deducting from wages the social security tax on tips, to provide that the taxes will be deducted from wages paid and reported on a yearly basis rather than wages paid and reported on a quarterly basis.

Section 611(c) of the bill provides that the amendments will be effective with respect to remuneration paid and to tips received after December 31, 1977.

Section 612. Technical and conforming amendments

Section 612(a) of the bill amends sections 3121(a)(7)(C) and 3121(a)(10) of the Internal Revenue Code [to] of 1954 to conform to amendments made by sections 601(a)(1) and 601(a)(2) of the bill.

Section 612(b) of the bill adds a new section 3121(a)(16) to the Code to conform to the addition to the Social Security Act made by section 601(a)(3)(A) of the bill.

Section 612(c) of the bill amends section 3121(b)(10) of the Code to conform to amendments made by section 601(a)(3)(B) of the bill.

Section 612(d) of the bill amends sections 3121(b)(17)(A) and 3121(g)(4)(B) of the Code to conform to amendments made by section 601(a)(1) of the bill.

Section 612(e) of the bill provides that the amendments will be effective with respect to remuneration paid and services rendered after December 31, 1977.

Part C—Conforming Amendment to the Railroad Retirement Act of 1974

Section 621. Computation of employee annuities

Section 621(a) of the bill amends section 3(f)(1) of the Railroad Retirement Act of 1974 which provides that for purposes of computing railroad retirement annuities, wages covered under social security are assumed to have been paid in equal proportion with respect to all months in the calendar year, by limiting application of the provision to years before 1978 (before annual reporting).

Section 621(b) of the bill provides that the amendment would be effective January 1, 1978.

Section 701. Actuarial reduction of benefit increases to be applied as of time of original entitlement

Section 701(a) of the bill amends section 202(q)(4) of the Act to provide that where a worker's PIA reduced under this subsection is increased, the amount of the reduction—after any adjustment under paragraph (7) for months benefits were not payable after the entitlement month and before age 65 (62 and 65 for widows and widowers)—will be reduced, beginning with the month the PIA increase is effective, as though the increased PIA had been in effect from the first month of entitlement. This change is effective for PIA increases and for increases in benefits after the application of paragraph (7) that are payable for months after December 1977.

Section 701(b) of the bill provides that for beneficiaries entitled to benefits reduced under section 202(q)(1) and (3) prior to January 1978, each time there is an increase in primary insurance amounts the amount of reduction will be increased by the same percentage as the primary insurance amounts are increased. When a person's benefits are increased under paragraph (7) because of months in which he did not receive reduced benefits, the amount of the reduction will be decreased—

(1) for those getting old-age or spouses' benefits, by the ratio of the number of months in the adjusted reduction period to the number of months in the reduction period;

(2) for those getting widows' or widowers' benefits for the month in which they attain age 62 by the ratio of (A) the number of months in the reduction period beginning with age 62 times $19/40$ of 1 percent plus the number of months in the adjusted reduction period prior to age 62, plus the number of months in the adjusted additional reduction period times $43/240$ of 1 percent to (B) the number of months in the reduction period multiplied by $19/40$ of 1 percent plus the number of months in the additional reduction period multiplied by $43/240$ of 1 percent and

(3) for those getting widows' and widowers' insurance benefits for the month in which they attain age 65 by the ratio of (A) the number of months in the adjusted reduction period times $19/40$ of 1 percent, plus the number of months in the adjusted additional reduction period times $43/240$ of 1 percent to (B) the number of months in the reduction period beginning with age 62 times $19/40$ of 1 percent, plus the number of months in the adjusted reduction period prior to age 62 times $19/40$ of 1 percent, plus the number of months in the adjusted additional reduction period by $43/240$ of 1 percent. The amount of any decrease if not a multiple of \$.10 would be rounded to the next lower multiple of \$.10.

Section 701(c) of the bill provides that when a person is entitled to two or more benefits and one or more of them are reduced under this subsection as amended by this Act, subsection (b) of this Act will apply separately to each reduced benefit before the application of section 202(k), which pertains to the method for offsetting benefits when a person is entitled to more than one benefit. Also, paragraph

(4) of this subsection as amended by this Act will continue to operate in conjunction with paragraph (3) of this subsection.

Section 701(d)(1) of the bill amends section 202(q)(7)(C) of the Act to provide that the reduction made in wife's or husband's benefits will be adjusted at age 65 for any months of nonentitlement to those benefits between ages 62 and 65.

Section 701(d)(2) of the bill amends section 202(q)(3)(H) of the Act to provide that a widow's insurance benefit will be reduced under paragraph (1) of this subsection if a widow becomes entitled to an old-age benefit and a widow's benefit in the same month.

TITLE VII—MISCELLANEOUS PROVISIONS

Section 702. Elimination of certain optional payment procedures under the old-age, survivors, and disability insurance program

Section 702 of the bill provides that monthly cash benefits will not be paid retroactively, with certain exceptions, for any month before the month in which the application was filed when such retroactivity would result in permanently reduced benefits.

Section 702(a)(1) amends Section 202(j) of the Social Security Act, which deals with applications for benefits, to provide that entitlement to benefits will be subject to this provision.

Section 702(a)(2) further amends Section 202(j) by adding a new subsection (4). Subsection 4(A) provides that no individual will be entitled to benefits for any month prior to the month in which he filed an application if the effect of the entitlement would be to permanently reduce his monthly benefits.

Subsection 4(B) provides several exceptions to subparagraph (A):

4(B)(i) exempts an individual for any month in which he or she has a dependent who is entitled to unreduced benefits based on the individual's wage record;

4(B)(ii) exempts an individual applying for benefits as a disabled surviving spouse or surviving divorced spouse, for any month before he or she attained age 60;

4(B)(iii) exempts an individual who in the year in which he files the application had excess earnings (under the retirement test) which could be charged to such prior months.

Section 702(a)(3) amends Section 226(h) of the Act, by adding a new paragraph (e), which provides that, for purposes of determining entitlement to such benefits, an individual entitled to disabled surviving spouse's, or surviving divorced spouse's benefits would also be deemed to be exempted from the limit on retroactivity.

Section 702(b) provides that the amendments made by this section would be effective with respect to applications for benefits under title II of the Social Security Act filed after December 31, 1977.

Section 703. Early mailing of benefit checks where regularly scheduled delivery day falls on Saturday, Sunday, or legal holiday

Section 703(a) of the bill adds a new section, section 708, to title VII of the Social Security Act, which deals with the administration of the programs covered by the Social Security Act.

Section 708(a) requires that, when the date of delivery for either social security or supplemental security income checks falls on a Saturday, Sunday, or legal public holiday, the checks would be delivered on the first day preceding that day which is not a Saturday, Sunday, or legal public holiday, even if delivery would be made before the end of the month for which such checks are issued.

Section 708(b) amends Sections 204 and 1631(b) of the Act, both of which deal with correct payment amounts, to provide that no attempt will be made to recover incorrect payments that occur solely because payment was made early under this provision.

Section 703(b) provides that the amendments made by this section will be effective with benefit checks regularly scheduled for delivery on or after the thirtieth day after enactment of this Act.

Section 704. Definition

Section 704 of the bill defines the term "Secretary," as used in the bill, as the Secretary of Health, Education, and Welfare, unless it is otherwise indicated by the context.

VI. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

In compliance with clause 2(1)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote by your committee on the motion to report the bill, as amended: A total of 23 votes were cast for reporting the bill, a total of 14 votes were cast against reporting the bill.

In compliance with clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives, the following statement is made relative to oversight findings by your committee. As a result of investigations conducted by the Subcommittee on Social Security, your committee concluded that it is necessary and desirable to enact legislation to ensure adequate financing of the Old Age, Survivors and Disability Insurance programs.

In compliance with clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives, your committee states that no oversight findings or recommendations have been submitted to your committee by the Committee on Government Operations with respect to the subject matter contained in the bill.

In compliance with clause 7 of rule XIII of the Rules of the House of Representatives, the following statement is made relative to the costs incurred in carrying out this bill. A complete discussion of the costs of the social security program provisions of the bill is contained in section IV of this report, which describes the financing of the amended programs. The following table sets forth the estimated additional income and outgo of the social security trust funds under present law resulting from the provisions of this bill, for fiscal years 1978 through 1983.

In compliance with clause 2(1)(4) of rule XI of the Rules of the House of Representatives, the Committee estimates that enactment of H.R. 9346 will not have a significant inflationary impact on the national economy. There are factors working in opposite directions. The

first factor is that the increase in payroll taxes on the employer would likely result in higher consumer prices, to the extent that they would be passed forward to consumers in the form of higher product prices. Counteracting this effect are two opposing factors. The first would be the anti-inflationary effect of higher employee taxes which would decrease consumer demand. The second is that if trust fund outgo was allowed to exceed income by substantial margins, as is currently projected, this increased consumer income would likely result in substantial inflationary pressure. Thus on balance, the Committee believes that net inflationary pressures will be very small or negligible because attempts by firms to raise their product prices to recoup higher employer payroll taxes will be offset by reduced demand for their products.

ESTIMATED ADDITIONAL INCOME AND ADDITIONAL OUTGO OF THE OASI AND DI TRUST FUNDS, COMBINED, OVER PRESENT LAW, RESULTING FROM PROVISIONS OF THE COMMITTEE BILL, FISCAL YEARS, 1978-85

[In billions]

Fiscal year:	Additional income	Additional outgo
1978	\$2.2	-\$0.3
1979	5.9	.4
1980	8.5	.5
1981	12.3	.1
1982	24.3	-.6
1983	31.7	-1.3

Estimated additional income to the HI trust fund over present law, resulting from provisions of the committee bill, fiscal years 1978-83

Fiscal years:	Additional income (billions)
1978	-\$1.1
1979	-1.3
1980	-1.2
1981	-0.2
1982	2.6
1983	4.2

Note: Additional outgo over present law, resulting from provisions of the committee bill, is less than \$50,000,000 in any year.

Your committee's cost estimates relating to the provisions of the bill, which were furnished to the committee by the Department of Health, Education, and Welfare, constitute the best information available at this time.

In compliance with Clause 2(1)(3)(B) of Rule XI of the Rules of the House of Representatives your committee advises that H.R. 9346, as reported by your committee, involves no new or increased tax expenditures, and the new budget authority involved therein is tabulated in the report of the Congressional Budget Office, below.

In compliance with Clause 2(1)(3)(C) of Rule XI of the Rules of the House of Representatives, the cost estimate supplied your committee by the Congressional Budget Office follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., October 12, 1977.

Hon. AL ULLMAN,
*Chairman, Committee on Ways and Means,
U.S. House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 5383, the Social Security Financing Amendments of 1977.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

JAMES BLUM,
(For Alice M. Rivlin, Director.)

CONGRESSIONAL BUDGET OFFICE, COST ESTIMATE

1. Bill number: H.R. 9346.
2. Bill title: Social Security Financing Amendments of 1977.
3. Bill status: As reported by the House Ways and Means Committee, October 12, 1977.
4. Purpose of bill: The primary purposes of this bill are (1) to strengthen the financing of the social security system; (2) to reduce the effect of wage and price fluctuation on the system's benefit structure; (3) to extend compulsory coverage to employees of the federal government, of State and local governments and of nonprofit organizations; (4) to allow higher earnings for social security recipients; (5) to eliminate certain gender based distinctions.
5. Cost estimate:

TITLE I

DIFFERENCE BETWEEN SOCIAL SECURITY REVENUES UNDER CURRENT LAW AND HOUSE WAYS AND MEANS DECISIONS, UNIFIED BUDGET BASIS, MEASURED AS ESTIMATED WAYS AND MEANS REVENUES MINUS CURRENT LAW REVENUES ¹

[In billions of dollars]

Item	1978	1979	1980	1981	1982
OASI.....	0	2.1	4.0	6.8	8.8
DI.....	2.3	3.5	4.0	4.6	5.3
OASDI.....	2.3	5.6	8.0	11.4	14.1
HI.....	-1.0	-1.1	-.9	.2	.8
OASDHI.....	1.3	4.5	7.1	11.6	14.9

¹ Estimates based on Congressional Budget Office macroeconomic assumptions.

The above table displays the differences between revenues under current law and under the Ways and Means proposal. Total Old Age Survivors Disability Health Insurance (OASDHI) tax rates are not changed from current through calendar year 1980 under the Ways and Means proposal, but are increased above current law beyond 1980. Under the Ways and Means proposal, however, a larger share of OASDHI receipts go into the DI funds than under current law, with the HI fund receiving a smaller share than under current law.

The Ways and Means proposal replaces the mechanism that automatically adjusts the level of the taxable maximum with set levels of taxable maximum. (Similar to current law, each year's taxable maximum applies equally to employers and employees.) The proposed taxable maximums are on average \$7,000 higher than the estimated levels under current law. The affect of this is to increase taxable wages and social security revenues.

Budget authority under the bill would increase by approximately the same amount as receipts in fiscal year 1978. Thereafter, budget authority would increase by more than receipts because of the additional interest income generated by the larger trust fund balances.

TITLES II-VIII.—EFFECTS ON OUTLAYS OF PROPOSED MAJOR PROVISIONS: INCREASES IN OUTLAYS FOR FISCAL YEARS 1978-83

(In billions of dollars)

	1978	1979	1980	1981	1982	1983
Decoupling ¹	0	0	-0.3	-0.7	-1.3	-2.1
Raise exempt amount in retirement test.....	(*)	.2	.2	.2	.3	.3
Limit windfall increases for early retirees.....	0	-.2	-.4	-.7	-.9	-1.2
Expand benefits to divorced spouses.....	0	.2	.2	.2	.2	.2
Elimination of marriage as a bar to benefit entitlement.....	0	1.3	1.4	1.6	1.7	1.9
Elimination of monthly retirement test.....	-.2	-.2	-.2	-.2	-.2	-.3
Elimination of retroactive benefits.....	-.2	-.4	-.5	-.6	-.6	-.6
Total².....	-.4	.9	.4	-.2	-1.8	-2.8

¹ Includes freezing of minimum benefit and increment in delayed retirement credit.

² Less than \$50,000,000.

³ Total includes minor costs and savings of other provisions.

Background for the main estimates is given below.

TITLE II—STABILIZATION OF REPLACEMENT RATES IN THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAMS

This provision changes the procedure for calculating primary insurance amounts for persons becoming eligible for old-age, survivor or disability benefits, starting January 1, 1979. A 10-year transition period allows new retiree (but not disability or survivor cases) the choice of calculating benefits on the new basis or using the 1979 benefit formula.

The new system is "decoupled" in that primary insurance amounts (PIA's) for new beneficiaries will be determined by a different procedure than will be used to index benefits of existing beneficiaries. For the latter group, benefits will in effect be subject to the same automatic adjustments for changes in the Consumer Price Index as under current law.

Under the new procedure the PIA for new beneficiary awards would be calculated as: 90 percent of the first \$180 of average indexed monthly earnings (AIME), 32 percent of the next \$905 of AIME and 15 percent of AIME over \$1,085. The "bend points" in the formula are to be adjusted (i.e., indexed) each year for changes in average wages. As indicated in the bill the adjustments would be based on changes in "the average of the total wages reported to the Secretary of the Treasury." The precise construction of the average of the total

wages is not specified by the bill, but is to be defined in regulations of the Secretary of Health, Education, and Welfare.

Because of the dependence on "wage indexing" in the new procedure, it is difficult to estimate the effects on costs of the new decoupled formula without knowing how "the average of the total wages" would be measured. One interpretation would be that an actual wage index would be constructed in a manner analagous to that of the Consumer Price Index. Such an index would be adjusted for changes in the experience and skill of the work force and would be unaffected by changes in hours and weeks worked per worker. Another interpretation of the bill would be that total wages would be the sum of wages subject to withholding, as reported to the Internal Revenue Service, and divided by the number of individuals reported on the withholding statements. In this case the change in average wages could be quite unpredictable and would be affected by factors such as changes in hours and weeks worked per individual and by changes in the rate of job turnover (since the number of different employees each wage earner works for would affect the total number of workers as reported by employers on their W-2 forms).

In addition to the provision for decoupling, the new benefit computation procedure provides that the regular minimum benefit would be frozen at the level in effect at the end of 1978 and that retirement benefits would be increased by 3 percent (instead of 1 percent as in current law) for each year retirement is delayed beyond the age of 65 and up to the age of 72.

The actuaries of the Social Security Administration have made the above estimates of the effect of decoupling (including the changes in the minimum benefit and the delayed retirement increment). The actuaries' estimates assume that for purposes of implementing the decoupling proposal "average earnings" would increase at a rate consistent with that shown in the 1977 trustees' report. The new benefit formula yields a saving over current law because under the trustees' assumptions of future inflation, the relation between benefits and past earnings would rise faster than under the provisions of the bill.

TITLE III—COVERAGE UNDER OASDI

The bill extends mandatory coverage to employees of the federal government and to those employees of state and local governments and of nonprofit organizations who are not now covered. The provision is to take effect in 1982. The way in which the civil service retirement system and social security would be integrated is not specified in the bill but is to be the subject of a study made by the Secretary of Health, Education, and Welfare. The study would be expected to provide a plan by 1980.

Until the details of a plan are given it is not possible to estimate the potential costs or savings to the system or to the federal budget of extending social security coverage.

Other provisions of Title III would have negligible effects on revenues and outlays over the next five years.

TITLE IV—ELIMINATION OF GENDER-BASED DISTINCTIONS UNDER OASDI

The provisions of Part A which equalize the treatment of men and women with respect to different aspects of benefit eligibility would

have a minor effect on outlays, increasing them by less than \$5 million a year.

Part B would add two provisions with cost implications. The bill eliminates marriage or remarriage as a factor terminating or reducing benefits. For example, under current law a widow or widower who remarries loses eligibility for survivor benefits. The bill would allow such cases to retain survivor benefits after remarriage as long as other conditions of eligibility for survivor benefits were met. In addition, the bill reduces from 20 years to 5 years the duration-of-marriage requirement for divorced spouses of retired or deceased workers with respect to eligibility for spouse or survivor benefits.

The estimates were developed in the following way. It is known that there are about 400,000 married aged women who had been widows before remarriage. Not all would benefit under the new law since the widow's own benefit as a worker or her spouse benefit on her new husband's record could exceed her survivor's benefit on the deceased husband's record. It is known that about 69 thousand remarried widows in 1977 were receiving spouse benefits on their deceased husbands' records which they can now do under current law. This group would under the new law roughly double their benefits at a cost of about \$120 million in 1979. In addition, it was assumed that another 200 thousand aged remarried widows would become eligible for the difference between their spouse benefits (or worker benefits) and their survivor benefits at an estimated cost of \$260 million in 1979. Based on historical data on the number of terminations of benefits each year for widowed mothers (and children) because of remarriage (or marriage) it was estimated that an additional 350 thousand persons would qualify for benefits under the bill who would have had benefits terminated under current law. Additional costs for this group are estimated at about \$850 million in 1979. Estimates on the provision for divorced spouses and survivors are those of the SSA actuaries.

TITLE V—CHANGE IN THE EARNINGS TEST

The bill would raise to \$4,000 in 1978 and to \$4,500 in 1979 the amount of earnings a beneficiary aged 65 to 72 years may have without losing any retirement benefits. Under current law these amounts are projected to be \$3,240 in 1978 and \$3,480 in 1979. After 1979, the exempt amount would rise based on the rise in annual earnings.

The estimate was based on files showing the earnings and potential benefits of persons aged 65 and over in 1973 and 1975. It was assumed that the relation between earnings and benefits would remain the same over time although the level of earnings and benefits would rise in accordance with CBO assumptions about wage increases and increases in the CPI. Because of the increase in the exempt amount some individuals who have lost all benefits would receive a benefit and many would receive higher benefits. The estimated increases in outlays are shown in the summary table above.

5. Estimate comparison : None.
6. Previous CBO estimate : None.
7. Estimate prepared by : June O'Neill.
8. Estimate approved by :

JAMES L. BLUM,
Assistant Director for Budget Analysis.

VII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman) :

SOCIAL SECURITY ACT

* * * * *

TITLE II—FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND FEDERAL DISABILITY INSURANCE TRUST FUND

SECTION 201. (a) * * *

(b) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the "Federal Disability Insurance Trust Fund". The Federal Disability Insurance Trust Fund shall consist of such gifts and bequests as may be made as provided in subsection (i) (1), and of such amounts as may be appropriated to, or deposited in, such fund as provided in this section. There is hereby appropriated to the Federal Disability Insurance Trust Fund for the fiscal year ending June 30, 1957, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

(1) (A) $\frac{1}{2}$ of 1 per centum of the wages (as defined in section 3121 of the Internal Revenue Code of 1954) paid after December 31, 1956, and before January 1, 1966, and reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, (B) 0.70 of 1 per centum of the wages (as so defined) paid after December 31, 1965, and before January 1, 1968, and so reported, and (C) 0.95 of 1 per centum of the wages (as so defined) paid after December 31, 1967, and before January 1, 1970, and so reported, (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969, and before January 1, 1973, and so reported, (E) 1.1 per centum of the wages (as so defined) paid after December 31, 1972, and before January 1, 1974, and so reported, (F) 1.15 per centum of the wages (as so defined) paid after December 31, 1973, and before January 1, 1978, and so reported, [(G) 1.2 per centum of the wages (as so defined) paid after December 31, 1977, and before January 1, 1981, and so reported, (H) 1.3 per centum of the wages (as so defined) paid after December 31, 1980, and before January 1, 1986 and so reported, (I) 1.4 per centum of the wages (as so defined) paid after December 31, 1985, and before January 1, 2011, and so reported, and (J) 1.7 per centum of the wages (as so defined) paid after December 31, 2010, and so reported.] (G) 1.55 per centum of the wages (as so defined) paid after December 31, 1977, and before January 1, 1979, and so reported, (H)

1.50 per centum of the wages (as so defined) paid after December 31, 1978, and before January 1, 1981, and so reported, (I) 1.60 per centum of the wages (as so defined) paid after December 31, 1980, and before January 1, 1985, and so reported, (J) 1.80 per centum of the wages (as so defined) paid after December 31, 1984, and before January 1, 1990, and so reported, and (K) 2.20 per centum of the wages (as so defined) paid after December 31, 1989, and so reported, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; and

(2) (A) $\frac{3}{8}$ of 1 per centum of the amount of self-employment income (as defined in section 1402 of the Internal Revenue Code of 1954) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of the Internal Revenue Code of 1954 for any any taxable year beginning after December 31, 1956, and before January 1, 1966, (B) and 0.525 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1965, and before January 1, 1968, and (C) 0.7125 of 1 per centum of the amount of employment income (as so defined) so reported for any taxable year beginning after December 31, 1969, and before January 1, 1973, (E) 0.795 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1972, and before January 1, 1974, (F) 0.815 of 1 per centum of the amount of self-employment income (as so defined) as reported for any taxable year beginning after December 31, 1973, and before January 1, 1978, (G) 0.850 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1977, and before January 1, 1981, (H) 0.920 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1980, and before January 1, 1986, (I) 0.990 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1985, and before January 1, 2011, and (J) 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2010, (G) *1.090 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1977, and before January 1, 1979, (H) 1.055 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1978, and before January 1, 1981, (I) 1.200 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1980, and before January 1, 1985, (J) 1.350 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1984, and before January 1, 1990 and (K) 1.650 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31,*

1989, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns.

* * * * *

(j)(1) *If at the close of any calendar year after 1977 the balance remaining in the Federal Old-Age and Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund (as determined by the Secretary of the Treasury in the following February) is less than 25 percent of the total amount of the expenditures made from such fund under this title during that calendar year, there is hereby appropriated to the Secretary of the Treasury for loans to such fund, out of any moneys in the Treasury not otherwise appropriated, as of the following July 1, an amount equal to the difference between (A) such balance, and (B) 27½ percent of the total amount of such expenditures.*

(2) *If at the close of any calendar year succeeding a calendar year with respect to which an appropriation for loans to either trust fund is made under paragraph (1)—*

(A) *the balance remaining in that fund (as determined by the Secretary of the Treasury in the following February) is less than 35 percent of the total amount of the expenditures made from such fund under this title during such succeeding calendar year (whether or not an appropriation for loans to such fund is made under paragraph (1) with respect to such succeeding year), and*

(B) *the outstanding balance of all loans (including accumulated interest) which were made to such fund under paragraph (1) with respect to calendar years before such succeeding year (and which have not been repaid to the Treasury under paragraph (3)) is \$2,000,000,000 or more,*

the taxes imposed by sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1954 with respect to wages received or paid (and taxable years beginning) in the second calendar year after such succeeding year shall be increased as provided in section 3125 of such Code.

(3) *Any amount appropriated for loans to either trust fund with respect to any calendar year under paragraph (1) shall be repaid, with interest, by transfer from such fund to the general fund of the Treasury. A repayment of such amount shall be made on July 1 next succeeding any subsequent calendar year at the close of which (as determined by the Secretary of the Treasury in the following February) the balance remaining in such fund exceeds 30 percent of the total amount of the expenditures made from such fund under this title during that calendar year, and any such repayment shall be in an amount equal to the difference between (A) such balance, and (B) 30 percent of the total amount of such expenditures. Interest on any such loan shall be at a rate, as determined by the Secretary of the Treasury, equal to the average market yield on the outstanding marketable obligations of the United States of comparable maturities at the time the loan was made.*

OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

Old-Age Insurance Benefits

SEC. 202. (a) * * *

* * * * *

Wife's Insurance Benefits

(b) (1) The wife (as defined in section 216(b)) and every divorced wife (as defined in section 216(d)) of an individual entitled to old-age or disability insurance benefits, if such wife or such divorced wife—

(A) has filed application for wife's insurance benefits,

(B) has attained age 62 or (in the case of a wife) has in her care (individually or jointly with such individual) at the time of filing such application a child entitled to a child's insurance benefit on the basis of the wages and self-employment income of such individual, and

[(C) in the case of a divorced wife, is not married, and]

[(D)] (C) is not entitled to old-age or disability insurance benefits or is entitled to old-age or disability insurance benefits based on a primary insurance amount which is less than one-half of the primary insurance amount of such individual, shall (subject to subsection (s)) be entitled to a wife's insurance benefit for each month beginning with the first month in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs—

[(E)] (D) she dies,

[(F)] (E) such individual dies,

[(G)] (F) in the case of a wife, they are divorced and either (i) she has not attained age 62, or (ii) she has attained age 62 but has not been married to such individual for a period of [20] 5 years immediately before the date the divorce became effective,

[(H) in the case of a divorced wife, she marries a person other than such individual,]

[(I) (G) in the case of a wife who has not attained age 62, no child of such individual is entitled to a child's insurance benefit,

[(J)] (H) she becomes entitled to an old-age or disability insurance benefit based on a primary insurance amount which is equal to or exceeds one-half of the primary insurance amount of such individual, or

[(K)] (I) such individual is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

(2) Except as provided in subsection (q), such wife's insurance benefit for each month shall be equal to one-half of the primary insurance amount of her husband (or, in the case of a divorced wife, her former husband) for such month.

[(3) In the case of any divorced wife who marries—

[(A) an individual entitled to benefits under subsection [f] (c), (f), (g), or (h), of this section, or

[(B) an individual who has attained the age of 18 and is entitled to benefits under subsection (d),

such divorced wife's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1) (but subject

to subsection (s)), not be terminated by reason of such marriage; except that, in the case of such a marriage to an individual entitled to benefits under subsection (d), the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under subsection (d) unless he ceases to be so entitled by reason of his death.]

Husband's Insurance Benefits

(c)(1) The husband (as defined in section 216(f)) *and every divorced husband (as defined in section 216(d))* of an individual entitled to old-age or disability insurance benefits, if such husband *or such divorced husband*—

(A) has filed application for husband's insurance benefits,

(B) has attained age 62 *or (in the case of a husband) has in his care (individually or jointly with such individual) at the time of filing such application a child entitled to child's insurance benefits on the basis of the wages and self-employment income of such individual,*

(C) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary, from such individual—

(i) if she had a period of disability which did not end prior to the month in which she became entitled to old-age or disability insurance benefits, at the beginning of such period or at the time she became entitled to such benefits, or

(ii) if she did not have such a period of disability, at the time she became entitled to such benefits,

and filed proof of such support within two years after the month in which she filed application with respect to such period of disability or after the month in which she became entitled to such benefits, as the case may be, or, if she did not have such a period, two years after the month in which she became entitled to such benefits, and

(D) is not entitled to old-age or disability insurance benefits, or is entitled to old-age or disability insurance benefits based on a primary insurance amount which is less than one-half of the primary insurance amount of [his wife] *such individual;*

shall (*subject to subsection (s)*) be entitled to a husband's insurance benefit for each month, beginning with the first month [after August 1950] in which he becomes so entitled to such insurance benefits and ending with the month preceding [the month in which any of the following occurs: he dies, his wife dies, they are divorced, or he becomes entitled to an old-age or disability insurance benefit, based on a primary insurance amount which is equal to or exceeds one-half of the primary insurance amount of his wife, or his wife is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits] *the first month in which any of the following occurs:*

(E) *he dies,*

(F) *such individual dies,*

(G) *in the case of a husband, they are divorced and either (i) he has not attained age 62, or (ii) he has attained age 62 but has*

not been married to such individual for a period of 5 years immediately before the divorce became effective,

(H) in the case of a husband who has not attained age 62, no child of such individual is entitled to a child's insurance benefit,

(I) he becomes entitled to an old-age or disability insurance benefit based on a primary insurance amount which is equal to or exceeds one-half of the primary insurance amount of such individual, or

(J) such individual is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

(2) The provisions of subparagraph (c) of paragraph (1) shall (subject to subsection (s)) not be applicable in the case of any husband who—

(A) in the month prior to the month of his marriage to such individual was entitled to, or on application therefor and attainment of age 62 in such prior month would have been entitled to, benefits under subsection (f) or (h);

(B) in the month prior to the month of his marriage to such individual had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d); or

(C) in the month prior to the month of his marriage to such individual he was entitled to, or on application therefor and attainment of the required age (if any) would have been entitled to, a widower's child's (after attainment of age 18), or parent's insurance annuity under section 5 of the Railroad Retirement Act of 1937, as amended.

(3) Except as provided in subsection (q), such husband's insurance benefit for each month shall be equal to one-half of the primary insurance amount of his wife (*or, in the case of a divorced husband, his former wife*) for such month.

Child's Insurance Benefits

(d) (1) Every child (as defined in section 216(e)) of an individual entitled to old-age or disability insurance benefits, or of an individual who dies a fully or currently insured individual if such child—

(A) has filed application for child's insurance benefits,

(B) at the time such application was filed **【was unmarried and】**

(i) either had not attained the age of 18 or was a full-time student and had not attained the age of 22, or (ii) is under a disability (as defined in section 223(d)) which began before he attained the age of 22, and

(C) was dependent upon such individual—

(i) if such individual is living, at the time such application was filed,

(ii) if such individual has died, at the time of such death,

or

(iii) if such individual had a period of disability which continued until he became entitled to old-age or disability insurance benefits, or (if he has died) until the month of his

death, at the beginning of such period of disability or at the time he became entitled to such benefits, shall be entitled to a child's insurance benefit for each month, beginning with the first month after August 1950 in which such child becomes so entitled to such insurance benefits and ending with the month preceding whichever of the following first occurs—

(D) the month in which such child dies, [or marries,]

(E) the month in which such child attains the age of 18, but only if he (i) is not under a disability (as so defined) at the time he attains such age, and (ii) is not a full-time student during any part of such month.

* * * * *

[(5) In the case of a child who has attained the age of eighteen and who marries—

[(A) an individual entitled to benefits under subsection (a), (b), (e), (f), (g), or (h) of this section or under section 223(a), or

[(B) another individual who has attained the age of eighteen and is entitled to benefits under this subsection, such child's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1) but subject to subsection (s), not be terminated by reason of such marriage; except that, in the case of such a marriage to [a male] an individual entitled to benefits under section 223(a) or this subsection, the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under section 223(a) or this subsection unless (i) he ceases to be so entitled by reason of his death, or (ii) in the case of an individual who was entitled to benefits under section 223(a), he is entitled, for the month following such last month, to benefits under subsection (a) of this section.]

[(6) (5) A child whose entitlement to child's insurance benefits on the basis of the wages and self-employment income of an insured individual terminated with the month preceding the month in which such child attained the age of 18, or with a subsequent month, may again become entitled to such benefits (provided no event specified in paragraph (1)(D) has occurred) beginning with the first month thereafter in which he—

(A) (i) is a full-time student or is under a disability (as defined in section 223(d), and (ii) had not attained the age of 22, or

(B) is under a disability (as so defined) which began before the close of the 84th month following the month in which his most recent entitlement to child's insurance benefits terminated because he ceased to be under such disability,

but only if he has filed application for such reentitlement. Such reentitlement shall end with the month preceding whichever of the following first occurs:

(C) the first month in which an event specified in paragraph (1)(D) occurs;

(D) the earlier of (i) the first month during no part of which he is a full-time student, or (ii) the month in which he attains the

age of 22, but only if he is not under a disability (as so defined) in such earlier month; or

(E) if he was under a disability (as so defined), the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

(i) the first month during no part of which he is a full-time student, or

(ii) the month in which he attains the age of 22.

[7] (6) For the purposes of this subsection—

(A) A “full-time student” is an individual who is in full-time attendance as a student at an educational institution, as determined by the Secretary (in accordance with regulations prescribed by him) in the light of the standards and practices of the institutions involved, except that no individual shall be considered a “full-time student” if he is paid by his employer while attending an educational institution at the request, or pursuant to a requirement, of his employer.

(B) Except to the extent provided in such regulations, an individual shall be deemed to be a full-time student during any period of nonattendance at an educational institution at which he has been in full-time attendance if (i) such period is 4 calendar months or less, and (ii) he shows to the satisfaction of the Secretary that he intends to continue to be in full-time attendance at an educational institution immediately following such period. An individual who does not meet the requirement of clause (ii) with respect to such period of nonattendance shall be deemed to have met such requirement (as of the beginning of such period) if he is in full-time attendance at an educational institution immediately following such period.

(C) An “educational institution” is (i) a school or college or university operated or directly supported by the United States, or by any State or local government or political subdivision thereof, or (ii) a school or college or university which has been approved by a State or accredited by a State-recognized or nationally-recognized accrediting agency or body, or (iii) a non-accredited school or college or university whose credits are accepted, on transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited.

(D) A child who attains age 22 at a time when he is a full-time student (as defined in subparagraph (A) of this paragraph and without the application of subparagraph (B) of such paragraph) but has not (at such time) completed the requirements for, or received, a degree from a four-year college or university shall be deemed (for purposes of determining whether his entitlement to benefits under this subsection has terminated under paragraph (1)(F) and for purposes of determining his initial entitlement to such benefits under clause (i) of paragraph (1)(B)) not to have attained such age until the first day of the first month following the end of the quarter or semester in which he is enrolled at such time (or, if the educational institution (as defined in this paragraph) in which he is enrolled is not operated on a quarter

or semester system, until the first day of the first month following the completion of the course in which he is so enrolled or until the first day of the third month beginning after such time, whichever first occurs).

[8](7) In the case of—

(A) An individual entitled to old-age insurance benefits (other than an individual referred to in subparagraph (B)), or

(B) an individual entitled to disability insurance benefits, or an individual entitled to old-age insurance benefits who was entitled to disability insurance benefits for the month preceding the first month for which he was entitled to old-age insurance benefits,

a child of such individual adopted after such individual became entitled to such old-age or disability insurance benefits shall be deemed not to meet the requirements of clause (i) or (iii) of paragraph (1) (C) unless such child—

(C) is the natural child or stepchild of such individual (including such a child who was legally adopted by such individual), or

(D) (i) was legally adopted by such individual in an adoption decreed by a court of competent jurisdiction within the United States,

(ii) was living with such individual in the United States and receiving at least one-half of his support from such individual (I) if he is an individual referred to in subparagraph (A), for the year immediately before the month in which such individual became entitled to old-age insurance benefits or, if such individual had a period of disability which continued until he had become entitled to old-age insurance benefits, the month in which such period of disability began, or (II) if he is an individual referred to in subparagraph (B), for the year immediately before the month in which began the period of disability of such individual which still exists at the time of adoption (or, if such child was adopted by such individual after such individual attained age 65, the period of disability of such individual which existed in the month preceding the month in which he attained age 65), or the month in which such individual became entitled to disability insurance benefit, or (III) if he is an individual referred to in either subparagraph (A) or subparagraph (B) and the child is the grandchild of such individual or his or her spouse, for the year immediately before the month in which such child files his or her application for child's insurance benefits, and

(iii) had not attained the age of 18 before he began living with such individual.

In the case of a child who was born in the one-year period during which such child must have been living with and receiving at least one-half of his support from such individual, such child shall be deemed to meet such requirements for such period if, as of the close of such period, such child has lived with such individual in the United States and received at least one-half of his support from such individual for substantially all of the period which begins on the date of birth of such child.

[(9)] (8) (A) A child who is a child of an individual under clause (3) of the first sentence of section 216(e) and is not a child of such individual under clause (1) or (2) of such first sentence shall be deemed not to be dependent on such individual at the time specified in subparagraph (1)(C) of this subsection unless (i) such child was living with such individual in the United States and receiving at least one-half of his support from such individual (I) for the year immediately before the month in which such individual became entitled to old-age insurance benefits or disability insurance benefits or died, or (II) if such individual had a period of disability which continued until he had become entitled to old-age insurance benefits, or disability insurance benefits, or died, for the year immediately before the month in which such period of disability began, and (ii) the period during which such child was living with such individual began before the child attained age 18.

(B) In the case of a child who was born in the one-year period during which such child must have been living with and receiving at least one-half of his support from such individual, such child shall be deemed to meet such requirements for such period if, as of the close of such period, such child has lived with such individual in the United States and received at least one-half of his support from such individual for substantially all of the period which begins on the date of such child's birth.

Widow's Insurance Benefits

(e) (1) The widow (as defined in section 216(c)) and every surviving divorced wife (as defined in section 216(d)) of an individual who died a fully insured individual, if such widow or such surviving divorced wife —

[(A) is not married,]

[(B)] (A) (i) has attained age 60, or (ii) has attained age 50 but has not attained age 60 and is under a disability (as defined in section 223(d)) which began before the end of the period specified in paragraph [(5)] (3),

[(C)] (B) (i) has filed application for widow's insurance benefits, or was entitled to wife's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which he died, and (I) has attained age 65 or (II) is not entitled to benefits under subsection (a) or section 223, or

(ii) was entitled, on the basis of such wages and self-employment income, to mother's insurance benefits for the month preceding the month in which she attained age 65, and

[(D)] (C) is not entitled to old-age insurance benefits or is entitled to old-age insurance benefits each of which is less than the primary insurance amount of such deceased individual, shall be entitled to a widow's insurance benefit for each month, beginning with—

[(E)] (D) if she satisfies subparagraph [(B)] (A) by reason of clause (i) thereof, the first month in which she becomes so entitled to such insurance benefits, or

[(F)] (E) if she satisfies subparagraph [(B)] (A) by reason of clause (ii) thereof—

(i) the first month after her waiting period (as defined in paragraph ~~[(6)]~~ (4)) in which she becomes so entitled to such insurance benefits, or

(ii) the first month during all of which she is under a disability and in which she becomes so entitled to such insurance benefits, but only if she was previously entitled to insurance benefits under this subsection on the basis of being under a disability and such first month occurs (I) in the period specified in paragraph ~~[(5)]~~ (3) and (II) after the month in which a previous entitlement to such benefits on such basis terminated,

and ending with the month preceding the first month in which any of the following occurs: she ~~[(remarries,)]~~ dies, or becomes entitled to an old-age insurance benefit equal to or exceeding the primary insurance amount of such deceased individual, or, if she became entitled to such benefits before she attained age 60, the third month following the month in which her disability ceases (unless she attains age 65 on or before the last day of such third month).

(2) (A) Except as provided in subsection (q) ~~[(, paragraph (4) of this subsection,)]~~ and subparagraph (B) of this paragraph, such widow's insurance benefit for each month shall be equal to the primary insurance amount of such deceased individual.

(B) If the deceased individual (on the basis of whose wages and self-employment income a widow or surviving divorced wife is entitled to widow's insurance benefits under this subsection) was, at any time, entitled to an old-age insurance benefit which was reduced by reason of the application of subsection (q), the widow's insurance benefit of such widow or surviving divorced wife for any month shall, if the amount of the widow's insurance benefit of such widow or surviving divorced wife (as determined under subparagraph (A) and after application of subsection (q)) is greater than—

(i) the amount of the old-age insurance benefit to which such deceased individual would have been entitled (after application of subsection (q)) for such month if such individual were still living, and

(ii) 82½ percent of the primary insurance amount of such deceased individual,

be reduced to the amount referred to in clause (i), or (if greater) the amount referred to in clause (ii).

~~[(3) In the case of a widow or surviving divorced wife who marries—~~

~~[(A) an individual entitled to benefits under subsection (e), (f), or (h) of this section, or~~

~~[(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d),~~

such widow's or surviving divorced wife's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1) but subject to subsection (s), not be terminated by reason of such marriage; except that, in the case of such a marriage to an individual entitled to benefits under subsection (d), the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such bene-

fits under subsection (d) unless he ceases to be so entitled by reason of his death.

[(4) If a widow, after attaining the age of 60, marries an individual (other than one described in subparagraph (A) or (B) of paragraph (3)), such marriage shall, for purposes of paragraph (1), be deemed not to have occurred; except that notwithstanding the provisions of paragraph (2) and subsection (q), such widow's insurance benefit for the month in which such marriage occurs and each month thereafter prior to the month in which the husband dies or such marriage is otherwise terminated, shall be equal to one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based;]

[(5) (3) The period referred to in paragraph (1) [(B)] (A) (ii), in the case of any widow or surviving divorced wife, is the period beginning with whichever of the following is the latest:

(A) the month in which occurred the death of the fully insured individual referred to in paragraph (1) on whose wages and self-employment income her benefits are or would be based, or

(B) the last month for which she was entitled to mother's insurance benefits on the basis of the wages and self-employment income of such individual, or

(C) the month in which a previous entitlement to widow's insurance benefits on the basis of such wages and self-employment income terminated because her disability had ceased.

and ending with the month before the month in which she attains age 60, or, if earlier, with the close of the eighty-fourth month following the month with which such period began.

[(6) (4) The waiting period referred to in paragraph (1) [(F)] (E), in the case of any widow or surviving divorced wife, is the earliest period of five consecutive calendar months—

(A) throughout which she has been under a disability, and

(B) which begins not earlier than with whichever of the following is the later: (i) the first day of the seventeenth month before the month in which her application is filed, or (ii) the first day of the fifth month before the month in which the period specified in paragraph [(5)] (3) begins.

[(7) (5) In the case of an individual entitled to monthly insurance benefits payable under this section for any month prior to January 1973 whose benefits were not redetermined under section 102(g) of the Social Security Amendments of 1972, such benefits shall not be redetermined pursuant to such section, but shall be increased pursuant to any general benefit increase (as defined in section 215(i) (3)) or any increase in benefits made under or pursuant to section 215(i), including for this purpose the increase provided effective for March 1974, as though such redetermination had been made.

Widower's Insurance Benefits

(f) (1) The widower (as defined in section 216(g)) and every surviving divorced husband (as defined in section 216(d)) of an individual who died a fully insured individual, if such widower or such surviving divorced husband—

[(A)] has not remarried,

[(B)](A) (i) has attained age 60, or (ii) has attained age 50 but has not attained age 60 and is under a disability (as defined in section 223(d)) which began before the end of the period specified in paragraph **[(6)](4)**,

[(C)](B) (i) has filed application for widower's insurance benefits or was entitled to husband's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which she died, and (I) has attained age 65 or (II) is not entitled to benefits under subsection (a) or section 223, or

(ii) was entitled, on the basis of such wages and self-employment income, to father's insurance benefits for the month preceding the month in which he attained age 65,

[(D)](C) (i) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary, from such individual at the time of her death or, if such individual had a period of disability which did not end prior to the month in which she died, at the time such period began or at the time of her death, and filed proof of such support within two years after the date of such death, or, if she had such a period of disability, within two years after the month in which she filed application with respect to such period of disability or two years after the date of such death, as the case may be, or (ii) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary from such individual at the time she became entitled to old-age or disability insurance benefits or, if such individual had a period of disability which did not end prior to the month in which she became so entitled, at the time such period began or at the time she became entitled to such benefits, and filed proof of such support within two years after the month in which she became entitled to such benefits, or, if she had such a period of disability, within two years after the month in which she filed application with respect to such period of disability or two years after the month in which she became entitled to such benefits, as the case may be,

[(E)](D) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than the primary insurance amount of **[(his deceased wife,)]** such deceased individual,

shall be entitled to a widower's insurance benefit for each month, beginning with—

[(F)](E) if he satisfies subparagraph **[(B)](A)** by reason of clause (i) thereof, the first month in which he becomes so entitled to such insurance benefits, or

[(G)](F) if he satisfies subparagraph **[(B)](A)** by reason of clause (ii) thereof—

(i) the first month after his waiting period (as defined in paragraph **[(7)](5)**) in which he becomes so entitled to such insurance benefits, or

(ii) the first month during all of which he is under a disability and in which he becomes so entitled to such insurance

benefits, but only if he was previously entitled to insurance benefits under this subsection on the basis of being under a disability and such first month occurs (I) in the period specified in paragraph [(6)] (4) and (II) after the month in which a previous entitlement to such benefits on such basis terminated,

and ending with the month preceding the first month in which any of the following occurs: he [remarries,] dies, or becomes entitled to an old-age insurance benefit equal to or exceeding the primary insurance amount of [his deceased wife,] *such deceased individual*, or, if he became entitled to such benefits before he attained age 60, the third month following the month in which his disability ceases (unless he attains age 65 on or before the last day of such third month).

(2) The provisions of subparagraph [(D)] (C) of paragraph (1) shall (subject to subsection (s)) not be applicable in the case of any individual who—

(A) in the month prior to the month of his marriage to such individual was entitled to, or on application therefor and attainment of age 62 in such prior month would have been entitled to, benefits under this subsection or subsection (h);

(B) in the month prior to the month of his marriage to such individual had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d); or

(C) in the month prior to the month of his marriage to such individual he was entitled to, or on application therefor and attainment of the required age (if any), would have been entitled to, a widower's, child's (after attainment of age 18), or parent's insurance annuity under section 5 of the Railroad Retirement Act of 1937, as amended.

(3) (A) Except as provided in subsection (q) [, paragraph (5), of this subsection,] and subparagraph (B) of this paragraph, such widower's insurance benefit for each month shall be equal to the primary insurance amount of [his deceased wife] *such deceased individual*.

(B) If the deceased [wife] (on the basis of whose wages and self-employment income a widower *or surviving divorced husband* is entitled to widower's insurance benefits under this subsection) was, at any time, entitled to an old-age insurance benefit which was reduced by reason of the application of subsection (q), the widower's insurance benefit of such widower *or surviving divorced husband* for any month shall, if the amount of the widower's insurance benefit of such widower *or surviving divorced husband* (as determined under subparagraph (A) and after application of subsection (q)) is greater than—

(i) the amount of the old-age insurance benefit to which such deceased [wife] *individual* would have been entitled (after application of subsection (q)) for such month if such [wife] *individual* were still living; and

(ii) 82½ percent of the primary insurance amount of such deceased [wife] *individual*;
be reduced to the amount referred to in clause (i), or (if greater) the amount referred to in clause (ii).

[(4) In the case of a widower *or surviving divorced husband* who *marries*—

[(A) an individual entitled to benefits under subsection (b), (e), (g), or (h), or

[(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d), such widower's *or surviving divorced husband's* entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1) but subject to subsection (s), not be terminated by reason of such marriage; *except that, in the case of such a marriage to an individual entitled to benefits under subsection (d), the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under subsection (d) unless she ceases to be so entitled by reason of her death.*]

[(5) If a widower, after attaining the age of 60, marries an individual (other than one described in subparagraph (A) or (B) of paragraph (4)), such marriage shall, for purposes of paragraph (1), be deemed not to have occurred; except that, notwithstanding the provisions of paragraph (3) and subsection (q), such widower's insurance benefit for the month in which such marriage occurs and each month thereafter prior to the month in which the wife dies or such marriage is otherwise terminated, shall be equal to one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based.]

[(6)] (4) The period referred to in paragraph (1) [(B)] (A) (ii), in the case of any widower *or surviving divorced husband*, is the period beginning with whichever of the following is the latest:

(A) the month in which occurred the death of the fully insured individual referred to in paragraph (1) on whose wages and self-employment income his benefits are or would be based,

[or]

(B) the month in which a previous entitlement to widower's insurance benefits on the basis of such wages and self-employment income terminated because his disability had ceased, *or*

(C) *the last month for which he was entitled to father's insurance benefits on the basis of the wages and self-employment income of such individual,*

and ending with the month before the month in which he attains age 60, or, if earlier, with the close of the eighty-fourth month following the month with which such period began.

[(7)] (5) The waiting period referred to in paragraph (1) [(G)] (F), in the case of any widower *or surviving divorced husband*, is the earliest period of five consecutive calendar months—

(A) throughout which he has been under a disability, and

(B) which begins not earlier than with whichever of the following is the later: (i) the first day of the seventeenth month before the month in which his application is filed, or (ii) the first day of the fifth month before the month in which the period specified in paragraph [(6)] (4) begins.

[(8)] (6) In the case of an individual entitled to monthly insurance benefits payable under this section for any month prior to January 1973 whose benefits were not redetermined under section 102(g) of

the Social Security Amendments of 1972, such benefits shall not be redetermined pursuant to such section, but shall be increased pursuant to any general benefit increase (as defined in section 215(i)(3)) or any increase in benefits made under or pursuant to section 215(i), including for this purpose the increase provided effective for March 1974, as though such redetermination had been made.

Mother's and Father's Insurance Benefits

(g)(1) The [widow] *surviving spouse* and every surviving divorced [mother] *parent* (as defined in section 216(d)) of an individual who died a fully or currently insured individual, if such [widow] *surviving spouse* or surviving divorced [mother] *parent*—

[(A)] is not married,

[(B)] (A) is not entitled to a [widow] *surviving spouse's* insurance benefit,

[(C)] (B) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of such individual,

[(D)] (C) has filed application for mother's or father's insurance benefits, or was entitled to [wife's insurance benefits] *a spouse's insurance benefit* on the basis of the wages and self-employment income of such individual for the month preceding the month in which [he] *such individual* died,

[(E)] (D) at the time of filing such application has in [her] *his or her* care a child of such individual entitled to a child's insurance benefit, and

[(F)] (E) in the case of a surviving divorced [mother] *parent*—

(i) the child referred to in subparagraph [(E)] (D) is [her] *his or her* son, daughter, or legally adopted child, and

(ii) the benefits referred to in such subparagraph are payable on the basis of such individual's wages and self-employment income.

shall (subject to subsection (s)) be entitled to a mother's or father's insurance benefit for each month, beginning with the first month [after August 1950] in which [she] *he or she* becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to a child's insurance benefit, such [widow] *surviving spouse* or surviving divorced [mother] *parent* becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual, [she] *he or she* becomes entitled to a [widow's] *surviving spouse's* insurance benefit, [she] [he or she] [remarries] or [she] *he* dies. Entitlement to such benefits shall also end, in the case of a surviving divorced [mother] *parent*, with the month immediately preceding the first month in which no son, daughter, or legally adopted child of such surviving divorced [mother] *parent* is entitled to a child's insurance benefit on the basis of the wages and self-employment income of such deceased individual.

(2) Such mother's or father's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of such deceased individual.

(3) In the case of a **[widow]** *surviving spouse* or surviving divorced **[mother]** *parent* who marries—

(A) an individual entitled to benefits under *this subsection* or subsection (a), (c), (f), or (h), or under section 223(a), or

(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d),

the entitlement of such **[widow]** *surviving spouse* or surviving divorced **[mother]** *parent* to benefits under this subsection shall, notwithstanding the provisions of paragraph (1) but subject to subsection (s), not be terminated by reason of such marriage; except that, in the case of such a marriage to an individual entitled to benefits under section 223(a) or subsection (d) of this section, the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under section 223(a) or subsection (d) of this section unless (i) **[he]** *such individual* ceases to be so entitled by reason of **[his]** *his or her* death, or (ii) in the case of an individual who was entitled to benefits under section 223(a), **[he]** *such individual* is entitled, for the month following such last month, to benefits under subsection (a) of this section.

Parent's Insurance Benefits

(h) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual if such parent—

(A) has attained age 62,

(B) (i) was receiving at least one-half of his support from such individual at the time of such individual's death or, if such individual had a period of disability which did not end prior to the month in which he died, at the time such period began or at the time of such death, and (ii) filed proof of such support within two years after the date of such death, or, if such individual had such a period of disability, within two years after the month in which such individual filed application with respect to such period of disability or two years after the date of such death, as the case may be,

[(C) has not married since such individual's death,]

[(D)] (C) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than 82½ percent of the primary insurance amount of such deceased individual if the amount of the parent's insurance benefit for such amount is determinable under paragraph (2) (A) (or 75 percent of such primary insurance amount in any other case), and

[(E)] (D) has filed application for parent's insurance benefits, shall be entitled to a parent's insurance benefit for each month beginning with the first month after August 1950 in which such parent becomes so entitled to such parent's insurance benefits and ending with the month preceding the first month in which any of the following occurs: such parent dies, **[marries,]** or becomes entitled to an old-age

insurance benefit equal to or exceeding 82½ percent of the primary insurance amount of such deceased individual if the amount of the parent's insurance benefit for such month is determinable under paragraph (2)(A) (or 75 percent of such primary insurance amount in any other case).

(2)(A) Except as provided in subparagraphs (B) and (C), such parent's insurance benefit for each month shall be equal to 82½ percent of the primary insurance amount of such deceased individual.

(B) For any month for which more than one parent is entitled to parent's insurance benefits on the basis for such deceased individual's wages and self-employment income, such benefit for each such parent for such month shall (except as provided in subparagraph (C)) be equal to 75 percent of the primary insurance amount of such deceased individual.

(C) In any case in which—

(i) any parent is entitled to a parent's insurance benefit for a month on the basis of a deceased individual's wages and self-employment income, and

(ii) another parent of such deceased individual is entitled to a parent's insurance benefit for such month on the basis of such wages and self-employment income, and on the basis of an application filed after such month and after the month in which the application for the parent's benefits referred to in clause (i) was filed,

the amount of the parent's insurance benefit of the parent referred to in clause (i) for the month referred to in such clause shall be determined under subparagraph (A) instead of subparagraph (B) and the amount of the parent's insurance benefit of a parent referred to in clause (ii) for such month shall be equal to 150 percent of the primary insurance amount of the deceased individual minus the amount (before the application of section 203(a)) of the benefit for such month of the parent referred to in clause (i).

(3) As used in this subsection, the term "parent" means the mother or father of an individual, a stepparent of an individual by a marriage contracted before such individual attained the age of sixteen, or an adopting parent by whom an individual was adopted before he attained the age of sixteen.

[(4) In the case of a parent who marries—

[(A) an individual entitled to benefits under this subsection or subsection (b), (c), (e), (f), or (g), or

[(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d),

such parent's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1) but subject to subsection(s), not be terminated by reason of such marriage; except that, in the case of such a marriage to [a male] an individual entitled to benefits under subsection (d), the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under subsection (d) unless he ceases to be so entitled by reason of his death.]

* * * * *

Application for Monthly Insurance Benefits

(j) (1) **[An]** *Subject to the limitations contained in paragraph (4), an individual who would have been entitled to a benefit under subsection (a), (b), (c), (d), (e), (f), (g), or (h) for any month after August 1950 had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he files application therefor prior to the end of the twelfth month succeeding such month. Any benefit under this title for a month prior to the month in which application is filed shall be reduced, to any extent that may be necessary, so that it will not render erroneous any benefit which, before the filing of such application, the Secretary has certified for payment for such prior month.*

(2) *An application for any monthly benefits under this section filed before the first month in which the applicant satisfies the requirements for such benefits shall be deemed a valid application only if the applicant satisfies the requirements for such benefits before the Secretary makes a final decision on the application. If upon final decision by the Secretary, or decision upon judicial review thereof, such applicant is found to satisfy such requirements, the application shall be deemed to have been filed in such first month.*

(3) *Notwithstanding the provisions of paragraph (1), an individual may, at his option, waive entitlement to any benefit referred to in paragraph (1) for any one or more consecutive months (beginning with the earliest month for which such individual would otherwise be entitled to such benefit) which occur before the month in which such individual files application for such benefit; and, in such case, such individual shall not be considered as entitled to such benefits for any such month or months before such individual filed such application. An individual shall be deemed to have waived such entitlement for any such month for which such benefit would, under the second sentence of paragraph (1), be reduced to zero.*

(4) (A) *Except as provided in subparagraph (B), no individual shall be entitled to benefits under subsection (a), (b), (c), or (f) for any month prior to the month in which he or she files an application for such benefits if the effect of such payment would be to reduce, pursuant to subsection (g), the monthly benefits to which such individual would otherwise be entitled.*

(B) (i) *If the individual applying for retroactive benefits is applying for such benefits under subsection (a), and there are one or more other persons who would, except for subparagraph (A), be entitled for any month, on the basis of the wages and self-employment income of such individual and because of such individual's entitlement to such retroactive benefits, to retroactive benefits under subsection (b), (c), or (d) not subject to reduction under subsection (g), then subparagraph (A) shall not apply with respect to such month or any subsequent month.*

(ii) *If the individual applying for retroactive benefits is a surviving spouse, or surviving divorced spouse who is under a disability (as defined in section 223(d)), and such individual would, except for subparagraph (A), be entitled to retroactive benefits as a disabled surviv-*

ing spouse, or surviving divorced spouse for any month before he or she attained the age of 60, then subparagraph (A) shall not apply with respect to such month or any subsequent month.

(iii) If the individual applying for retroactive benefits has excess earnings (as defined in section 203(f)) in the year in which he or she files an application for such benefits which could, except for subparagraph (A), be charged to months in such year prior to the month of application, then subparagraph (A) shall not apply to so many of such months immediately preceding the month of application as are required to charge such excess earnings to the maximum extent possible.

Simultaneous Entitlement to Benefits

(k)(1) A child, entitled to child's insurance benefits on the basis of the wages and self-employment income of an insured individual, who would be entitled, on filing application, to child's insurance benefits on the basis of the wages and self-employment income of some other insured individual, shall be deemed entitled, subject to the provisions of paragraph (2) hereof, to child's insurance benefits on the basis of the wages and self-employment income of such other individual if an application for child's insurance benefits on the basis of the wages and self-employment income of such other individual has been filed by any other child who would, on filing application, be entitled to child's insurance benefits on the basis of the wages and self-employment income of both such insured individuals.

(2)(A) Any child who under the preceding provisions of this section is entitled for any month to child's insurance benefits on the wages and self-employment income of more than one insured individual shall, notwithstanding such provisions, be entitled to only one of such child's insurance benefits for such month. Such child's insurance benefits for such month shall be the benefit based on the wages and self-employment income of the insured individual who has the greatest primary insurance amount, except that such child's insurance benefits for such month shall be largest benefit to which such child could be entitled under subsection (d) (without the application of section 203(a)) or subsection (m) if entitlement to such benefit would not, with respect to any person, result in a benefit lower (after the application of section 203(a)) than the benefit which would be applicable if such child were entitled on the wages and self-employment income of the individual with the greatest primary insurance amount. Where more than one child is entitled to child's insurance benefits pursuant to the preceding provisions of this paragraph, each such child who is entitled on the wages and self-employment income of the same insured individuals shall be entitled on the wages and self-employment income of the same such insured individual.

(B) Any individual [(other than an individual to whom subsection (e)(4) or (f)(5) applies)] who, under the preceding provisions of this section and under the provisions of section 223, is entitled for any month to more than one monthly insurance benefit (other than old-age or disability insurance benefit) under this title shall be entitled to only one such monthly benefit for such month, such benefit to be the largest of the monthly benefits to which he (but for this subparagraph (B))

would otherwise be entitled for such months. **Any individual who is entitled for any month to more than one widow's or widower's insurance benefit to which subsection (e) (4) or (f) (5) applies shall be entitled to only such benefit for such month, such benefit to be the largest of such benefits.**

(3) (A) If an individual is entitled to an old-age or disability insurance benefit for any month and to any other monthly insurance benefit for such month, such other insurance benefit for such month, after any reduction under subsection (q), subsection (e) (2) or (f) (3), and any reduction under section 203(a), shall be reduced, but not below zero, by an amount equal to such old-age or disability insurance benefit (after reduction under such subsection (q)).

(B) If an individual is entitled for any month to a widow's or widower's insurance benefits to which subsection (e) (4) or (f) (5) applies and to any other monthly insurance benefit under section 202 (other than an old-age insurance benefit), such other insurance benefit for such month, after any reduction under subparagraph (A), any reduction under subsection (q), and any reduction under section 203 (a), shall be reduced, but not below zero, by an amount equal to such widow's or widower's insurance benefit after any reduction or reductions under such subparagraph (A) and such section 203(a).

(4) Any individual who, under this section and section 223, is entitled for any month to both an old-age insurance benefit and a disability insurance benefit under this title shall be entitled to only the larger of such benefits for such month, except that, if such individual so elects, he shall instead be entitled to only the smaller of such benefits for such month.

* * * * *

Minimum Survivor's Benefit

(m) (1) In any case in which an individual is entitled to a monthly benefit under this section on the basis of the wages and self-employment income of a deceased individual for any month and no other person is (without the application of subsection (j) (1)) entitled to a monthly benefit under this section for such month on the basis of such wages and self-employment income, such individual's benefit amount for such month, prior to reduction under subsection (k) (3), shall be not less than the first amount appearing in column IV of the table in (or deemed to be in) section 215(a), except as provided in paragraph (2).

(1) In any case in which an individual is entitled to a monthly benefit under this section on the basis of a primary insurance amount computed under section 215 (a) or (d), as in effect after December 1978, on the basis of the wages and self-employment income of a deceased individual for any month and no other person is (without the application of subsection (j) (1)) entitled to a monthly benefit under this section for that month on the basis of such wages and self-employment income, the individual's benefit amount for that month, prior to reduction under subsection (k) (3), shall not be less than that provided by subparagraph (C) (i) (I) of section 215(a) (1) and increased under section 215(i) for months after May of the year in which the insured individual died as though such benefit were a primary insurance amount.

* * * * *

Extension of Period for Filing Proof of Support and Applications for Lump-Sum Death Payment

(p) In any case in which there is a failure—

(1) to file proof of support under subparagraph (C) of subsection (c) (1), clause (i) or (ii) of subparagraph **[D]** (C) of subsection (f) (1), or subparagraph (B) of subsection (h) (1), or under clause (B) of subsection (f) (1) of this section as in effect prior to the Social Security Act Amendments of 1950, within the period prescribed by such subparagraph or clause, or

(2) to file, in the case of a death after 1946, applications for a lump-sum death payment under subsection (i), or under subsection (g) of this section as in effect prior to the Social Security Act Amendments of 1950, within the period prescribed by such subsection,

any such proof or application, as the case may be, which is filed after the expiration of such period shall be deemed to have been filed within such period if it is shown to the satisfaction of the Secretary that there was good cause for failure to file such proof or application within such period. The determination of what constitutes good cause for purposes of this subsection shall be made in accordance with regulations of the Secretary.

Reduction of Benefit Amounts for Certain Beneficiaries

(q) (1) If the first month for which an individual is entitled to an old-age, wife's, husband's, widow's, or widower's insurance benefit a month before the month in which such individual attains retirement age, the amount of such benefit for such month and for any subsequent month shall, subject to the succeeding paragraphs of this subsection, be reduced by—

(A) $\frac{5}{9}$ of 1 percent of such amount if such benefit is an old-age insurance benefit $\frac{25}{36}$ of 1 percent of such amount if such benefit is a wife's or husband's insurance benefit, or $\frac{19}{40}$ of 1 percent of such amount if such benefit is a widow's or widower's insurance benefit, multiplied by—

(B) (i) the number of months in the reduction period for such benefit (determined under paragraph (6) (A)), if such benefit is for a month before the month in which such individual attains retirement age, or

(ii) if less, the number of such months in the adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is (I) for the month in which such individual attains age 62, or (II) for the month in which such individual attains retirement age;

and in the case of a widow or widowers whose first month of entitlement to a widow's or widower's insurance benefit is a month before the month in which such widow or widower attains age 60, such benefit, reduced pursuant to the preceding provisions of this paragraph (and before the application of the second sentence of paragraph (8)), shall be further reduced by—

(C) $\frac{43}{240}$ of 1 percent of the amount of such benefit, multiplied by—

(D) (i) the number of months in the additional reduction period for such benefit (determined under paragraph (6) (B)), if such benefit is for a month before the month in which such individual attains age 62, or

(ii) if less, the number of months in the additional adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month in which such individual attains age 62 or any month thereafter.

(2) If an individual is entitled to a disability insurance benefit for a month after month for which such individual was entitled to an old-age insurance benefit, such disability insurance benefit for each month after a month for which such individual was entitled to an old-age insurance benefit would be reduced under paragraphs (1) and (4) for such months had such individual attained age 65 in the first month for which he most recently became entitled to a disability insurance benefit.

(3) (A) If the first month for which an individual both is entitled to a wife's, husband's, widow's, or widower's insurance benefit and has attained age 62 (in the case of a wife's or husband's insurance benefit) or age 50 (in the case of a widow's or widower's insurance benefit) is a month for which such individual is also entitled to—

(i) an old-age insurance benefit (to which such individual was first entitled for a month before he attains age 65), or

(ii) a disability insurance benefit,

then in lieu of any reduction under paragraph (1) (but subject to the succeeding paragraphs of this subsection) such wife's, husband's, widow's, or widower's insurance benefit for each month shall be reduced as provided in subparagraph (B), (C), or (D).

(B) For any month for which such individual is entitled to an old-age insurance benefit and is not entitled to a disability insurance benefit, such individual's wife's, or husband's insurance benefit shall be reduced by the sum of—

(i) the amount by which such old-age insurance benefit is reduced under paragraph (1) for such month, and

(ii) the amount by which such wife's or husband's insurance benefit would be reduced under paragraph (1) for such month if it were equal to the excess of such wife's or husband's insurance benefit (before reduction under this subsection) over such old-age insurance benefit (before reduction under this subsection).

(C) For any month for which such individual is entitled to a disability insurance benefit, such individual's wife's, husband's, widow's, or widower's insurance benefit shall be reduced by the sum of—

(i) the amount by which such disability insurance benefit is reduced under paragraph (2) for such month (if such paragraph applied to such benefit), and

(ii) the amount by which such wife's, husband's, widow's, or widower's insurance benefit would be reduced under paragraph (1) for such month if it were equal to the excess of such wife's, husband's, widow's, or widower's insurance benefit (before reduction under this subsection) over such disability insurance benefit (before reduction under this subsection).

(D) For any month for which such individual is entitled neither to an old-age insurance benefit nor to a disability insurance benefit, such individual's wife's, husband's, widow's, or widower's insurance benefit shall be reduced by the amount by which it would be reduced under paragraph (1).

(E) If the first month for which an individual is entitled to an old-age insurance benefit (whether such first month occurs before, with, or after the month in which such individual attains the age of 65) is a month for which such individual is also (or would, but for subsection (e) (1) in the case of a widow or surviving divorced wife or subsection (f) (1) in the case of a widower *or surviving divorced husband*, be) entitled to a widow's or widower's insurance benefit to which such individual was first entitled for a month before she or he attained retirement age, then such old-age insurance benefit shall be reduced by whichever of the following is the larger:

(i) the amount by which (but for this subparagraph) such old-age insurance benefit would have been reduced under paragraph (1), or

(ii) the amount equal to the sum of (I) the amount by which such widow's or widower's insurance benefit would be reduced under paragraph (1) if the period specified in paragraph (6) (A) ended with the month before the month in which she or he attained age 62 and (II) the amount by which such old-age insurance benefit would be reduced under paragraph (1) if it were equal to the excess of such old-age insurance benefit (before reduction under this subsection over such widow's or widower's insurance benefit (before reduction under this subsection)).

(F) If the first month for which an individual is entitled to a disability insurance benefit (when such first month occurs with or after the month in which such individual attains the age of 62) is a month for which such individual is also (or would, but for subsection (e) (1) in the case of a widow or surviving divorced wife or subsection (f) (1) in the case of a widower *or surviving divorced husband*, be) entitled to a widow's or widower's insurance benefit to which such individual was first entitled for a month before she or he attained retirement age, then such disability insurance benefit for each month shall be reduced by whichever of the following is larger:

(i) the amount by which (but for this subparagraph) such disability insurance benefit would have been reduced under paragraph (2), or

(ii) the amount equal to the sum of (I) the amount by which such widow's or widower's insurance benefit would be reduced under paragraph (1) if the period specified in paragraph (6) (A) ended with the month before the month in which she or he attained age 62 and (II) the amount by which such disability insurance benefit would be reduced under paragraph (2) if it were equal to the excess of such disability insurance benefit (before reduction under this subsection) over such widow's or widower's insurance benefit (before reduction under this subsection)).

(G) If the first month for which an individual is entitled to a disability insurance benefit (when such first month occurs before the month in which such individual attains the age of 62) is a month for

which such individual is also (or would, but for subsection (e)(1) in the case of a widow or surviving divorced wife or subsection (f)(1) in the case of a widower *or surviving divorced husband* be) entitled to a widow's or widower's insurance benefit, then such disability insurance benefit for each month shall be reduced by the amount such widow's insurance benefit would be reduced under paragraphs (1) and (4) for such month as if the period specified in paragraph (6)(A) (or, if such paragraph does not apply, the period specified in paragraph (6)(B)) ended with the month before the first month for which she or he most recently became entitled to a disability insurance benefit.

(H) Notwithstanding subparagraph (A) of this paragraph, if the first month for which an individual is entitled to a widow's or widower's insurance benefit is a month for which such individual is also entitled to an old-age insurance benefit to which such individual was first entitled *for that month or* for a month before she or he became entitled to a widow's or widower's benefit, the reduction in such widow's or widower's insurance benefit shall be determined under paragraph (1).

(4) If—

(A) an individual is or was entitled to a benefit subject to reduction under paragraph (1) or (3) of this subsection, and

(B) such benefit is increased by reason of an increase in the primary insurance amount of the individual on whose wages and self-employment income such benefit is based,

【then the amount of the reduction of such benefit for each month shall be computed separately (under paragraph (1) or (3), whichever applies) for the portion of such benefit which constitutes such benefit before any increase described in subparagraph (B), and separately (under paragraph (1) or (3), whichever applies to the benefit being increased) for each such increase. For purposes of determining the amount of the reduction under paragraph (1) or (3) in any such increase, the reduction period and the adjusted reduction period shall be determined as if such increase were a separate benefit to which such individual was entitled for and after the first month for which such increase is effective.】

then the amount of the reduction of such benefit (after the application of any adjustment under paragraph (7)) for each month beginning with the month of such increase in the primary insurance amount shall be computed under paragraph (1) or (3), whichever applies, as though the increased primary insurance amount had been in effect for and after the month for which the individual first became entitled to such monthly benefit reduced under such paragraph (1) or (3).

(5) (A) No husband's or wife's insurance benefit shall be reduced under this subsection—

(i) for any month before the first month for which there is in effect a certificate filed by *his or her* with the Secretary, in accordance with regulations prescribed by him, in which *he or she* elects to receive *husband's or wife's* insurance benefits reduced as provided in this subsection, or

(ii) for any month in which *he or she* has in *his or her* care (individually or jointly with the person on whose wages and self-

employment income *his or her husband's or wife's* insurance benefit is based) a child of such person entitled to child's insurance benefits.

(B) Any certificate described in subparagraph (A) (i) shall be effective for purposes of this subsection (and for purposes of preventing deductions under section 203 (c) (2))—

(i) for the month in which it is filed and for any month thereafter, and

(ii) for months, in the period designated by the [woman] *individual* filing such certificate, of one or more consecutive months (not exceeding 12) immediately preceding the month in which such certificate is filed;

except that such certificate shall not be effective for any month before the month in which *he or she* attains age 62, nor shall it be effective for any month to which subparagraph (A) (ii) applies.

(C) If [a woman] *an individual* does not have in *his or her* care a child described in subparagraph (A) (ii) in the first month for which *he or she* is entitled to a *husband's or wife's* insurance benefit, and if such first month is a month before the month in which *he or she* attains age 65, *he or she* shall be deemed to have filed in such first month the certificate described in subparagraph (A) (i).

(D) No *widower's or widow's* insurance benefit for a month in which *wife or she* has in *his or her* care a child of *his or her* deceased *wife or husband* (or deceased former *wife or husband*) entitled to child's insurance benefits shall be reduced under this subsection below the amount to which *he or she* would have been entitled had *he or she* been entitled for such month to *father's or mother's* insurance benefits on the basis of *his or her* deceased *wife's or husband's* (or deceased former *wife's or husband's*) wages and self-employment income.

(6) For the purposes of this subsection—

(A) the "reduction period" for an individual's old-age, wife's, husband's, widow's, or widower's insurance benefit is the period—

(i) beginning—

(I) in the case of an old-age [or husband's insurance] benefit, with the first day of the first month for which such individual is entitled to such benefit, or

(II) in the case of a wife's or husband's insurance benefit, with the first day of the first month for which a certificate described in paragraph (5) (A) (i) is effective, or

(III) in the case of a widow's or widower's insurance benefit, with the first day of the first month for which such individual is entitled to such benefit or the first day of the month in which such individual attains age 60, whichever is the later, and

(ii) ending with the last day of the month before the month in which such individual attains retirement age; and

(B) the "additional reduction period" for an individual's widow's, or widower's insurance benefit is the period—

(i) beginning with the first day of the first month for which such individual is entitled to such benefit, but only if

such individual has not attained age 60 in such first month, and

(ii) ending with the last day of the month before the month in which such individual attains age 60.

(7) For purposes of this subsection the "adjusted reduction period" for an individual's old-age, wife's, husband's, widow's, or widower's insurance benefit is the reduction period prescribed in paragraph (6) (A) for such benefit, and the "additional adjusted reduction period" for an individual's, widow's, or widower's, insurance benefit is the additional reduction period prescribed by paragraph (6) (B) for such benefit, excluding from each such period—

(A) any month in which such benefit was subject to deductions under section 203(b), 203(c)(1), 203(d)(1), or 222(b),

(B) in the case of *husband's or wife's* insurance benefits, any month in which *he* or she had in *his or* her care (individually or jointly with the person on whose wages and self-employment income such benefits were based ceased to be under a disability,] insurance benefits,

(C) in the case of wife's or husband's insurance benefits, any month for which such individual was not entitled to such benefits [because the spouse on whose wages and self-employment income such benefits were based ceased to be under a disability, *because of the occurrence of an event that terminated her or his entitlement to such benefits.*

(D) in the case of widow's or widower's insurance benefits, any month in which the reduction in the amount of such benefit was determined under paragraph (5) (D),

(E) in the case of widow's or widower's insurance benefits, any month before the month in which she or he attained age 62, and also for any later month before the month in which he attained retirement age, for which she or he was not entitled to such benefit because of the occurrence of an event that terminated her or his entitlement to such benefits, and

(F) in the case of old-age insurance benefits, any month for which such individual was entitled to a disability insurance benefit.

(8) This subsection shall be applied after reduction under section 203(a) and after application of section 215(g). If the amount of any reduction computed under paragraph (1), (2), or (3) is not a multiple of \$0.10, it shall be reduced to the next lower multiple of \$0.10.

(9) For purposes of this subsection, the term "retirement age" means age 65.

* * * * *

Child Aged 18 or Over Attending School

(s)(1) For the purposes of subsections (b)(1), (c)(1), (g)(1), (q)(5), and (q)(7) of this section and paragraphs (2), (3), and (4) of section 203(c), a child who is entitled to child's insurance benefits under subsection (d) for any month, and who has attained the age of 18 but is not in such month under a disability (as defined in section 223(d)) shall be deemed not entitled to such benefits for such month,

unless he was under such a disability in the third month before such month.

[(2) Subsection (f) (4), and so much of subsections (b) (3), (c) (4), (d) (5), (e) (3), (g) (3), and (h) (4), of this section as precedes the semicolon, shall not apply in the case of any child unless such child, at the time of the marriage referred to therein, was under a disability (as defined in section 223(d)) or had been under such a disability in the third month before the month in which such marriage occurred.]

(3) Subsections (c) (2) (B) and (f) (2) (B) of this section, [so much of subsections (b) (3), (c) (4), (d) (5), (e) (3), (f) (4), (g) (3), and (h) (4) of this section as follows the semicolon,] the last sentence of subsection (c) of section 203, subsection (f) (1) (C) of section 203, and subsections (b) (3) (B), (c) (6) (B), (f) (3) (B), and (g) (6) (B) of section 216 shall not apply in the case of any child with respect to any month referred to therein unless in such month or the third month prior thereto such child was under a disability (as defined in section 223(d)).

* * * * *

Effect of Conviction of Subversive Activities, etc.

(u) (1) If any individual is convicted of any offense (committed after the date of the enactment of this subsection) under—

(A) chapter 37 (relating to espionage and censorship), chapter 105 (relating to sabotage), or chapter 115 (relating to treason, sedition, and subversive activities) of title 18 of the United States Code, or

(B) section 4, 112, or 113 of the Internal Security Act of 1950, as amended,

then the court may, in addition to all other penalties provided by law, impose a penalty that in determining whether any monthly insurance benefit under this section or section 223 is payable to such individual for the month in which he is convicted or for any month thereafter, in determining the amount of any such benefit payable to such individual for any such month, and in determining whether such individual is entitled to insurance benefits under part A of title XVIII for any such month, there shall not be taken into account—

(C) any wages paid to such individual or to any other individual in the calendar [quarter] year in which such conviction occurs or in any prior calendar [quarter] year, and

(D) any net earnings from self-employment derived by such individual or by any other individual during a taxable year in which such conviction occurs or during any prior taxable year.

(2) As soon as practicable after an additional penalty has, pursuant to paragraph (1), been imposed with respect to any individual, the Attorney General shall notify the Secretary of such imposition.

(3) If any individual with respect to whom an additional penalty has been imposed pursuant to paragraph (1) is granted a pardon of the offense by the President of the United States, such additional penalty shall not apply for any month beginning after the date on which such pardon is granted.

* * * * *

Increase in Old-Age Insurance Benefit Amounts on Account of
Delayed Retirement

(w) (1) **¶**If the first month for which an old-age insurance benefit becomes payable to an individual is not earlier than the month in which such individual attains age 65 (or his benefit payable at such age is not reduced under subsection (q)), the amount of the old-age insurance benefit (other than a benefit based on a primary insurance amount determined under section 215 (a) (3) *as in effect in December 1978* or section 215(a) (1) (C) (i) (II) *as in effect thereafter*) which is payable without regard to this subsection to such individual **¶**The amount of an old-age insurance benefit (other than a benefit based on a primary insurance amount determined under section 215(a) (3)) which is payable without regard to this subsection to an individual shall be increased by—

(A) one-twelfth of 1 percent of such amount, *or, in the case of an individual who first becomes eligible for an old-age insurance benefit after December 1978, one-quarter of 1 percent of such amount*, multiplied by

(B) the number (if any) of the increment months for such individual.

(2) For purposes of this subsection, the number of increment months for any individual shall be a number equal to the total number of the months—

(A) which have elapsed after the month before the month in which such individual attained age 65 or (if later) December 1970 and prior to the month in which such individual attained age 72, and

(B) with respect to which—

(i) such individual was a fully insured individual (as defined in section 214(a)), and

(ii) such individual either was not entitled to an old-age insurance benefit or suffered deductions under section 203(b) or 203(c) in amounts equal to the amount of such benefit.

(3) For purposes of applying the provisions of paragraph (1), a determination shall be made under paragraph (2) for each year, beginning with 1972, of the total number of an individual's increment months through the year for which the determination is made and the total so determined shall be applicable to such individual's old-age insurance benefits beginning with benefits for January of the year following the year for which such determination is made; except that the total number applicable in the case of an individual who attains age 72 after 1972 shall be determined through the month before the month in which he attains such age and shall be applicable to his old-age insurance benefit beginning with the month in which he attains such age.

(4) This subsection shall be applied after reduction under section 203(a).

(5) If an individual's primary insurance amount is determined under paragraph (3) of section 215(a) *as in effect in December 1978*, or section 215(a) (1) (C) (i) (II) *as in effect thereafter*, and, as a result

of this subsection, he would be entitled to a higher old-age insurance benefit if his primary insurance amount were determined under section 215(a) (*whether before, in, or after December 1978*) without regard to such paragraph, such individual's old-age insurance benefit based upon his primary insurance amount determined under such paragraph shall be increased by an amount equal to the difference between such benefit and the benefit to which he would be entitled if his primary insurance amount were determined under such section without regard to such paragraph.

* * * * *

REDUCTION OF INSURANCE BENEFITS

Maximum Benefits

SEC. 203. (a) Whenever the total monthly benefits to which individuals are entitled under sections 202 and 223 for a month on the basis of the wages and self-employment income of an insured individual is greater than the amount appearing in column V of the table in (or deemed to be in) section 215(a) on the line on which appears in column IV such insured individual's primary insurance amount, such total of benefits shall be reduced to such amount; except that—

(1) when any of such individuals so entitled would (but for the provisions of section 202(k)(2)(A)) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total of benefits shall not be reduced to less than the smaller of: (A) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, or (B) the last figure in column V of the table appearing in section 215(a), or

(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b) to monthly benefits under section 202 or 223 for January 1971 or any prior month on the basis of the wages and self-employment income of such insured individual and the provisions of this subsection as in effect for any such month were applicable in determining the benefit amount of any persons on the basis of such wages and self-employment income, the total of benefits for any month after January 1971 shall not be reduced to less than the largest of—

(A) the amount determined under this subsection without regard to this paragraph,

(B) the largest amount which has been determined for any month under this subsection for persons entitled to monthly benefits on the basis of such insured individual's wages and self-employment income, or

(C) if any persons are entitled to benefits on the basis of such wages and self-employment income for the month before the effective month (after September 1972) of a general benefit increase under this title (as defined in section 215(i)(3)) or a benefit increase under the provisions of section 215(i), an amount equal to the sum of amounts derived

by multiplying the benefit amount determined under this title (excluding any part thereof determined under section 202(w)) for the month before such effective month (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), for each such person for such month, by a percentage equal to the percentage of the increase provided under such benefit increase (with any such increased amount which is not a multiple of \$0.10 being rounded to the next higher multiple of \$0.10);

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B) or (C), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for a month, and ceases to apply for a month after such month, the provisions of subparagraph (B) or (C) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for the last month for which subparagraph (B) or (C) was applicable, or

[(3) when any of such individuals is entitled to monthly benefits as a divorced wife under section 202(b) or as a surviving divorced wife under section 202(e), or as a divorced husband under section 202(c) or as a surviving divorced husband under section 202(f), for any month, the benefit to which he or she is entitled on the basis of the wages and self-employment income of such insured individual for such month shall be determined without regard to this subsection, and the benefits of all other individuals who are entitled for such month to monthly benefits under section 202 on the wages and self-employment income of such insured individual shall be determined as if no such divorced wife or surviving divorced wife or divorced husband or surviving divorced husband were entitled to benefits for such month.

In any case in which benefits are reduced pursuant to the preceding provisions of this subsection, such reduction shall be made after any deductions under this section and after any deductions under section 222(b). Whenever a reduction is made under this subsection in the total of monthly benefits to which individuals are entitled for any month on the basis of the wages and self-employment income of an insured individual, each such benefit other than the old-age or disability insurance benefit shall be proportionately decreased; except that if such total of benefits for such month includes any benefit or benefits under section 202(d) which are payable solely by reason of section 216(h)(3), the reduction shall be first applied to reduce (proportionately where there is more than one benefit so payable) the benefits so payable (but not below zero),

(t) notwithstanding any other provisions of law, when—

[(A) two or more persons are entitled to monthly benefits for a particular month on the basis of the wages and self-employment income of an insured individual and (for such particular month) the provisions of this subsection and section 202(q) are applicable to such monthly benefits, and

[(B) such individual's primary insurance amount is increased for the following month under any provision of this title,

then the total of monthly benefits for all persons on the basis of such wages and self-employment income for such particular month, as determined under the provisions of this subsection, shall for purposes of determining the total monthly benefits for all persons on the basis of such wages and self-employment income for months subsequent to such particular month to be considered to have been increased by the smallest amount that would have been required in order to assure that the total of monthly benefits payable on the basis of such wages and self-employment income for any such subsequent month will not be less (after the application of the other provisions of this subsection and section 202(q)) than the total of monthly benefits (after the application of the other provisions of this subsection and section 202(q)) payable on the basis of such wages and self-employment income for such particular month, or

[(5) whenever the monthly benefits of such individuals are based on an insured individual's primary insurance amount which is determined under section 215(a)(3) and such primary insurance amount does not appear in column IV of the table in (or deemed to be in section 215(a), the applicable maximum amount in column V of such table shall be the amount in such column that appears on the line on which the next higher primary insurance amount appears in column IV, or, if larger, the largest amount determined for such persons under this subsection for any month prior to October 1972.]

Maximum Benefits

SEC. 203. (a) (1) In the case of an individual whose primary insurance amount has been computed or recomputed under section 215(a)(1) or (4), or section 215(d), as in effect after December 1978, the total, monthly benefits to which beneficiaries may be entitled under section 202 or 223 for a month on the basis of the wages and self-employment income of such individual shall, except as provided by paragraph (3) (but prior to any increases resulting from the application of paragraph (2)(A)(ii)(III) of section 215(i)), be reduced as necessary so as not to exceed—

(A) 150 percent of such individual's primary insurance amount to the extent that it does not exceed the amount established with respect to this subparagraph by paragraph (2),

(B) 272 percent of such individual's primary insurance amount to the extent that it exceeds the amount established with respect to subparagraph (A) but does not exceed the amount established with respect to this subparagraph by paragraph (2),

(C) 134 percent of such individual's primary insurance amount to the extent that it exceeds the amount established with respect to subparagraph (B) but does not exceed the amount established with respect to this subparagraph by paragraph (2), and

(D) 175 percent of such individual's primary insurance amount to the extent that it exceeds the amount established with respect to subparagraph (C).

Any such amount that is not a multiple of \$0.10 shall be increased to the next higher multiple of \$0.10.

(2) (A) For individuals who initially become eligible for old-age or disability insurance benefits or die in the calendar year 1979, the amounts established with respect to subparagraphs (A), (B), and (C) of paragraph (1) shall be \$230, \$332, and \$433, respectively.

(B) For individuals who initially become eligible for old-age or disability insurance benefits or die in any calendar year after 1979, each of the amounts so established shall equal the product of the corresponding amount established for the calendar year 1979 by subparagraph (A) of this paragraph and the quotient obtained under subparagraph (B) (ii) of section 215(a)(1) with such product being rounded in the manner prescribed by section 215(a)(1)(B) (iii).

(C) In each calendar year after 1978 the Secretary shall publish in the Federal Register, on or before November 1, the formula which (except as provided in section 215(i)(2)(D)) is to be applicable under this paragraph to individuals who become eligible for old-age or disability insurance benefits, or die, in the following calendar year.

(D) A year shall not be counted as the year of an individual's death or eligibility for purposes of this paragraph as paragraph (7) in any case where such individual was entitled to a disability insurance benefit for any of the 12 months immediately preceding the month of such death or eligibility (but there shall be counted instead the year of the individual's eligibility for the disability insurance benefits to which he was entitled during such 12 months).

(3) (A) When an individual who is entitled to benefits on the basis of the wages and self-employment income of any insured individual and to whom this subsection applies would (but for the provisions of section 202(k)(2)(A)) be entitled to child's insurance benefits for a month on the basis of the wages and self-employment income of one or more other insured individuals, the total monthly benefits to which all beneficiaries are entitled on the basis of such wages and self-employment income shall not be reduced under this subsection to less than the smaller of—

(i) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, or

(ii) an amount equal to the product of 1.75 and the primary insurance amount that would be computed under section 215(a)(1) for that month with respect to average indexed monthly earnings equal to one-twelfth of the contribution and benefit base determined for that year under section 230.

(B) When two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1971 or any prior month on the basis of the wages and self-employment income of such insured individual and the provisions of this subsection as in effect for any such month were applicable in determining the benefit amount of any persons on the basis of such wages and self-employment income, the total of benefits for any month after January 1971 shall not be reduced to less than the largest of—

(i) the amount determined under this subsection without regard to this subparagraph,

(ii) the largest amount which has been determined for any month under this subsection for persons entitled to monthly benefits on the basis of such insured individual's wages and self-employment income, or

(iii) if any persons are entitled to benefits on the basis of such wages and self-employment income for the month before the effective month (after September 1972) of a general benefit increase under this title (as defined in section 215(i)(3)) or a benefit increase under the provisions of section 215(i), an amount equal to the sum of amounts derived by multiplying the benefit amount determined under this title (excluding any part thereof determined under section 202(w)) for the month before such effective month (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), for each such person for such month, by a percentage equal to the percentage of the increase provided under such benefit increase (with any such increased amount which is not a multiple of \$0.10 being rounded to the next higher multiple of \$0.10);

but in any such case (I) subparagraph (A) of this paragraph shall not be applied to such total of benefits after the application of clause (ii) or (iii), and (II) if section 202(k)(2)(A) was applicable in the case of any such benefits for a month, and ceases to apply for a month after such month, the provisions of clause (ii) or (iii) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though subparagraph (A) of this paragraph had not been applicable to such total of benefits for the last month for which clause (ii) or (iii) was applicable.

(C) When any of such individual is entitled to monthly benefits as a divorced spouse under section 202(b) or (c) or as a surviving divorced spouse under section 202(e) or (f) for any month, the benefit to which he or she is entitled on the basis of the wages and self-employment income of such insured individual for such month shall be determined without regard to this subsection, and the benefits of all other individuals who are entitled for such month to monthly benefits under section 202 on the wages and self-employment income of such insured individual shall be determined as if no such divorced spouse or surviving divorced spouse were entitled to benefits for such month.

(4) In any case in which benefits are reduced pursuant to the preceding provisions of this subsection, the reduction shall be made after any deductions under this section and after any deductions under section 222(b). Whenever a reduction is made under this subsection in the total of monthly benefits to which individuals are entitled for any month on the basis of the wages and self-employment income of an insured individual, each such benefit other than the old-age or disability insurance benefit shall be proportionately decreased.

(5) Notwithstanding any other provision of law, when—

(A) two or more persons are entitled to monthly benefits for a particular month on the basis of the wages and self-employment income of an insured individual and (for such particular month) the provisions of this subsection are applicable to such monthly benefits, and

(B) *such individual's primary insurance amount is increased for the following month under any provision of this title, then the total of monthly benefits for all persons on the basis of such wages and self-employment income for such particular month, as determined under the provisions of this subsection, shall for purposes of determining the total monthly benefits for all persons on the basis of such wages and self-employment income for months subsequent to such particular month be considered to have been increased by the smallest amount that would have been required in order to assure that the total of monthly benefits payable on the basis of such wages and self-employment income for any such subsequent month will not be less (after the application of the other provisions of this subsection and section 202(q)) than the total of monthly benefits (after the application of the other provisions of this subsection and section 202(q)) payable on the basis of such wages and self-employment income for such particular month.*

(6) *In the case of any individual who is entitled for any month to benefits based upon the primary insurance amounts of two or more insured individuals, one or more of which primary insurance amounts were determined under section 215(a) or 215(d) as in effect (without regard to the table contained therein) prior to January 1979 and one or more of which primary insurance amounts were determined under section 215(a)(1) or (4), or section 215(d), as in effect after December 1978, the total benefits payable to that individual and all other individuals entitled to benefits for that month based upon those primary insurance amounts shall be reduced to an amount equal to the product of 1.75 and the primary insurance amount that would be computed under section 215(a)(1) for that month with respect to average indexed monthly earnings equal to one-twelfth of the contribution and benefits base determined under section 230 for the year in which that month occurs.*

(7) *Subject to paragraph (6), this subsection as in effect in December 1978 shall remain in effect with respect to a primary insurance amount computed under section 215(a) or (d), as in effect (without regard to the table contained therein) in December 1978, except that a primary insurance amount so computed with respect to an individual who first becomes eligible for an old-age or disability insurance benefit, or dies, after December 1978, shall instead be governed by this section as in effect after December 1978.*

Deductions on Account of Work

(b) Deductions, in amounts and at such time or times as the Secretary shall determine, shall be made from any payment or payments under this title to which an individual is entitled, and from any payment or payments to which any other persons are entitled on the basis of such individual's wages and self-employment income, until the total of such deductions equals—

- (1) such individual's benefit or benefits under section 202 for any month, and
- (2) if such individual was entitled to old-age insurance benefits under section 202(a) for such month, the benefit or benefits of

all other persons for such month under section 202 based on such individual's wages and self-employment income, if for such month he is charged with excess earnings, under the provisions of subsection (f) of this section, equal to the total of benefits referred to in clauses (1) and (2). If the excess earnings so charged are less than such total benefits, such deductions with respect to such month shall be equal only to the amount of such excess earnings. If a child who has attained the age of 18 and is entitled to child's insurance benefits, or a person who is entitled to mother's *or father's* insurance benefits, is married to an individual entitled to old-age insurance benefits under section 202(a), such child or such person, as the case may be, shall, for the purposes of this subsection and subsection (f), be deemed to be entitled to such benefits on the basis of the wages and self-employment income of such individual entitled to old-age insurance benefits. If a deduction has already been made under this subsection with respect to a person's benefit or benefits under section 202 for a month, he shall be deemed entitled to payments under such section for such month for purposes of further deductions under this subsection, and for purposes of charging of each person's excess earnings under subsection (f), only to the extent of the total of his benefits remaining after such earlier deductions have been made. For purposes of this subsection and subsection (f)—

(A) an individual shall be deemed to be entitled to payments under section 202 equal to the amount of the benefit or benefits to which he is entitled under such section after the application of subsection (a) of this section, but without the application of the penultimate sentence thereof; and

(B) if a deduction is made with respect to an individual's benefit or benefits under section 202 because of the occurrence in any month of an event specified in subsection (c) or (d) of this section or in section 222(b), such individual shall not be considered to be entitled to any benefits under such section 202 for such month.

Deductions on Account of Noncovered Work Outside the United States or Failure To Have Child in Care

[(c) Deductions, in such amounts and at such time or times as the Secretary shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefits or benefit under section 202 for any month—

[(1) in which such individual is under the age of seventy-two and on seven or more different calendar days of which he engaged in noncovered remunerative activity outside the United States; or

[(2) in which such individual, if a wife under age sixty-five entitled to a wife's insurance benefits, did not have in her care (individually or jointly with her husband) a child of her husband entitled to a child's insurance benefits and such wife's insurance benefit for such month was not reduced under the provisions of section 202(q); or

[(3) in which such individual, if a widow entitled to a mother's insurance benefit did not have in her care a child of her deceased husband entitled to a child's insurance benefit; or

[(4) in which such an individual, if a surviving divorced mother entitled to a mother's insurance benefit, did not have in her care a child of her deceased former husband who (A) is her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit on the basis of the wages and self-employment income of her deceased former husband.

For purposes of paragraphs (2), (3), and (4) of this subsection, a child shall not be considered to be entitled to a child's insurance benefit for any month in which paragraph (1) of section 202(s) applies or an event specified in section 222(b) occurs with respect to such child. Subject to paragraph (3) of such section 202(s), no deductions shall be made under this subsection from any child's insurance benefit for the month in which the child entitled to such benefit attained the age of eighteen or any subsequent month; nor shall any deduction be made under this subsection from any widow's insurance benefits for any month in which the widow or surviving divorced wife is entitled and has not attained age 65 (but only if she became so entitled prior to attaining age 60), or from any widower's insurance benefit for any month in which the widower is entitled and has not attained age 65 (but only if he became so entitled prior to attaining age 60).]

(c) *Deductions, in such amounts and at such time or times as the Secretary shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefits or benefit under section 202 for any month—*

(1) *in which such individual is under the age of seventy-two and on [seven or more] [nine or more] twelve or more different calendar days of which such individual engaged in noncovered remunerative activity outside the United States; or*

(2) *in which such individual, if a wife or husband under age sixty-five entitled to a wife's or husband's insurance benefit, did not have in his or her care (individually or jointly with his or her spouse) a child of such spouse entitled to a child's insurance benefit and such wife's or husband's insurance benefit for such month was not reduced under the provisions of section 202(q); or*

(3) *in which such individual, if a widow or widower entitled to a mother's or father's insurance benefit, did not have in his or her care a child of his or her deceased spouse entitled to a child's insurance benefit; or*

(4) *in which such an individual, if a surviving divorced mother or father entitled to a mother's or father's insurance benefit, did not have in his or her care a child of his deceased former spouse who (A) is his or her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit on the basis of the wages and self-employment income of such deceased former spouse.*

For purposes of paragraphs (2), (3), and (4) of this subsection, a child shall not be considered to be entitled to a child's insurance benefit

for any month in which paragraph (1) of section 202(s) applies or an event specified in section 222(b) occurs with respect to such child. Subject to paragraph (3) of such section 202(s), no deductions shall be made under this subsection from any child's insurance benefit for the month in which the child entitled to such benefit attained the age of eighteen or any subsequent month; nor shall any deduction be made under this subsection from any widow's insurance benefits for any month in which the widow or surviving divorced wife is entitled and has not attained age sixty-five (but only if she became so entitled prior to attaining age sixty), or from any widower's insurance benefit for any month in which the widower or surviving divorced husband is entitled and has not attained age sixty-five (but only if he became so entitled prior to attaining age sixty).

Deductions From Dependents' Benefits on Account of Noncovered Work Outside the United States by Old-Age Insurance Beneficiary

(d) (1) Deductions shall be made from any wife's, husband's, or child's insurance benefit, based on the wages and self-employment income of an individual entitled to old-age insurance benefits, to which a wife, divorced wife, husband, *divorced husband*, or child is entitled, until the total of such deduction equals such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month in which such individual is under the age of seventy-two and on **[seven or more]** **[nine or more]** *twelve or more* different calendar days of which he engaged in noncovered remunerative activity outside the United States.

(2) Deductions shall be made from any child's insurance benefit to which a child who has attained the age of eighteen is entitled, or from any mother's *or father's* insurance benefit to which a person is entitled, until the total of such deductions equals such child's insurance benefit or benefits or mother's *or father's* insurance benefit or benefits under section 202 for any month in which such child or person entitled to mother's *or father's* insurance benefits is married to an individual who is entitled to old-age insurance benefits and on **[seven or more]** **[nine or more]** *twelve or more* different calendar days of which such individual engaged in noncovered remunerative activity outside the United States.

Months to Which Earnings Are Charged

(f) For purposes of subsection (b)—

(1) The amount of an individual's excess earnings (as defined in paragraph (3)) shall be charged to months as follows: There shall be charged to the first month of such taxable year an amount of his excess earnings equal to the sum of the payments to which he and all other persons are entitled for such month under section 202 on the basis of his wages and self-employment income (or the total of his excess earnings if such excess earnings are less than such sum), and the balance, if any, of such excess earnings shall be charged to each succeeding month in such year to the extent, in the case of each such month, of the sum of the payments to which such individual and all other persons are entitled for such month

under section 202 on the basis of his wages and self-employment income, until the total of such excess has been so charged. Where an individual is entitled to benefits under section 202(a) and other persons are entitled to benefits under section 202(b), (c), or (d) on the basis of the wages and self-employment income of such individual, the excess earnings of such individual for any taxable year shall be charged in accordance with the provisions of this subsection before the excess earnings of such persons for a taxable year are charged to months in such individual's taxable year. Notwithstanding the preceding provisions of this paragraph, but subject to section 202(s), no part of the excess earnings of an individual shall be charged to any month (A) for which such individual was not entitled to a benefit under this title, (B) in which such individual was age seventy-two or over, (C) in which such individual, if a child entitled to child's insurance benefits, has attained the age of 18, (D) for which such individual is entitled to widow's insurance benefits and has not attained age 65 (but only if she became so entitled prior to attaining age 60) or widower's insurance benefits and has not attained age 65 (but only if he became so entitled prior to attaining age 60), or (E) in which such individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (5) of this subsection) of more than **[\$200 or the exempt amount]** *the applicable exempt amount as determined under paragraph (8), if such month is in the taxable year in which occurs the first month that is both (i) a month for which the individual is entitled to benefits under subsection (a), (b), (c), (d), (e), (f), (g), or (h) of section 202 (without having been entitled for the preceding month to a benefit under any other of such subsections), and (ii) a month in which the individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (5)) of more than the exempt amount as determined under paragraph (8).*

(2) As used in paragraph (1), the term "first month of such taxable year" means the earliest month in such year to which the charging of excess earnings described in such paragraph is not prohibited by the application of clauses (A), (B), (C), (D), and (E) thereof.

(3) For purposes of paragraph (1) and subsection (h), an individual's excess earnings for a taxable year shall be 50 per centum of his earnings for such year in excess of the product of **[\$200 or]** *the applicable exempt amount as determined under paragraph (8), multiplied by the number of months in such year, except that, in determining an individual's excess earnings for the taxable year in which he attains age 72, there shall be excluded any earnings of such individual for the month in which he attains such age and any subsequent month (with any net earnings or net loss from self-employment in such year being prorated in an equitable manner under regulations of the Secretary). The excess earnings as derived under the preceding sentence, if not a multiple of \$1, shall be reduced to the next lower multiple of \$1.*

(4) For purposes of clause (E) of paragraph (1)—

(A) An individual will be presumed, with respect to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the Secretary that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible in computing (as provided in paragraph (5) of this subsection) his net earnings or net loss from self-employment for any taxable year. The Secretary shall by regulations prescribe the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

(B) An individual will be presumed, with respect to any month, to have rendered services for wages (determined as provided in paragraph (5) of this subsection) of more than ~~[\$200 or]~~ the *applicable* exempt amount as determined under paragraph (8) until it is shown to the satisfaction of the Secretary that such individual did not render such services in such month for more than such amount.

(5) (A) An individual's earnings for a taxable year shall be (i) the sum of his wages for services rendered in such year and his net earnings from self-employment for such year, minus (ii) any net loss from self-employment for such year.

(B) For purposes of this section—

(i) an individual's net earnings from self-employment for any taxable year shall be determined as provided in section 211, except that paragraphs (1), (4), and (5) of section 211 (c) shall not apply and the gross income shall be computed by excluding the amounts provided by subparagraph (D), and

(ii) an individual's net loss from self-employment for any taxable year is the excess of the deductions (plus his distributive share of loss described in sections 702(a)(9) of the Internal Revenue Code of 1954) taken into account under clause (i) over the gross income (plus his distributive share of income so described) taken into account under clause (i).

(C) For purposes of this subsection, an individual's wages shall be computed without regard to the limitations as to amounts of remuneration specified in subsection (a), (g)(2), (g)(3), (h)(2), and (j) of section 209; and in making such computation services which do not constitute employment as defined in section 210, performed within the United States by the individual as an employee or performed outside the United States in the active military or naval service of the United States, shall be deemed to be employment as so defined if the remuneration for such services is not includible in computing his net earnings or net loss from self-employment.

(D) In the case of an individual—

(i) who has attained the age of 65 on or before the last day of the taxable year, and

(ii) who shows to the satisfaction of the Secretary that he is receiving royalties attributable to a copyright or patent

obtained before the taxable year in which he attained the age of 65 and that the property to which the copyright or patent relates was created by his own personal efforts, there shall be excluded from gross income any such royalties.

(6) For purposes of this subsection, wages (determined as provided in paragraph (5) (C)) which, according to reports received by the Secretary, are paid to an individual during a taxable year shall be presumed to have been paid to him for services performed in such year until it is shown to the satisfaction of the Secretary that they were paid for services performed in another taxable year. If such reports with respect to an individual shows his wages for a calendar year, such individual's taxable year shall be presumed to be a calendar year for purposes of this subsection until it is shown to the satisfaction of the Secretary that his taxable year is not a calendar year.

(7) Where an individual's excess earnings are charged to a month and the excess earnings so charged are less than the total of the payments (without regard to such charging) to which all persons are entitled under section 202 for such month on the basis of his wages and self-employment income, the difference between such total and the excess so charged to such month shall be paid (if it is otherwise payable under this title) to such individual and other persons in the proportion that the benefit to which each of them is entitled (without regard to such charging, without the application of section 202(k) (3), and prior to the application of section 203(a)) bears to the total of the benefits to which all of them are entitled.

(8) (A) Whenever the Secretary pursuant to section 215 (i) increases benefits effective with the month of June following a cost-of-living computation quarter, he shall also determine and publish in the Federal Register on or before November 1 of the calendar year in which such quarter occurs [a new exempt amount which shall be effective (unless such new exempt amount is prevented from becoming effective by subparagraph (C) of this paragraph) with respect to any individual's taxable year which ends after the calendar year] *the new exempt amounts (separately stated for individuals described in subparagraph (D) and for other individuals) which are to be applicable (unless prevented from becoming effective by subparagraph (C)) with respect to taxable years ending in (or with the close of) the calendar year after the calendar year in which such benefit increase is effective (or, in the case of an individual who dies during the calendar year after the calendar year in which the benefit increase is effective, with respect to such individual's taxable year which ends, upon his death, during such year).*

(B) [The exempt amount for each month of a particular taxable year shall be] *Except as otherwise provided in subparagraph (D), the exempt amount which is applicable to individuals described in such subparagraph and the exempt amount which is applicable to other individuals, for each month of a particular taxable year, shall each be whichever of the following is the larger—*

(i) the *corresponding* exempt amount which **was** is in effect with respect to months in the taxable year in which the determination under subparagraph (A) **was** is made, or

[(ii) the product of the exempt amount described in clause (i) and the ratio of (I) the average of the wages of all employees as reported to the Secretary of the Treasury for the calendar year preceding the calendar year in which the determination under subparagraph (A) was made to (II) the average of the wages of all employees as reported to the Secretary of the Treasury for the calendar year 1973, or, if later, the calendar year preceding the most recent calendar year in which an increase in the exempt amount was enacted or a determination resulting in such an increase was made under subparagraph (A), with such product, if not a multiple of \$10, being rounded to the next higher multiple of \$10 where such product is a multiple of \$5 but not of \$10 and to the nearest multiple of \$10 in any other case. For purposes of this clause (ii), the average of the wages for the calendar year 1978 (or any prior calendar year) shall, in the case of determinations made under subparagraph (A) prior to December 31, 1979, be deemed to be an amount equal to 400 per centum of the amount of the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of such calendar year.]

(ii) the product of the exempt amount described in clause (i) and the ratio of (I) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the calendar year in which the determination under subparagraph (A) is made to (II) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the calendar year before the most recent calendar year in which an increase in the exempt amount was enacted or a determination resulting in such an increase was made under subparagraph (A), with such product, if not a multiple of \$10, being rounded to the next higher multiple of \$10 where such product is a multiple of \$5 but not of \$10 and to the nearest multiple of \$10 in any other case.

Whenever the Secretary determines that **the** an exempt amount is to be increased in any year under this paragraph, he shall notify the House Committee on Ways and Means and the Senate Committee on Finance within 30 days after the close of the base quarter (as defined in section 215(i)(1)(A)) in such year of the estimated amount of such increase, indicating the new exempt amount, the actuarial estimates of the effect of the increase, and the actuarial assumptions and methodology used in preparing such estimates.

(C) Notwithstanding the determination of a new exempt amount by the Secretary under subparagraph (A) (and notwithstanding any publication thereof under such subparagraph or any

notification thereof under the last sentence of subparagraph (B)), such new exempt amount shall not take effect pursuant thereto if during the calendar year in which such determination is made a law increasing the exempt amount is enacted.

(D) *Notwithstanding any other provision of this subsection, the exempt amount which is applicable to an individual who has attained age 65 before the close of the taxable year involved—*

(i) shall be \$333.33 $\frac{1}{3}$ for each month of any taxable year ending after 1977 and before 1979,

(ii) shall be \$375 for each month of any taxable year ending after 1978 and before 1980, and

(iii) shall be determined (under subparagraph (B)) for each month of any taxable year ending after 1979 as though the dollar amounts specified in clauses (i) and (ii) had been determined (for the taxable years described in such clauses) under subparagraph (B).

* * * * *

Report of Earnings to Secretary

(h)(1)(A) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has earnings or wages, as computed pursuant to paragraph (5) of subsection (f), in excess of the product of **[\$200 or]** the applicable exempt amount as determined under subsection (f)(8) times the number of months in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Secretary of his earnings (or wages) for such taxable year. Such report shall be made on or before the fifteenth day of the fourth month following the close of such year, and shall contain such information and be made in such manner as the Secretary may by regulations prescribe. Such report need not be made for any taxable year (i) beginning with or after the month in which such individual attained the age of 72, or (ii) if benefit payments for all months (in such taxable year) in which such individual is under age 72 have been suspended under the provisions of the first sentence of paragraph (3) of this subsection. The Secretary may grant a reasonable extension of time for making the report of earnings required in this paragraph if he finds that there is valid reason for a delay, but in no case may the period be extended more than three months.

(B) If the benefit payments of an individual have been suspended for all months in any taxable year under the provisions of the first sentence of paragraph (3) of this subsection, no benefit payments shall be made to such individual for any such month in such taxable year after the expiration of the period of three years, three months, and fifteen days following the close of such taxable year unless within such period the individual, or some other person entitled to benefits under this title on the basis of the same wages and self-employment income, files with the Secretary information showing that a benefit for such month is payable to such individual.

* * * * *

EVIDENCE, PROCEDURE, AND CERTIFICATION FOR PAYMENT

SEC. 205. (a) The Secretary shall have full power and authority to make rules and regulations and to establish procedures, not inconsistent with the provisions of this title, which are necessary or appropriate to carry out such provisions, and shall adopt reasonable and proper rules and regulations to regulate and provide for the nature and extent of the proofs and evidence and the method of taking and furnishing the same in order to establish the right to benefits hereunder.

(b) The Secretary is directed to make findings of fact, and decisions as to the rights of any individual applying for a payment under this title. Upon request by any such individual or upon request by a wife, divorced wife, widow, surviving divorced wife, surviving divorced mother, *surviving divorced father*, husband, *divorced husband*, widower, *surviving divorced husband*, child, or parent who makes a showing in writing that his or her rights may be prejudiced by any decision the Secretary has rendered, he shall give such applicant and such other individual reasonable notice and opportunity for a hearing with respect to such decision, and, if a hearing is held, shall, on the basis of evidence adduced at the hearing, affirm, modify, or reverse his findings of fact and such decision. Any such request with respect to such a decision must be filed within sixty days after notice of such decision is received by the individual making such request. The Secretary is further authorized, on his own motion, to hold such hearings and to conduct such investigations and other proceedings as he may deem necessary or proper for the administration of this title. In the course of any hearing, investigation, or other proceeding, he may administer oaths and affirmations, examine witnesses, and receive evidence. Evidence may be received at any hearing before the Secretary even though inadmissible under rules of evidence applicable to court procedure.

(c) (1) For the purposes of this subsection—

(A) The term “year” means a calendar year when used with respect to wages and a taxable year [(as defined in section 211 (e))] when used with respect to self-employment income.

(B) The term “time limitation” means a period of three years, three months, and fifteen days.

(C) The term “survivor” means an individual’s spouse, surviving divorced wife, *surviving divorced husband*, surviving divorced mother, *surviving divorced father*, child, or parent, who survives such individual.

(D) *The term “period” when used with respect to self-employment income means a taxable year and when used with respect to wages means—*

(i) a quarter if wages were reported or should have been reported on a quarterly basis on tax returns filed with the Secretary of the Treasury or his delegate under section 6011 of the Internal Revenue Code of 1954 or regulations thereunder (or on reports filed by a State under section 218(e) or regulations thereunder),

(ii) a year if wages were reported or should have been reported on a yearly basis on such tax returns or reports, or

(iii) the half year beginning January 1 or July 1 in the case of wages which were reported or should have been reported for calendar year 1937.

(2) (A) On the basis of information obtained by or submitted to the Secretary, and after such verification thereof as he deems necessary, the Secretary shall establish and maintain records of the amounts of wages paid to, and the amounts of self-employment income derived by, each individual and of the periods in which such wages were paid and such income was derived and, upon request, shall inform any individual or his survivor, or the legal representative of such individual or his estate, of the amounts of wages and self-employment income of such individual and the periods during which such wages were paid and such income was derived, as shown by such records at the time of such request.

(B) (i) In carrying out his duties under subparagraph (A), the Secretary shall take affirmative measures to assure that social security account numbers will, to the maximum extent practicable, be assigned to all members of appropriate groups or categories of individuals by assigning such numbers (or ascertaining that such numbers have already been assigned) :

(I) to aliens at the time of their lawful admission to the United States either for permanent residence or under other authority of law permitting them to engage in employment in the United States and to other aliens at such time as their status is so changed as to make it lawful for them to engage in such employment ;

(II) to any individual who is an applicant for or recipient of benefits under any program financed in whole or in part from Federal funds including any child on whose behalf such benefits are claimed by another person ; and

(III) to any other individual when it appears that he could have been but was not assigned an account number under the provisions of subclauses (I) or (II) but only after such investigation as is necessary to establish to the satisfaction of the Secretary, the identity of such individual, the fact that an account number has not already been assigned to such individual, and the fact that such individual is a citizen or a noncitizen who is not, because of his alien status, prohibited from engaging in employment ;

and, in carrying out such duties, the Secretary is authorized to take affirmative measures to assure the issuance of social security numbers :

(IV) to or on behalf of children who are below school age at the request of their parents or guardians ; and

(V) to children of school age at the time of their first enrollment in school.

(ii) The Secretary shall require of applicants for social security account numbers such evidence as may be necessary to establish the age, citizenship, or alien status, and true identity of such applicants, and to determine which (if any) social security account number has previously been assigned to such individual.

(iii) In carrying out the requirements of this subparagraph, the Secretary shall enter into such agreements as may be necessary with the Attorney General and other officials and with State and local welfare agencies and school authorities (including non-public school authorities).

(C) (i) It is the policy of the United States that any State (or political subdivision thereof) may, in the administration of any tax, general public assistance, driver's license, or motor vehicle registration law within its jurisdiction, utilize the social security account numbers issued by the Secretary for the purpose of establishing the identification of individuals affected by such law, and may require any individual who is or appears to be so affected to furnish to such State (or political subdivision thereof) or any agency thereof having administrative responsibility for the law involved, the social security account number (or numbers, if he has more than one such number) issued to him by the Secretary.

(ii) If and to the extent that any provision of Federal law heretofore enacted is inconsistent with the policy set forth in clause (i) of this subparagraph, such provision shall, on and after the date of the enactment of this subparagraph, be null, void, and of no effect.

(iii) For purposes of clause (i) of this subparagraph, an agency of a State (or political subdivision thereof) charged with the administration of any general public assistance, driver's license, or motor vehicle registration law which did not use the social security account number for identification under a law or regulation adopted before January 1, 1975, may require an individual to disclose his or her social security number to such agency solely for the purpose of administering the laws referred to in clause (i) above and for the purpose of responding to requests for information from an agency operating pursuant to the provisions of part A or D of title IV of the Social Security Act.

(iv) For purposes of this subparagraph, the term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the Commonwealth of the Northern Marianas, and the Trust Territory of the Pacific Islands.

(3) The Secretary's record shall be evidence for the purpose of proceedings before the Secretary or any court of the amounts of wages paid to, and self-employment income derived by, an individual and of the periods in which such wages were paid and such income was derived. The absence of an entry in such records as to wages alleged to have been paid to, or as to self-employment income alleged to have been derived by, an individual in any period shall be evidence that no such alleged wages were paid to, or that no such alleged income was derived by, such individual during such period.

(4) Prior to the expiration of the time limitation following any year the Secretary may, if it is brought to his attention that any entry of wages or self-employment income in his records for such year is erroneous or that any item of wages or self-employment income for such year has been omitted from such records, correct such entry or include such omitted item in his records, as the case may be. After the expiration of the time limitation following any year—

(A) the Secretary's records (with changes, if any, made pursuant to paragraph (5)) of the amounts of wages paid to, and self-employment income derived by, an individual during any period in such year shall be conclusive for the purposes of this title;

(B) the absence of an entry in the Secretary's records as to the wages alleged to have been paid by an employer to an individual

during any period in such year shall be presumptive evidence for the purposes of this title that no such alleged wages were paid to such individual in such period; and

(C) the absence of an entry in the Secretary's records as to the self-employment income alleged to have been derived by an individual in such year shall be conclusive for the purposes of this title that no such alleged self-employment income was derived by such individual in such year unless it is shown that he filed a tax return of his self-employment income for such year before the expiration of the time limitation following such year, in which case the Secretary shall include in his records the self-employment income of such individual for such year.

(5) After the expiration of the time limitation following any year in which wages were paid or alleged to have been paid to, or self-employment income was derived or alleged to have been derived by, an individual, the Secretary may change or delete any entry with respect to wages or self-employment income in his records of such year for such individual or include in his records of such year for such individual any omitted item of wages or self-employment income but only—

(A) if an application for monthly benefits or for a lump-sum death payment was filed within the time limitation following such year; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon the application for monthly benefits or lump-sum death payment;

(B) if within the time limitation following such year an individual or his survivor makes a request for a change or deletion, or for an inclusion of an omitted item, and alleges in writing that the Secretary's records of the wages paid to, or the self-employment income derived by, such individual in such year are in one or more respects erroneous; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon such request. Written notice of the Secretary's decision on any such request shall be given to the individual who made the request;

(C) to correct errors apparent on the face of such records;

(D) to transfer items to records of the Railroad Retirement Board if such items were credited under this title when they should have been credited under the Railroad Retirement Act, or to enter items transferred by the Railroad Retirement Board which have been credited under the Railroad Retirement Act when they should have been credited under this title;

(E) to delete or reduce the amount of any entry which is erroneous as a result of fraud;

(F) to conform his records to—

(i) tax returns or portions thereof (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act, under subchapter E of chapter 1 or subchapter A of chapter 9 of the Internal Revenue Code of 1939, under chapter 2 or 21 of the Internal Revenue Code of 1954, or

under regulations made under authority of such title, subchapter, or chapter;

(ii) wage reports filed by a State pursuant to an agreement under section 218 or regulations of the Secretary, thereunder; or

(iii) assessments of amounts due under an agreement pursuant to section 218, if such assessments ~~are~~ were made within the period specified in subsection (q) of such section, or allowances of credits or refunds of overpayments by a State under an agreement pursuant to such section;

except that no amount of self-employment income of an individual for any taxable year (if such return or statement was filed after the expiration of the time limitation following the taxable year) shall be included in the Secretary's records pursuant to this subparagraph;

(G) to correct errors made in the allocation, to individuals or periods, of wages or self-employment income entered in the records of the Secretary;

* * * * *

Crediting of Compensation Under the Railroad Retirement Act

(o) If there is no person who would be entitled, upon application therefor, to an annuity under section 2 of the Railroad Retirement Act of 1974, or to a lump-sum payment under section 6(b) of such Act with respect to the death of an employee (as defined in such Act), then, notwithstanding section 210(a) ~~[(9)]~~ (6) of this Act, compensation (as defined in such Railroad Retirement Act, but excluding compensation attributable as having been paid during any month on account of military service creditable under section 3(i) of such Act if wages are deemed to have been paid to such employee during such month under subsection (a) or (e) of section 217 of this Act) of such employee shall constitute remuneration for employment for purposes of determining (A) entitlement to and the amount of any lump-sum death payment under this title on the basis of such employee's wages and self-employment income and (B) entitlement to and the amount of any monthly benefit under this title, for the month in which such employee died or for any month thereafter, on the basis of such wages and self-employment income. For such purposes, compensation (as so defined) paid in a calendar year *before 1978* shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee rendered services for such compensation.

DEFINITION OF WAGES

SEC. 209. For the purposes of this title, the term "wages" means remuneration paid prior to 1951 which was wages for the purposes of this title under the law applicable to the payment of such remuneration, and remuneration paid after 1950 for employment, including the cash value of all remuneration paid in any medium other than cash;

except that, in the case of remuneration paid after 1950, such term shall not include—

(a) (1) * * *

* * * * *

(g) (1) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer;

(2) Cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than \$50. As used in this paragraph, the term "domestic service in a private home of the employer" does not include service described in section 210(f)(5);

(3) Cash remuneration paid by an employer in any calendar [quarter] year to an employee for service not in the course of the employer's trade or business, if the cash remuneration paid in such [quarter] year by the employer to the employee for such service is less than [\$50]. \$100. As used in this paragraph, the term "service not in the course of the employer's trade or business" does not include domestic service in a private home of the employer and does not include service described in section 210(f)(5);

(h) (1) Remuneration paid in any medium other than cash for agricultural labor;

(2) Cash remuneration paid by an employer in any calendar year to an employee for agricultural labor unless (A) the cash remuneration paid in such year by the employer to the employee for such labor is \$150 or more, or (B) the employee performs agricultural labor for the employer on twenty days or more during such year for cash remuneration computed on a time basis;

(i) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains age 62 if he did not work for the employer in the period for which such payment is made. As used in this subsection, the term "sick pay" includes remuneration for service in the employ of a State, a political subdivision [(as defined in section 218(b)(2))] of a State, or an instrumentality of two or more States, paid to an employee thereof for a period during which he was absent from work because of sickness;

(j) Remuneration paid by an employer in any quarter to an employee for service described in section 210(j)(3)(C) (relating to home workers), if the cash remuneration paid in such [quarter] year by the employer to the employee for such service is less than [\$50;] \$100;

* * * * *

(n) Any payment made by an employer to a survivor or the estate of a former employee after the calendar year in which such employee died; [or]

(o) Any payment made by an employer to an employee, if at the time such payment is made such employee is entitled to disability insurance benefits under section 223(a) and such entitlement commenced prior to the calendar year in which such payment is made, and if such employee did not perform any services for such employer during the period for which such payment is made.

For purposes of this title, in the case of domestic service described in subsection (g) (2), any payment of cash remuneration for such service which is more or less than a whole-dollar amount shall, under such conditions and to such extent as may be prescribed by regulations made under this title, be computed to the nearest dollar. For the purpose of the computation to the nearest dollar, the payment of a fractional part of a dollar shall be disregarded unless it amounts to one-half dollar or more, in which case it shall be increased to \$1. The amount of any payment of cash remuneration so computed to the nearest dollar shall, in lieu of the amount actually paid, be deemed to constitute the amount of cash remuneration for purposes of subsection (g) (2).

For purposes of this title, in the case of an individual performing service, as a member of a uniformed service, to which the provisions of section 210(1) (1) are applicable, the term "wages" shall, subject to the provisions of subsection (a) of this section, include as such individual's remuneration for such service only his basic pay as described in section 102(10) of the Servicemen's and Veterans' Survivor Benefits Act.

For purposes of this title, in the case of an individual performing service, as a volunteer or volunteer leader within the meaning of the Peace Corps Act, to which the provisions of section 210(o) are applicable, (1) the term "wages" shall, subject to the provisions of subsection (a) of this section, include as such individual's remuneration for such service only amounts certified as payable pursuant to section 5(c) or 6(1) of the Peace Corps Act, and (2) any such amount shall be deemed to have been paid to such individual at the time the service, with respect to which it is paid, is performed.

For purposes of this title, tips received by an employee in the course of his employment shall be considered remuneration for employment. Such remuneration shall be deemed to be paid at the time a written statement including such tips is furnished to the employer pursuant to section 6053 (a) of the Internal Revenue Code of 1954 or (if no statement including such tips is so furnished) at the time received.

For purposes of this title, in any case where an individual is a member of a religious order (as defined in section 3121 (r) (2) of the Internal Revenue Code of 1954) performing service in the exercise of duties required by such order, and an election of coverage under section 3121 (r) of such Code is in effect with respect to such order or with respect to the autonomous subdivision thereof to which such member belongs, the term "wages" shall, subject to the provisions of subsection (a) of this section, include as such individual's remuneration for such service the fair market value of any board, lodging, clothing, and other perquisites furnished to such member by such order or subdivision thereof or by any other person or organization pursuant to an agreement with such order or subdivision, except that the amount included as such individual's remuneration under this paragraph shall not be less than \$100 a month[.] ; or

(p) *Remuneration paid by an organization exempt from income tax under section 501 of the Internal Revenue Code of 1954 in any calendar year to an employee for service rendered in the employ of such organization, if the remuneration paid in such year by the organization to the employee for such service is less than \$100.*

DEFINITION OF EMPLOYMENT

SEC. 210. For the purposes of this title—

Employment

(a) The term "employment" means any service performed after 1936 and prior to 1951 which was employment for the purposes of this title under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee (i) of an American employer (as defined in subsection (e)), or (ii) of a foreign subsidiary (as defined in section 3121(1) of the Internal Revenue Code of 1954) of a domestic corporation (as determined in accordance with section 7701 of the Internal Revenue Code of 1954) during any period for which there is in effect an agreement, entered into pursuant to section 3121(1) of the Internal Revenue Code of 1954, with respect to such subsidiary; except that, in the case of service performed after 1950, such term shall not include—

(1) Service performed by foreign agricultural workers (A) under contracts entered into in accordance with title V of the Agricultural Act of 1949, as needed, or (B) lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies, or from any other foreign country or possession thereof, on a temporary basis to perform agricultural labor;

(2) Domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university;

(3) (A) Service performed by an individual in the employ of his spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

(B) Service not in the course of the employer's trade or business, or domestic service in a private home of the employer, performed by an individual in the employ of his son or daughter; except that the provisions of this subparagraph shall not be applicable to such domestic service if—

(i) the employer is a surviving spouse or a divorced individual and has not remarried, or has a spouse living in the home who has a mental or physical condition which results in such spouse's being incapable of caring for a son, daughter, stepson, or stepdaughter (referred to in clause (ii)), for at least 4 continuous weeks in the calendar quarter in which the service is rendered, and

(ii) a son, daughter, stepson, or stepdaughter of such employer is living in the home, and

(iii) the son, daughter, stepson, or stepdaughter (referred to in clause (ii)) has not attained age 18 or has a mental or physical condition which requires the personal care and supervision of an adult for at least 4 continuous weeks in the calendar quarter in which the service is rendered;

(4) Service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if (A) the individual is employed on and in connection with such vessel or aircraft when outside the United States and (B) (i) such individual is not a citizen of the United States or (ii) the employer is not an American employer;

[(5) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 3111 of the Internal Revenue Code of 1954 by virtue of any provision of law which specifically refers to such section in granting such exemption;

[(6) (A) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is covered by a retirement system established by a law of the United States;

[(B) Service performed by an individual in the employ of an instrumentality of the United States if such an instrumentality was exempt from the tax imposed by section 1410 of the Internal Revenue Code of 1939 on December 31, 1950, and if such service is covered by a retirement system established by such instrumentality; except that the provisions of this subparagraph shall not be applicable to—

[(i) service performed in the employ of a corporation which is wholly owned by the United States;

[(ii) service performed in the employ of a Federal land bank, a Federal intermediate credit bank, a bank for cooperatives, a Federal land bank association, a production credit association, a Federal Reserve Bank, a Federal Home Loan Bank, or a Federal Credit Union;

[(iii) service performed in the employ of a State, county, or community committee under the Production and Marketing Administration;

[(iv) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department; or

[(v) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instru-

mentality of the United States subject to the jurisdiction of the Secretary of the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard;

[(C) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is performed—

[(i) as the President or Vice President of the United States or as a Member, Delegate, or Resident Commissioner of or to, the Congress;

[(ii) in the legislative branch;

[(iii) in a penal institution of the United States by an inmate thereof;

[(iv) by any individual as an employee included under section 5351(2) of title 5, United States Code (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government), other than as a medical or dental intern or a medical or dental resident in training;

[(v) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency; or

[(vi) by any individual to whom subchapter III of chapter 83 of title 5, United States Code, does not apply because such individual is subject to another retirement system other than the retirement system of the Tennessee Valley Authority);

[(7) Service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned thereby, except that this paragraph shall not apply in the case of—

[(A) service included under an agreement under section 218,

[(B) service which, under subsection (k), constitutes covered transportation service.

[(C) service in the employ of the Government of Guam or the Government of American Samoa or any political subdivision thereof, or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, performed by an officer or employee thereof (including a member of the legislature of any such Government or political subdivision), and, for purposes of this title—

[(i) any person whose service as such an officer or employee is not covered by a retirement system established by a law of the United States shall not, with respect to such service, be regarded as an officer or employee of the United States or any agency or instrumentality thereof, and

[(ii) the remuneration for service described in clause (i) (including fees paid to a public official) shall be deemed to have been paid by the Government of Guam or the Government of American Samoa or by a political subdivision thereof or an instrumentality of any one or

more of the foregoing which is wholly owned thereby, whichever is appropriate,

[(D) service performed in the employ of the District of Columbia or any instrumentality which is wholly owned thereby, if such service is not covered by a retirement system established by a law of the United States; except that the provisions of this subparagraph shall not be applicable to service performed—

[(i) in a hospital or penal institution by a patient or inmate thereof;

[(ii) by an individual as an employee included under section 5351(2) of title 5, United States Code (relating to certain interns, student nurses, and other student employees of hospitals of the District of Columbia Government), other than as a medical or dental intern or as a medical or dental resident in training;

[(iii) by an individual as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency; or

[(iv) by a member of a board, committee, or council of the District of Columbia, paid on a per diem, meeting, or the fee basis, or

[(E) service performed in the employ of the Government of Guam (or any instrumentality which is wholly owned by such Government) by an employee properly classified as a temporary or intermittent employee, if such service is not covered by a retirement system established by a law of Guam; except that (i) the provisions of this subparagraph shall not be applicable to services performed by an elected official or a member of the legislature or in a hospital or penal institution by a patient or inmate thereof, and (ii) for purposes of this subparagraph, clauses (i) and (ii) of subparagraph (C) shall apply;

[(8) (A)] (5) Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order, except that this [subparagraph] paragraph shall not apply to service performed by a member of such an order in the exercise of such duties, if an election of coverage under section 3121(r) of the Internal Revenue Code of 1954 is in effect with respect to such order, or with respect to the autonomous subdivision thereof to which such member belongs;

[(B) Service performed in the employ of a religious, charitable, educational, or other organization described in section 501(c) (3) of the Internal Revenue Code of 1954, which is exempt from income tax under section 501(a) of such Code, but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 3121(k) of the Internal Revenue Code of 1954, (or deemed to have been so filed under paragraph (4) or (5) of such section 3121(k)) is in effect if such service is performed by an employee—

[(i) whose signature appears on the list filed (or deemed to have been filed) by such organization under such section 3121(k),

[(ii) who became an employee of such organization after the calendar quarter in which the certificate (other than a certificate referred to in clause (iii) was filed (or deemed to have been filed), or

[(iii) who, after the calendar quarter in which the certificate was filed (or deemed to have been filed) with respect to a group described in paragraph (1) (E) of such section 3121(k), became a member of such group,

except that this subparagraph shall apply with respect to service performed by an employee as a member of a group described in such paragraph (1) (E) with respect to which no certificate is (or is deemed to be) in effect;]

[(9)] (6) Service performed by an individual as an employee or employee representative as defined in section 3231 of the Internal Revenue Code of 1954;

[(10) (7) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 501 of the Internal Revenue Code of 1954, is the remuneration for such service is less than \$50;

(B) Service] (10) Service performed in the employ of—

[(i)] (A) a school, college, or university, or

[(ii)] (B) an organization described in section 509(a) (3) of the Internal Revenue Code of 1954 if the organization is organized, and at all times thereafter is operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of a school, college, or university and is operated, supervised, or controlled by or in connection with such school, college, or university [, unless it is a school, college, or university of a State or a political subdivision thereof and the services in its employ performed by a student referred to in section 218(c) (5) are covered under the agreement between the Secretary of Health, Education, and Welfare and such State entered into pursuant to section 218];

if such service is performed by a student who is enrolled and regularly attending classes at such school, college, or university;

* * * * *

[(11)] (8) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative) ;

[(12)] (9) Service performed in the employ of an instrumentality wholly owned by a foreign government—

(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employes thereof exemption is claimed, grants an equivalent exemption with respect

to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

[(13)] (10) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law;

[(14)] (11) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back;

[(15)] (12) Service performed in the employ of an international organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act (59 Stat. 669);

[(16)] (13) Service performed by an individual under an arrangement with the owner or tenant of land pursuant to which—

(A) such individual undertakes to produce agricultural or horticultural commodities (including livestock, bees, poultry, and fur-bearing animals and wildlife) on such land,

(B) the agricultural or horticultural commodities produced by such individual, or the proceeds therefrom, are to be divided between such individual and such owner or tenant, and

(C) the amount of such individual's share depends on the amount of the agricultural or horticultural commodities produced;

[(17)] (14) Service in the employ of any organization which is performed (A) in any [quarter] year during any part of which such organization is registered, or there is in effect a final order of the Subversive Activities Control Board requiring such organization to register, under the Internal Security Act of 1950, as amended, as a Communist-action organization, a Communist-front organization, or a Communist-infiltrated organization, and (B) after June 30, 1956;

[(18)] (15) Service performed in Guam by a resident of the Republic of the Philippines while in Guam on a temporary basis as a nonimmigrant alien admitted to Guam pursuant to section 101(a)(15)(H)(ii) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(15)(H)(ii));

[(19)] (16) Service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as

amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be; or,

[(20)] (17) Service performed by an individual on a boat engaged in catching fish or other forms of aquatic animal life under an arrangement with the owner or operator of such boat pursuant to which—

(A) such individual does not receive any cash remuneration (other than as provided in subparagraph (B)),

(B) such individual receives a share of the boat's (or the boats' in the case of a fishing operation involving more than one boat) catch of fish or other forms of aquatic animal life or a share of the proceeds from the sale of such catch, and

(C) the amount of such individual's share depends on the amount of the boat's (or boats' in the case of a fishing operation involving more than one boat) catch of fish or other forms of aquatic animal life,

but only if the operating crew of such boat (or each boat from which the individual receives a share in the case of a fishing operation involving more than one boat) is normally made up of fewer than 10 individuals.

Included and Excluded Service

(b) If the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection, the term "pay period" means a period (of not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him, where any of such service is excepted by paragraph [(9)](6) of subsection (a).

* * * * *

Agricultural Labor

(f) The term "agricultural labor" includes all service performed—

(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

(3) In connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes.

(4) (A) In the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market in its unmanufactured state, any agricultural or horticultural commodity; but only if such operator produced more than one-half of the commodity with respect to which such service is performed.

(B) In the employ of a group of operators of farms (other than a cooperative organization) in the performance of service described in subparagraph (A), but only if such operators produced all of the commodity with respect to which such service is performed. For the purposes of this subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than twenty at any time during the calendar [quarter] year in which such service is performed.

(5) On a farm operated for profit if such service is not in the course of the employer's trade or business or is domestic service in a private home of the employer.

The provisions of subparagraphs (A) and (B) of paragraph (4) shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

* * * * *

【Covered Transportation Service】

【(k) (1) Except as provided in paragraph (2), all services performed in the employ of a State or political subdivision in connection with its operation of a public transportation system shall constitute covered transportation service if any part of the transportation system was acquired from private ownership after 1936 and prior to 1951.

【(2) Service performed in the employ of a State or political subdivision in connection with the operation of its public transportation system shall not constitute covered transportation service if—

【(A) any part of the transportation system was acquired from private ownership after 1936 and prior to 1951, and substantially all service in connection with the operation of the transportation system is, on December 31, 1950, covered under a general retirement system providing benefits which, by reason of a provision of the State's construction dealing specifically with retirement systems of the State or political subdivisions thereof, cannot be diminished or impaired; or

[(B) no part of the transportation system operated by the State or political subdivision on December 31, 1950, was acquired from private ownership after 1936 and prior to 1951; except that if such State or political subdivision makes an acquisition after 1950 from private ownership of any part of its transportation system, then, in the case of any employee who—

[(C) became an employee of such State or political subdivision in connection with and at the time of its acquisition after 1950 of such part, and

[(D) prior to such acquisition rendered service in employment in connection with the operation of such part of the transportation system acquired by the State or political subdivision, the service of such employee in connection with the operation of the transportation system shall constitute covered transportation service, commencing with the first day of the third calendar quarter following the calendar quarter in which the acquisition of such part took place, unless on such first day such service of such employee is covered by a general retirement system which does not, with respect to such employee, contain special provisions applicable only to employee described in subparagraph (C).

[(3) All service performed in the employ of a State or political subdivision thereof in connection with its operation of a public transportation system shall constitute covered transportation service if the transportation system was not operated by the State or political subdivision prior to 1951 and, at the time of its first acquisition (after 1950) from private ownership of any part of its transportation system, the State or political subdivision did not have a general retirement system covering substantially all service performed in connection with the operation of the transportation system.

[(4) For the purposes of this subsection—

[(A) The term “general retirement system” means any pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof for employees of the State, political subdivision, or both; but such term shall not include such a fund or system which covers only service performed in positions connected with the operation of its public transportation system.

[(B) A transportation system or a part thereof shall be considered to have been acquired by a State or political subdivision from private ownership if prior to the acquisition service performed by employees in connection with the operation of the system or part thereof acquired constituted employment under this title, and some of such employees become employees of the State or political subdivision in connection with and at the time of such acquisition.

[(C) The term “political subdivision” includes an instrumentality of (i) a State, (ii) one or more political subdivisions of a State, or (iii) a State and one or more of its political subdivisions.]

Service in the Uniformed Services

[(1) (1) Except as provided in paragraph (4), the term “employment” shall, notwithstanding the provisions of subsection (a) of this

section, include service performed after December 1956 by an individual as a member of a uniformed service on active duty; but such term shall not include any such service which is performed while on leave without pay.】

(l) (1) *Except as provided in paragraph (4), the term "employment" shall include service (other than service performed while on leave without pay) which is performed by an individual as a member of a uniformed service on active duty after December 1956.*

* * * * *

Peace Corps Volunteer Service

(o) The term "employment" shall【, notwithstanding the provisions of subsection (a),】 include service performed by an individual as a volunteer or volunteer leader within the meaning of the Peace Corps Act.

SELF-EMPLOYMENT

SEC. 211. For the purposes of this title—

Net Earnings From Self-Employment

(a) The term "net earnings from self-employment" means the gross income, as computed under Subtitle A of the Internal Revenue Code of 1954, derived by an individual from any trade or business carried on by such individual, less the deductions allowed under such subtitle which are attributable to such trade or business, plus his distributive share (whether or not distributed) or income or loss described in section 702(a) (9) of the Internal Revenue Code of 1954, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary income or loss—

(1) There shall be excluded rentals from real estate and from personal property leased with the real estate (including such rentals paid in crop shares), together with the deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer; except that the preceding provisions of this paragraph shall not apply to any income derived by the owner or tenant of land if (A) such income is derived under an arrangement, between the owner or tenant and another individual which provides that such other individual shall produce agricultural or horticultural commodities (including livestock, bees, poultry, and fur-bearing animals and wildlife) on such land, and that there shall be material participation by the owner or tenant (as determined without regard to any activities of an agent of such owner or tenant) in the production or the management of the production of such agricultural or horticultural commodities, and (B) there is material participation by the owner or tenant (as determined without regard to any activities of an agent of such owner or tenant) with respect to any such agricultural or horticultural commodity;

(2) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest (other than interest described in section 35 of the Internal Revenue Code of 1954) are received in the course of a trade or business as a dealer in stocks or securities;

(3) There shall be excluded any gain or loss (A) which is considered under Subtitle A of the Internal Revenue Code of 1954 as gain or loss from the sale or exchange of a capital asset, (B) from the cutting of timber or the disposal of timber, coal, or iron ore, if section 631 of the Internal Revenue Code of 1954 applies to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;

(4) The deduction for net operating losses provided in section 172 of such Code shall not be allowed;

(5) (A) If any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the [husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife] *spouse who exercises the greatest management and control over the trade or business, except that such income and deductions shall be divided equally between the two spouses if each spouse exercises the same amount of management and control over the trade or business;*

(B) If any portion of a partner's distributive share of the ordinary net income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;

(6) A resident of the Commonwealth of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States but without regard to the provisions of section 933 of the Internal Revenue Code of 1954;

(7) An individual who is a duly ordained, commissioned, or licensed minister of a church or a member of a religious order shall compute his net earnings from self-employment derived from the performance of service described in subsection (c)(4) without regard to section 107 (relating to rental value of parsonages), section 119 (relating to meals and lodging furnished

for the convenience of the employer) and section 911 (relating to earned income from sources without the United States), and section 931 (relating to income from sources within possessions of the United States) of the Internal Revenue Code of 1954;

(8) The term "possession of the United States" as used in sections 931 (relating to income from sources within possessions of the United States) and 932 (relating to citizens of possessions of the United States) of the Internal Revenue Code of 1954 shall be deemed not to include the Virgin Islands, Guam, or American Samoa;

(9) There shall be excluded amounts received by a partner pursuant to a written plan of the partnership, which meets such requirements as are prescribed by the Secretary of the Treasury or his delegate, and which provides for payments on account of retirement, on a periodic basis, to partners generally or to a class or classes of partners, such payments to continue at least until such partner's death, if—

(A) such partner rendered no services with respect to any trade or business carried on by such partnership (or its successors) during the taxable year of such partnership (or its successors), ending within or with his taxable year, in which such amounts were received, and

(B) no obligation exists (as of the close of the partnership's taxable year referred to in subparagraph (A)) from the other partners to such partner except with respect to retirement payments under such plan, and

(C) such partner's share, if any of the capital of the partnership has been paid to him in full before the close of the partnership's taxable year referred to in subparagraph (A); **[and]**

(10) In the case of an individual who has been a resident of the United States during the entire taxable year, the exclusion from gross income provided by section 911(a)(2) of the Internal Revenue Code of 1954 shall not apply **[.]**; and

(11) *There shall be excluded the distributive share of any item of income or loss of a limited partner, as such, other than guaranteed payments described in section 707(c) of the Internal Revenue Code of 1954 to that partner for services actually rendered to or on behalf of the partnership to the extent that those payments are established to be in the nature of remuneration for those services.*

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the ordinary net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to 1951) ending within or with his taxable year. In the case of any trade or business which is carried on by an individual or by a partnership and in which, if such trade or business were carried on exclusively by employees the major portion of the services would constitute agricultural labor as defined in section 210(f)—

(i) in the case of an individual, if the gross income derived by him from such trade or business is not more than \$2,400, the net

earnings from self-employment derived by him from such trade or business may, at his option, be deemed to be 66 $\frac{2}{3}$ percent of such gross income; or

(ii) in the case of an individual, if the gross income derived by him from such trade or business is more than \$2,400 and the net earnings from self-employment derived by him from such trade or business (computed under this subsection without regard to this sentence) are less than \$1,600, the net earnings from self-employment derived by him from such trade or business may, at his option, be deemed to be \$1,600; and

(iii) in the case of a member of a partnership, if his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been reduced by the sum of all payments to which section 707(c) of the Internal Revenue Code of 1954 applies) is not more than \$2,400, his distributive share of income described in section 702(a)(9) of such Code derived from such trade or business may, at his option, be deemed to be an amount equal to 66 $\frac{2}{3}$ percent of his distributive share of such gross income (after such gross income has been so reduced); or

(iv) in the case of a member of a partnership, if his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been reduced by the sum of all payments to which section 707(c) of the Internal Revenue Code of 1954 applies) is more than \$2,400 and his distributive share (whether or not distributed) of income described in section 702(a)(9) of such Code derived from such trade or business (computed under this subsection without regard to this sentence) is less than \$1,600, his distributive share of income described in such section 702(a)(9) derived from such trade or business may, at his option, be deemed to be \$1,600.

For purposes of the preceding sentence, gross income means—

(v) in the case of any such trade or business in which the income is computed under a cash receipts and disbursements method, the gross receipts from such trade or business reduced by the cost or other basis of property which was purchased and sold in carrying on such trade or business, adjusted (after such reduction) in accordance with the provisions of paragraphs (1) through (6) and paragraph (8) of this subsection; and

(vi) in the case of any such trade or business in which the income is computed under an accrual method, the gross income from such trade or business, adjusted in accordance with the provisions of paragraphs (1) through (6) and paragraph (8) of this subsection;

and, for purposes of such sentence, if an individual (including a member of a partnership) derives gross income from more than one such trade or business, such gross income (including his distributive share of the gross income of any partnership derived from any such trade or business) shall be deemed to have been derived from one trade or business.

The preceding sentence and clauses (i) through (iv) of the second preceding sentence shall also apply in the case of any trade or business

(other than a trade or business specified in such second preceding sentence) which is carried on by an individual who is self-employed on a regular basis as defined in subsection (g), or by a partnership of which an individual is a member on a regular basis as defined in subsection (g), but only if such individual's net earnings from self-employment in the taxable year as determined without regard to this sentence are less than \$1,600 and less than 66 $\frac{2}{3}$ percent of the sum (in such taxable year) of such individual's gross income derived from all trades or businesses carried on by him and his distributive share of the income or loss from all trades or businesses carried on by all of the partnerships of which he is a member; except that this sentence shall not apply to more than 5 taxable years in the case of any individual, and in no case in which an individual elects to determine the amount of his net earnings from self-employment for a taxable year under the provisions of the two preceding sentences with respect to a trade or business to which the second preceding sentence applies and with respect to a trade or business to which this sentence applies shall such net earnings for such year exceed \$1,600.

* * * * *

Trade or Business

(C) The term "trade or business", when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 162 of the Internal Revenue Code of 1954, except that such term shall not include—

(1) The performance of the functions of a public office, other than the functions of a public office of a State or a political subdivision thereof with respect to fees received in any period in which the functions are performed in a position compensated solely on a fee basis [and in which such functions are not covered under an agreement entered into by such State and the Secretary pursuant to section 218];

(2) The performance of service by an individual as an employee other than—

(A) service described in section 210(a) [14] (11) (B) performed by an individual who has attained the age of eighteen,

(B) service described in section 210(a) [16] (13);

(C) service described in section 210(a) [11], [12], or [15] (8), or (9), or (12) performed in the United States by a citizen of the United States,

(D) service described in paragraph (4) of this subsection,

(E) service performed by an individual as an employee of a State or a political subdivision thereof in a position compensated solely on a fee basis [with respect to fees received in any period in which such service is not covered under an agreement entered into by such State and the Secretary pursuant to section 218] and

(F) service described in section 210(a) [20] (17);

(3) The performance of service by an individual as an employee or employee representative as defined in section 3231 of the Internal Revenue Code of 1954;

(4) The performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

(5) The performance of service by an individual in the exercise of his profession as a Christian Science practitioner; or

(6) The performance of service by an individual during the period for which an exemption under section 1402(h) of the Internal Revenue Code of 1954 is effective with respect to him.

The provisions of paragraph (4) or (5) shall not apply to service (other than service performed by a member of a religious order who has taken a vow of poverty as a member of such order) performed by an individual unless an exemption under section 1402(e) of the Internal Revenue Code of 1954 is effective with respect to him.

* * * * *

【CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR QUARTERS

【SEC. 212. For the purposes of determining average monthly wage and quarters of coverage the amount of self-employment income derived during any taxable year shall be credited to calendar quarters as follows:

【(a) In the case of a taxable year which is a calendar year the self-employment income of such taxable year shall be credited equally to each quarter of such calendar year.

【(b) In the case of any other taxable year the self-employment income shall be credited equally to the calendar quarter in which such taxable year ends and to each of the next three or fewer preceding quarters any part of which is in such taxable year.】

CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR YEARS

SEC. 212. (a) For the purposes of determining average monthly wage and quarters of coverage the amount of self-employment income derived during any taxable year which begins before 1978 shall—

(1) in the case of a taxable year which is a calendar year, be credited equally to each quarter of such calendar year; and

(2) in the case of any other taxable year, be credited equally to the calendar quarter in which such taxable year ends and to each of the next three or fewer preceding quarters any part of which is in such taxable year.

(b) For the purposes of determining average indexed monthly earnings, average monthly wage, and quarters of coverage the amount of self-employment income derived during any taxable year which begins after 1977 shall—

(1) in the case of a taxable year which is a calendar year or which begins with or during a calendar year and ends with or during such year, be credited to such calendar year; and

(2) in the case of any other taxable year, be allocated proportionately to the two calendar years, portions of which are included within such taxable year, on the basis of the number of months in each such calendar year which are included completely within the taxable year.

For purposes of clause (2), the calendar month in which a taxable year ends shall be treated as included completely within that taxable year.

QUARTER AND QUARTER OF COVERAGE

Definitions

SEC. 213. (a) For the purposes of this title—

(1) The term “quarter”, and the term “calendar quarter”, means a period of three calendar months ending on March 31, June 30, September 30, or December 31.

[(2) The term “quarter of coverage” means a quarter in which the individual has been paid \$50 or more in wages (except wages for agricultural labor paid after 1954) or for which he has been credited (as determined under section 212) with \$100 or more of self-employment income, except that—

[(i) no quarter after the quarter in which such individual died shall be a quarter of coverage, and no quarter any part of which was included in a period of disability (other than the initial quarter and the last quarter of such period) shall be a quarter of coverage;

[(ii) if the wages paid to any individual in any calendar year equal to \$3,000 in the case of a calendar year before 1951, or \$3,600 in the case of a calendar year after 1960 and before 1955, or \$4,200 in the case of a calendar year after 1954 and before 1959, or \$4,800 in the case of a calendar year after 1958 and before 1966, or \$6,600 in the case of a calendar year after 1965 and before 1968, or \$7,800 in the case of a calendar year after 1967 and before 1972, or \$9,000 in the case of a calendar year after 1971 and before 1973, or \$10,800 in the case of a calendar year after 1972 and before 1974, or \$13,200 in the case of a calendar year after 1973 and before 1975, or an amount equal to the contribution and benefit base (as determined under section 230) in the case of any calendar year after 1974 with respect to which such contribution and benefit base is effective, each quarter of such year shall (subject to clause (i)) be a quarter of coverage;

[(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such year equals \$3,600 in the case of a taxable year beginning after 1950 and ending before 1955, or \$4,200 in the case of a taxable year ending after 1954 and before 1959, or \$4,800 in the case of a taxable year ending after 1958 and before 1966, or \$6,600 in the case of a taxable year after 1965 and before 1968, or \$7,800 in the case of a taxable year ending after 1967 and before 1972, or \$9,000 in the case of a taxable year beginning after 1971 and before 1973, or \$10,800 in the case of a taxable year beginning after 1972 and before 1974, or \$13,200 in the case of a taxable year beginning after 1973 and before 1975, or an amount equal to the contribution and benefit base (as determined under section

230) which is effective for the calendar year in the case of any taxable year beginning in any calendar year after 1974, each quarter any part of which falls in such year shall (subject to clause (i)) be a quarter of coverage;

[(iv) if an individual is paid wages for agricultural labor in a calendar year after 1954, then, subject to clause (i), (a) the last quarter of such year which can be but is not otherwise a quarter of coverage shall be a quarter of coverage if such wages equal or exceed \$100 but are less than \$200; (b) the last two quarters of such year which can be but are not otherwise quarters of coverage shall be quarters of coverage if such wages equal or exceed \$200 but are less than \$300; (c) the last three quarters of such year which can be but are not otherwise quarters of coverage shall be quarters of coverage if such wages equal or exceed \$300 but are less than \$400; and (d) each quarter of such year which is not otherwise a quarter of coverage shall be a quarter of coverage if such wages are \$400 or more; and

[(v) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter.]

(2) (A) *The term "quarter of coverage" means—*

(i) *for calendar years before 1978, and subject to the provisions of subparagraph (B), a quarter in which an individual has been paid \$50 or more in wages (except wages for agricultural labor paid after 1954) or for which he has been credited (as determined under section 212) with \$100 or more of self-employment income; and*

(ii) *for calendar years after 1977, and subject to the provisions of subparagraph (B), each portion of the total of the wages paid and the self-employment income credited (pursuant to section 212) to an individual in a calendar year which equals the amount required for a quarter of coverage calendar year (as determined under subsection (e)), with such quarter of coverage being assigned to a specific calendar quarter in such calendar year only if necessary in the case of any individual who has attained age 62 or died or is under a disability and the requirements for insured status in subsection (a) or (b) of section 214, the requirements for entitlement to a computation or recomputation of his primary insurance amount, or the requirements of paragraph (3) of section 216(i) would not otherwise be met.*

(B) *Notwithstanding the provisions of subparagraph (A)—*

(i) *no quarter after the quarter in which an individual dies shall be in a quarter of coverage, and no quarter any part of which is included in a period of disability (other than the initial quarter and the last quarter of such period) shall be a quarter of coverage;*

(ii) *if the wages paid to an individual in any calendar year equal to \$3,000 in the case of a calendar year before 1951, or \$3,600 in the case of a calendar year after 1950 and before 1955, or \$4,200 in the case of a calendar year after 1954 and before 1959, or \$4,800 in the case of a calendar year after 1958 and before 1966, or \$6,600 in the case of calendar year after 1965 and before 1968, or \$7,800*

in the case of a calendar year after 1967 and before 1972, or \$9,000 in the case of the calendar year 1972, or \$10,800 in the case of the calendar year 1973, or \$13,200 in the case of the calendar year 1974, or an amount equal to the contribution and benefit base (as determined under section 230) in the case of any calendar year after 1974 with respect to which such contribution and benefit base is effective, each quarter of such year shall (subject to clauses (i) and (v)) be a quarter of coverage;

(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such year equals \$3,600 in the case of a taxable year beginning after 1950 and ending before 1955, or \$4,200 in the case of a taxable year ending after 1954 and before 1959, or \$4,800 in the case of a taxable year ending after 1958 and before 1966, or \$6,600 in the case of a taxable year ending after 1965 and before 1968, or \$7,800 in the case of a taxable year ending after 1967 and before 1972, or \$9,000 in the case of a taxable year beginning after 1971 and before 1973, or \$10,800 in the case of a taxable year beginning after 1972 and before 1974, or \$13,200 in the case of a taxable year beginning after 1973 and before 1975, or an amount equal to the contribution and benefit base (as determined under section 230) which is effective for the calendar year in the case of any taxable year beginning in any calendar year after 1974, each quarter any part of which falls in such year shall (subject to clauses (i) and (v)) be a quarter of coverage;

(iv) if an individual is paid wages for agricultural labor in a calendar year after 1954 and before 1978, then, subject to clauses (i) and (v), (I) the last quarter of such year which can be but is not otherwise a quarter of coverage shall be a quarter of coverage if such wages equal or exceed \$100 but are less than \$200; (II) the last two quarters of such year which can be but are not otherwise quarters of coverage shall be quarters of coverage if such wages equal or exceed \$200 but are less than \$300; (III) the last three quarters of such year which can be but are not otherwise quarters of coverage shall be quarters of coverage if such wages equal or exceed \$300 but are less than \$400; and (IV) each quarter of such year which is not otherwise a quarter of coverage shall be a quarter of coverage if such wages are \$400 or more;

(v) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter;

(vi) not more than one quarter of coverage may be credited to a calendar quarter; and

(vii) no more than four quarters of coverage may be credited to any calendar year after 1977.

If in the case of an individual who has attained age 62 or died or is under a disability and who has been paid wages for agricultural labor in a calendar year after 1954 and before 1978, the requirements for insured status in subsection (a) or (b) of section 214, the requirements for entitlement to a computation or recomputation of his primary insurance amount, or the requirements of paragraph (3) of section 216 (i) are not met after assignment of quarters of coverage to quarters in such year as provided in clause (iv) of the preceding sentence, but

would be met if such quarters of coverage were assigned to different quarters in such year, then such quarters of coverage shall instead be assigned, for purposes only of determining compliance with such requirements, to such different quarters. If, in the case of an individual who did not die prior to January 1, 1955, and who attained age 62 (if a woman) or age 65 (if a man) or died before July 1, 1957, the requirements for insured status in section 214(a)(3) are not met because of his having too few quarters of coverage but would be met if his quarters of coverage in the first calendar year in which he had any covered employment had been determined on the basis of the period during which wages were earned rather than on the basis of the period during which wages were paid (any such wages paid that are reallocated on an earned basis shall not be used in determining quarters of coverage for subsequent calendar years), then upon application filed by the individual or his survivors and satisfactory proof of his record of wages earned being furnished by such individual or his survivors, the quarters of coverage in such calendar year may be determined on the basis of the periods during which wages were earned.

* * * * *

Crediting of Certain Federal, State, and Local Service, and Certain Service for Nonprofit Organizations, Performed Prior to Effective Date of Coverage

(d) *In the case of any individual who—*

(1) (A) *performs service in the employ of the United States or any instrumentality thereof (and derives at least six quarters of coverage therefrom) on or after the effective date of the repeal of section 210(a)(5) and (6) by section 301 of the Social Security Financing Amendments of 1977, and*

(B) *also performed service in the employ of the United States or any instrumentality thereof prior to such date, or*

(2) (A) *performs service in the employ of a State or political subdivision or any instrumentality of any one or more of the foregoing which is wholly owned thereby (and derives at least six quarters of coverage therefrom) on or after the effective date of the repeal of section 210(a)(7) by section 302 of the Social Security Financing Amendments of 1977, and*

(B) *also performed service in the employ of a State or political subdivision or any such instrumentality prior to such date, or*

(3) (A) *performs service in the employ of a religious, charitable, educational, or other organization described in section 501(c)(3) of the Internal Revenue Code of 1954 which is exempt from income tax under section 501(a) of such Code (and derives at least six quarters of coverage therefrom) on or after the effective date of the repeal of section 201(a)(8)(B) by section 303 of the Social Security Financing Amendments of 1977, and*

(B) *also performed service in the employ of such an organization prior to such date,*

each calendar quarter in which such individual performed service described in subparagraph (B) of paragraph (1), (2), or (3) (whichever is applicable) shall, if it is not otherwise a quarter of coverage, be treated (under regulations prescribed by the Secretary) as a quarter of coverage for all the purposes of this title.

Amount Required for a Quarter of Coverage

(e)(1) *The amount of wages and self-employment income which an individual must have in order to be credited with a quarter of coverage in any year under subsection (a)(2)(A)(ii) shall be \$250 in the calendar year 1978 and the amount determined under paragraph (2) of this subsection for years after 1978.*

(2) *The Secretary shall, on or before November 1 of 1978 and of every year thereafter, determine and publish in the Federal Register the amount of wages and self-employment income which an individual must have in order to be credited with a quarter of coverage in the succeeding calendar year. The amount required for a quarter of coverage shall be the larger of—*

(A) the amount in effect in the calendar year in which the determination under this subsection is made, or

(B) the product of the amount prescribed in paragraph (1) which is required for a quarter of coverage in 1978 and the ratio of the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the year in which the determination under this paragraph is made to the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for 1976 (as published in the Federal Register in accordance with section 215(a)(1)(D)),

with such product, if not a multiple of \$10, being rounded to the next higher multiple of \$10 where such amount is a multiple of \$5 but not of \$10 and to the nearest multiple of \$10 in any other case.

* * * * *

COMPUTATION OF PRIMARY INSURANCE AMOUNT

SEC. 215. For the purposes of this title—

[(a) The primary insurance amount of an insured individual shall be determined as follows:

[(1) Subject to the conditions specified in subsections (b), (c), and (d) of this section and except as provided in paragraphs (2) and (3) of this subsection, such primary insurance amount shall be whichever of the following amounts is the largest:

[(A) the amount in column IV of the following table (or, if larger, the amount in column IV of the latest table deemed to be such table under subsection (i)(2)(D)) on the line on which in column III of such table appears his average monthly wage (as determined under subsection (b));

[(B) the amount in column IV of such table on the line on which in column II appears his primary insurance amount (as determined under subsection (c)); or

[(C) the amount in column IV of such table on the line on which in column I appears his primary insurance benefit (as determined under subsection (d)).

[(2) In the case of an individual who was entitled to a disability insurance benefit for the month before the month in which he died, became entitled to old-age insurance benefits, or attained age 65, such primary insurance amount shall be—

[(A) the amount in column IV of such table which is equal to the primary insurance amount upon which such disability insurance benefit is based; except that if such individual was entitled to a disability insurance benefit under section 223 for the month before the effective month of a new table (whether enacted by another law or deemed to be such table under subsection (i) (2) (D)) and in the following month became entitled to an old-age insurance benefit, or he died in such following month, then his primary insurance amount for such following month shall be the amount in column IV of the new table on the line on which in column II of such table appears his primary insurance amount for the month before the effective month of the table (as determined under subsection (c)) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based. For purposes of this paragraph, the term "primary insurance amount" with respect to any individual means only a primary insurance amount determined under paragraph (1) (and such individual's benefits shall be deemed to be based upon the primary insurance amount as so determined); or

[(B) an amount equal to the primary insurance amount upon which such disability insurance benefit is based if such primary insurance amount was determined under paragraph (3).

[(3) Such primary insurance amount shall be an amount equal to \$9.00 multiplied by the individual's years of coverage in excess of 10 in any case in which such amount is higher than the individual's primary insurance amount as determined under paragraph (1) or (2).

[For purposes of paragraph (3), an individual's "years of coverage" is the number (not exceeding 30) equal to the sum of (i) the number (not exceeding 14 and disregarding any fraction) determined by dividing the total of the wages credited to him (including wages deemed to be paid prior to 1951 to such individual under section 217, compensation under the Railroad Retirement Act of 1937 prior to 1951 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 231) for years after 1936 and before 1951 by \$900, plus (ii) the number equal to the number of years after 1950 each of which is a computation base year (within the meaning of subsection (b) (2) (C)) and in each of which he is credited with wages (including wages deemed to be paid to such individual under section 217, compensation under the Railroad Retirement Act of 1937 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 229) and self-employment income of not less than 25 percent of the maximum amount which, pursuant to subsection (e), may be counted for such year.

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING JUNE 1976

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount effective for June 1975)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
-----	\$16.20	\$101.40	-----	\$76	\$107.90	\$161.90
\$16.21	16.84	103.00	\$77	78	106.90	164.40
16.85	17.60	105.30	79	80	112.10	168.30
17.61	18.40	107.30	81	81	114.20	171.48
18.41	19.24	109.20	82	83	116.20	174.40
19.25	20.00	111.50	84	85	118.70	178.10
20.01	20.64	113.60	86	87	120.90	181.40
20.65	21.28	115.40	88	89	122.80	184.20
21.29	21.88	117.70	90	90	125.30	188.00
21.89	22.28	119.70	91	92	127.40	191.10
22.29	22.68	121.70	93	94	129.50	194.30
22.69	23.08	123.60	95	96	131.60	197.40
23.09	23.44	125.90	97	97	134.00	201.00
23.45	23.76	128.00	98	99	136.20	204.40
23.77	24.20	130.50	100	101	138.90	208.40
24.21	24.60	132.30	102	102	140.80	211.40
24.61	25.00	134.50	103	104	143.20	214.80
25.01	25.48	137.00	105	106	145.80	218.70
25.49	25.92	139.20	107	107	148.20	222.30
25.93	26.40	141.40	108	109	150.50	225.80
26.41	26.94	143.60	110	113	152.80	229.20
26.95	27.46	145.60	114	118	155.00	232.50
27.47	28.00	147.90	119	122	157.40	236.20
28.01	28.68	150.10	123	127	159.80	239.70
28.69	29.25	152.40	128	132	162.20	243.40
29.26	29.68	154.50	133	136	164.40	246.70
29.69	30.36	156.50	137	141	166.60	249.90
30.37	30.92	158.90	142	146	169.10	253.70
30.93	31.36	161.10	147	150	171.50	257.30
31.37	32.00	163.10	151	155	173.60	260.40
32.01	32.60	165.50	156	160	176.10	264.20
32.61	33.20	167.60	161	164	178.40	267.60
33.21	33.88	169.80	165	169	180.70	271.10
33.89	34.50	172.00	170	174	183.10	275.00
34.51	35.00	174.10	175	178	185.30	278.00
35.01	35.80	176.50	179	183	187.80	281.80
35.81	36.40	178.50	184	188	190.00	285.00
36.41	37.08	180.90	189	193	192.50	289.00
37.09	37.60	183.10	194	197	194.90	292.40
37.61	38.20	185.20	198	202	197.10	295.70
38.21	39.12	187.60	203	207	199.70	299.60
39.13	39.68	189.80	208	211	202.00	303.00
39.69	40.33	191.60	212	216	203.90	305.90
40.34	41.12	194.00	217	221	206.50	309.80
41.13	41.76	196.20	222	225	208.80	313.20
41.77	42.44	198.60	226	230	211.40	317.10
42.45	43.20	200.70	231	235	213.60	320.40
43.21	43.76	203.20	236	239	216.30	324.50
43.77	44.44	205.10	240	244	218.30	328.90
44.45	44.88	207.10	245	249	220.40	335.70
44.89	45.60	209.70	250	253	223.20	341.20
		211.80	254	258	225.40	347.90
		213.60	259	263	227.30	354.50
		216.20	264	267	230.10	359.90
		218.30	268	272	232.30	366.70
		220.60	273	277	234.80	373.30
		222.70	278	281	237.00	378.70
		224.90	282	286	239.30	385.50
		227.30	287	291	241.90	392.30
		229.20	292	295	243.90	397.60
		231.60	296	300	246.50	404.30
		233.80	301	305	248.80	411.10

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING JUNE 1976—Continued

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount effective for June 1975)		III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—			At least—	But not more than—		
		235.80		306	309	250.90	416.50
		238.20		310	314	253.50	423.20
		240.20		315	319	255.60	430.00
		242.30		320	323	257.90	435.40
		244.70		324	328	260.40	442.10
		246.80		329	333	262.60	448.80
		249.30		334	337	265.30	454.30
		251.10		338	342	267.20	460.90
		253.30		343	347	269.60	467.70
		255.80		348	351	272.20	473.00
		247.80		352	356	274.30	479.70
		260.20		357	361	276.90	486.50
		262.30		362	365	279.10	491.90
		264.30		366	370	281.30	498.60
		266.70		371	375	283.80	505.20
		268.90		376	379	286.20	510.90
		271.20		380	384	288.60	517.60
		273.20		385	389	290.70	524.20
		275.30		390	393	293.00	529.60
		277.70		394	398	295.50	536.40
		279.80		399	403	297.80	543.20
		282.30		404	407	300.40	548.40
		284.10		408	412	302.30	555.20
		286.10		413	417	304.50	561.90
		288.20		418	421	306.70	567.30
		290.50		422	426	309.10	574.00
		292.40		427	431	311.20	580.80
		294.20		432	436	313.10	587.50
		296.70		437	440	315.70	590.10
		298.50		441	445	317.70	593.70
		300.50		446	450	319.80	597.00
		302.60		451	454	322.20	599.60
		304.70		455	459	324.30	602.90
		306.80		460	464	326.50	606.20
		308.70		465	468	328.50	609.10
		311.10		469	473	331.10	612.40
		312.80		474	478	332.90	615.80
		314.90		479	482	335.10	618.60
		317.10		483	487	337.40	622.00
		319.10		488	492	339.60	625.40
		321.10		493	496	341.70	628.00
		323.40		497	501	344.10	631.30
		325.20		502	506	346.10	634.60
		327.30		507	510	348.30	637.40
		329.30		511	515	350.40	640.70
		331.50		516	520	352.80	644.20
		333.40		521	524	354.80	646.70
		335.50		525	529	357.00	650.20
		337.80		530	534	359.50	653.50
		339.60		535	538	361.40	656.20
		341.70		539	543	363.60	659.60
		343.90		544	548	366.00	662.90
		345.90		549	553	368.10	666.30
		347.90		554	556	370.20	668.30
		349.50		557	560	371.90	671.10
		351.50		561	563	374.00	673.10
		353.30		564	567	376.00	675.80
		355.20		568	570	378.00	677.80
		356.90		571	574	379.80	680.40
		358.80		575	577	381.80	682.60
		360.40		578	581	383.50	685.10
		362.40		582	584	385.60	687.20
		364.00		585	588	387.30	689.90

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING JUNE 1976—Continued

I (Primary insurance benefit under 1939 Act, as modified)	II (Primary insurance amount effective for June 1975)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
		At least—	But not more than—		
If an individual's primary insurance benefit (as determined under subsec. (d)) is—	Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
		At least—	But not more than—		
	366.10	589	591	389.60	691.90
	367.90	592	595	391.50	694.60
	369.70	596	598	393.40	696.50
	371.50	599	602	395.30	699.40
	373.30	603	605	397.20	701.40
	375.10	606	609	399.20	703.90
	377.00	610	612	401.20	706.10
	378.80	613	616	403.10	708.80
	380.60	617	620	405.00	711.50
	382.40	621	623	406.90	713.50
	384.20	624	627	408.80	716.20
	386.00	628	630	410.80	718.70
	387.80	631	634	412.70	722.20
	389.70	635	637	414.70	725.60
	391.70	638	641	416.80	729.10
	393.30	642	644	418.50	732.30
	395.20	645	648	420.50	735.90
	396.90	649	652	422.40	739.10
	398.10	653	656	423.60	741.20
	399.20	657	660	424.80	743.30
	400.60	661	665	426.30	746.00
	402.00	666	670	427.80	748.70
	403.50	671	675	429.40	751.20
	404.90	676	680	430.90	754.00
	406.30	681	685	432.40	756.70
	407.90	686	690	434.10	759.30
	409.30	691	695	435.50	762.10
	410.70	696	700	437.00	764.70
	412.20	701	705	438.60	767.40
	413.60	706	710	440.10	770.00
	415.00	711	715	441.60	772.70
	416.50	716	720	443.20	775.40
	417.90	721	725	444.70	778.00
	419.30	726	730	446.20	780.80
	420.70	731	735	447.70	783.50
	422.20	736	740	449.30	786.10
	423.60	741	745	450.80	788.90
	425.00	746	750	452.20	791.50
	426.30	751	755	453.60	793.80
	427.50	756	760	454.90	796.00
	428.70	761	765	456.20	798.30
	429.90	766	770	457.50	800.50
	431.10	771	775	458.70	802.70
	432.30	776	780	460.00	804.90
	433.50	781	785	461.30	807.10
	434.60	786	790	462.50	809.30
	435.80	791	795	463.70	811.60
	437.00	796	800	465.00	813.80
	438.30	801	805	466.40	816.10
	439.50	806	810	467.70	818.30
	440.70	811	815	469.00	820.60
	441.90	816	820	470.20	822.70
	443.10	821	825	471.50	825.10
	444.30	826	830	472.80	827.20
	445.40	831	835	474.00	829.50
	446.60	836	840	475.20	831.70
	447.80	841	845	476.50	834.00
	449.00	846	850	477.80	836.00
	450.30	851	855	479.20	838.40
	451.50	856	860	480.40	840.60
	452.70	861	865	481.70	842.80
	453.90	866	870	483.00	845.10
	455.10	871	875	484.30	847.30

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING JUNE 1976—Continued

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount effective for June 1975)		III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
		456.20		876		880	849.50
		457.40		881		885	851.80
		458.60		886		890	854.00
		459.80		891		895	856.40
		461.00		896		900	858.50
		462.30		901		905	860.80
		463.50		906		910	863.00
		464.70		911		915	865.30
		465.90		916		920	867.30
		467.00		921		925	869.70
		468.20		926		930	871.80
		469.40		931		935	874.10
		470.60		936		940	876.30
		471.80		941		945	878.60
		473.00		946		950	880.80
		474.30		951		955	883.10
		475.50		956		960	885.30
		476.70		961		965	887.50
		477.80		966		970	889.80
		479.00		971		975	892.00
		480.20		976		980	894.10
		481.40		981		985	896.40
		482.60		986		990	898.60
		483.80		991		995	900.90
		485.00		966		1,000	903.10
		486.00	1,001	1,001		1,005	905.00
		487.10	1,006	1,006		1,010	907.10
		488.20	1,011	1,011		1,015	909.00
		489.30	1,016	1,016		1,020	911.20
		490.40	1,021	1,021		1,025	913.10
		491.40	1,026	1,026		1,030	915.20
		492.50	1,031	1,031		1,035	917.10
		493.60	1,036	1,036		1,040	919.10
		494.70	1,041	1,041		1,045	921.20
		495.80	1,046	1,046		1,050	923.20
		496.80	1,051	1,051		1,055	925.10
		497.90	1,056	1,056		1,060	927.20
		499.00	1,061	1,061		1,065	929.10
		500.10	1,066	1,066		1,070	931.30
		501.20	1,071	1,071		1,075	933.20
		502.20	1,076	1,076		1,080	935.30
		503.30	1,081	1,081		1,085	937.20
		504.40	1,086	1,086		1,090	939.20
		505.50	1,091	1,091		1,095	941.30
		506.60	1,096	1,096		1,100	943.30
		507.60	1,101	1,101		1,105	945.20
		508.70	1,106	1,106		1,110	947.30
		509.80	1,111	1,111		1,115	949.20
		510.90	1,116	1,116		1,120	951.40
		512.00	1,121	1,121		1,125	953.30
		513.00	1,126	1,126		1,130	955.40
		514.10	1,131	1,131		1,135	957.30
		515.20	1,136	1,136		1,140	959.40
		516.30	1,141	1,141		1,145	961.40
		517.40	1,146	1,146		1,150	963.40
		518.40	1,151	1,151		1,155	965.30
		519.50	1,156	1,156		1,160	967.40
		520.60	1,161	1,161		1,165	969.40
		521.70	1,166	1,166		1,170	971.50
		522.80	1,171	1,171		1,175	973.40
		523.80	1,176	1,176		1,180	975.40
		524.80	1,181	1,181		1,185	977.20
		525.80	1,186	1,186		1,190	979.10

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING JUNE 1976—Continued

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount effective for June 1975)		III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wage and self-employment income shall be—
At least—	But not more than—			At least—	But not more than—		
		526.80		1,191	1,195	560.60	981.00
		527.80		1,196	1,200	561.60	982.90
		528.80		1,201	1,205	562.70	984.70
		529.80		1,206	1,210	563.80	986.60
		530.80		1,211	1,215	564.80	988.40
		531.80		1,216	1,220	565.90	990.30
		532.80		1,221	1,225	566.90	992.10
		533.80		1,226	1,230	568.00	994.00
		534.80		1,231	1,235	569.10	995.80
		535.80		1,226	1,240	570.10	997.80
		536.80		1,241	1,245	571.20	999.60
		537.80		1,246	1,250	572.30	1,001.50
		538.80		1,251	1,255	573.30	1,003.30
		539.80		1,256	1,260	574.40	1,005.20
		540.80		1,261	1,265	575.50	1,007.00
		541.80		1,266	1,270	575.50	1,008.90
		542.80		1,271	1,275	577.60	1,010.70
				1,276	1,280	578.60	1,012.60
				1,281	1,285	597.60	1,014.30
				1,286	1,290	580.60	1,016.10
				1,291	1,295	581.60	1,017.80
				1,296	1,300	582.60	1,019.60
				1,301	1,305	583.60	1,021.30
				1,306	1,310	584.60	1,023.10
				1,311	1,315	585.60	1,024.80
				1,316	1,320	586.60	1,026.60
				1,321	1,325	587.60	1,028.30
				1,326	1,330	588.60	1,030.10
				1,331	1,335	589.60	1,031.80
				1,336	1,340	590.60	1,033.60
				1,341	1,345	591.60	1,035.30
				1,346	1,350	592.60	1,037.10
				1,351	1,355	593.60	1,038.80
				1,356	1,360	594.60	1,040.60
				1,361	1,365	595.60	1,042.30
				1,366	1,370	596.60	1,044.10
				1,371	1,375	597.60	1,045.80

【Average Monthly Wage

【(b) (1) For the purposes of column III of the table appearing in subsection (a) of this section, an individual's "average monthly wage" shall be the quotient obtained by dividing—

【(A) the total of his wages paid in and self-employment income credited to his "benefit computation years" (determined under paragraph (2)), by

【(B) the number of months in such years.

【(2) (A) The number of an individual's "benefit computation years" shall be equal to the number of elapsed years (determined under paragraph (3) of this subsection), reduced by five, except that the number of an individual's benefit computation years shall in no case be less than two.

[(B) An individual's "benefit computation years" shall be those computation base years, equal in number to the number determined under subparagraph (A), for which the total of his wages and self-employment income is the largest.

[(C) For purposes of subparagraph (B), "computation base years" include only calendar years in the period after 1950 and prior to the earlier of the following years—

[(i) the year in which occurred (whether by reason of section 202(j) (1) or otherwise) the first month for which the individual was entitled to old-age insurance benefits, or

[(ii) the year succeeding the year in which he died.

Any calendar year all of which is included in a period of disability shall not be included as a computation base year.

[(3) For purposes of paragraph (2), the number of an individual's elapsed years is the number of calendar years after 1950 (or, if later, the year in which he attained age 21) and before the year in which he died, or if it occurred earlier but after 1960, the year in which he attained age 62.¹ For purposes of the preceding sentence, any calendar year any part of which was included in a period of disability shall not be included in such number of calendar years.

[(4) The provisions of this subsection shall be applicable only in the case of an individual—

[(A) who becomes entitled to benefits under section 202(a) or section 223 in or after the month in which a new table that appears in (or is deemed by subsection (i) (2) (D) to appear in) section (a) becomes effective; or

[(B) who dies in or after the month in which such table becomes effective without being entitled to benefits under section 202(a) or section 223; or

[(C) whose primary insurance amount is required to be recomputed under subsection (f) (2).

[(Primary Insurance Amount Under Prior Provisions

[(c) (1) For the purpose of column II of the latest table that appears in (or is deemed to appear in) subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the month in which the latest such table became effective.

[(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223, or who died, before such effective month.]

(a) (1) (A) *The primary insurance amount of an individual shall (except as otherwise provided in this section) be equal to the sum of—*

(i) *90 percent of the individual's average indexed monthly earnings (determined under subsection (b)) to the extent that such earnings do not exceed the amount established for purposes of this clause by subparagraph (B),*

(ii) *32 percent of the individual's average indexed monthly earnings to the extent that such earnings exceed the amount established for purposes of clause (i) but do not exceed the amount established for purposes of this clause by subparagraph (B), and*

(iii) 15 percent of the individual's average indexed monthly earnings to the extent that such earnings exceed the amount established for purposes of clause (ii), rounded in accordance with subsection (g), and thereafter increased as provided in subsection (i).

(B) (i) For individuals who initially become eligible for old-age or disability insurance benefits or die in the calendar year 1979, the amounts established for purposes of clauses (i) and (ii) of subparagraph (A) shall be \$180 and \$1,085, respectively.

(ii) For individuals who initially become eligible for old-age or disability insurance benefits or die in any calendar year after 1979, each of the amounts so established shall equal the product of the corresponding amount established with respect to the calendar year 1979 under clause (i) of this subparagraph and the quotient obtained by dividing—

(I) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the second calendar year preceding the calendar year for which the determination is made, by

(II) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the calendar year 1977.

(iii) Each amount established under clause (ii) for any calendar year shall be rounded to the nearest \$1, except that any amount so established which is a multiple of \$0.50 but not of \$1 shall be rounded to the next higher \$1.

(C) (i) No primary insurance amount computed under subparagraph (A) may be less than—

(I) the dollar amount set forth on the first line of column IV in the table of benefits contained in (or deemed to be contained in) this subsection as in effect in December 1978, rounded (if not a multiple of \$1) to the next higher multiple of \$1, or

(II) an amount equal to \$11.50 multiplied by the individual's years of coverage in excess of 10, or the increased amount determined for purposes of this subdivision under subsection (i), whichever is greater. No increase under subsection (i), occurring before the year in which an individual becomes eligible for old-age or disability insurance benefits or dies, shall apply to the dollar amount specified in subdivision (I) of this clause with respect to such individual.

(ii) For purposes of clause (i) (II), the term 'years of coverage' with respect to any individual means the number (not exceeding 30) equal to the sum of (I) the number (not exceeding 14 and disregarding any fraction) determined by dividing (a) the total of the wages credited to such individual (including wages deemed to be paid prior to 1951 to such individual under section 217, compensation under the Railroad Retirement Act of 1937 prior to 1951 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 231) for years after 1936 and before 1951 by (b) \$900, plus (II) the number equal to

number of years after 1950 each of which is a computation base year (within the meaning of subsection (b)(2)(B)(ii)) and in each of which he is credited with wages (including wages deemed to be paid to such individual under section 217, compensation under the Railroad Retirement Act of 1937 or 1974 which is creditable to such individual pursuant to this title, and wages deemed to be paid to such individual under section 229) and self-employment income of not less than 25 percent of the maximum amount which, pursuant to subsection (e), may be counted for such year, of not less than 25 percent of the maximum amount which could be so counted for such year (in the case of a year after 1977) if section 230 as in effect immediately prior to the enactment of the Social Security Financing Amendments of 1977 had remained in effect without charge.

(D) In each calendar year after 1978 the Secretary shall publish in the Federal Register, on or before November 1, the formula for computing benefits under this paragraph and for adjusting wages and self-employment income under subsection (b)(3) in the case of an individual who becomes eligible for an old-age insurance benefit, or (if earlier) becomes eligible for a disability insurance benefit or dies, in the following year, and the average of the total wages (as described in subparagraph (B)(ii)(I)) on which that formula is based. With the initial publication required by this subparagraph, the Secretary shall also publish in the Federal Register the average of the total wages (as so described) for each calendar year after 1950.

(2)(A) A year shall not be counted as the year of an individual's death or eligibility for purposes of this subsection or subsection (b) or (i) in any case where such individual was entitled to a disability insurance benefit for any of the 12 months immediately preceding the month of such death or eligibility (but there shall be counted instead the year of the individual's eligibility for the disability insurance benefit or benefits to which he was entitled during such 12 months).

(B) In the case of an individual who was entitled to a disability insurance benefit for any of the 12 months before the month in which he became entitled to an old-age insurance benefit, became reentitled to a disability insurance benefit, or died, the primary insurance amount for determining any benefit attributable to that entitlement, reentitlement, or death is the greater of—

(i) the primary insurance amount upon which such disability insurance benefit was based, increased by the amount of each general benefit increase (as defined in subsection (i)(3)), and each increase provided under subsection (i)(2), that would have applied to such primary insurance amount had the individual remained entitled to such disability insurance benefit until the month in which he became so entitled or reentitled or died, or

(ii) the amount computed under paragraph (1)(C).

(C) In the case of an individual who was entitled to a disability insurance benefit for any month, and with respect to whom a primary insurance amount is required to be computed at any time after the close of the period of the individual's disability (whether because of such individual's subsequent entitlement to old-age insurance benefits or to a disability insurance benefit based upon a subsequent period of dis-

ability, or because of such individual's death), the primary insurance amount so computed may in no case be less than the primary insurance amount with respect to which such former disability insurance benefit was most recently determined.

(3) (A) Paragraph (1) applies only to an individual who was not eligible for an old-age insurance benefit prior to January 1979 and who in that or any succeeding month—

- (i) becomes eligible for such a benefit,
- (ii) becomes eligible for a disability insurance benefit, or
- (iii) dies,

and (except for subparagraph (C) (i) (II) thereof) it applies to every such individual except to the extent otherwise provided by paragraph (4).

(B) For purposes of this title, an individual is deemed to be eligible—

- (i) for old-age insurance benefits, for months beginning with the month in which he attains age 62, or
- (ii) for disability insurance benefits, for months beginning with the month in which his period of disability began as provided under section 216(i)(2)(C),

except as provided in paragraph (2) (A) in cases where fewer than 12 months have elapsed since the termination of a prior period of disability.

(4) Paragraph (1) (except for subparagraph (C) (i) (II) thereof) does not apply to the computation or recomputation of a primary insurance amount for—

(A) an individual who was eligible for a disability insurance benefit for a month prior to January 1979 unless, prior to the month in which occurs the event described in clause (i), (ii), or (iii) of paragraph (3) (A), there occurs a period of at least 12 consecutive months for which he was not entitled to a disability insurance benefit, or

(B) an individual who had wages or self-employment income credited for one or more years prior to 1979, and who was not eligible for an old-age or disability insurance benefit, and did not die, prior to January 1979, if in the year for which the computation or recomputation would be made the individual's primary insurance amount would be greater if computed or recomputed—

(i) under section 215(a) as in effect in December 1978, for purposes of old-age insurance benefits in the case of an individual who becomes eligible for such benefits prior to 1989,

or

(ii) as provided by section 215(d), in the case of an individual to whom such section applies.

In determining whether an individual's primary insurance amount would be greater if computed or recomputed as provided in subparagraph (B), (I) the table of benefits in effect in December 1978 shall be applied without regard to any increases in that table which may become effective (in accordance with subsection (i) (4)) for years after

1978 (subject to subsection (i) (2) (A) (iii)), and (II) such individual's average monthly wage shall be computed as provided by subsection (b) (4).

(5) For purposes of computing the primary insurance amount (after December 1978) of an individual to whom paragraph (1) does not apply (other than an individual described in paragraph (4) (B)), this section as in effect in December 1978 shall remain in effect, except that, effective for January 1979, the dollar amount specified in paragraph (3) of subsection (a) shall be increased to \$11.50. The table for determining primary insurance amounts and maximum family benefits contained in this section in December 1978 shall be revised as provided by subsection (i) for each year after 1978.

Average Indexed Monthly Earnings; Average Monthly Wage

(b) (1) An individual's average indexed monthly earnings shall be equal to the quotient obtained by dividing—

(A) the total (after adjustment under paragraph (3)) of his wages paid in and self-employment income credited to his benefit computation years (determined under paragraph (2)), by

(B) the number of months in those years.

(2) (A) The number of an individual's benefit computation years equals the number of elapsed years, reduced by five, except that the number of an individual's benefit computation years may not be less than two.

(B) For purposes of this subsection with respect to any individual—

(i) the term "benefit computation years" means those computation base years, equal in number to the number determined under subparagraph (A), for which the total of such individual's wages and self-employment income, after adjustment under paragraph (3), is the largest;

(ii) the term "computation base years" means the calendar years after 1950 and before—

(I) in the case of an individual entitled to old-age insurance benefits, the year in which occurred (whether by reason of section 202(j)(1) or otherwise) the first month of that month of that entitlement; or

(II) in the case of an individual who has died (without having become entitled to old-age insurance benefits), the year succeeding the year of his death;

except that such term excludes any calendar year entirely included in a period of disability; and

(iii) the term "number of elapsed years" means (except as otherwise provided by section 104(j)(2) of the Social Security Amendments of 1972) the number of calendar years after 1950 (or, if later, the year in which the individual attained age 21) and before the year in which the individual died, or, if it occurred earlier but after 1960, the year in which he attained age 62; except that such term excludes any calendar year any part of which is included in a period of disability.

(3) (A) Except as provided by subparagraph (B), the wages paid in and self-employment income credited to each of an individual's computation base years for purposes of the selection therefrom of

benefit computation years under paragraph (2) shall be deemed to be equal to the product of—

(i) the wages and self-employment income paid in or credited to such year (as determined without regard to this subparagraph), and

(ii) the quotient obtained by dividing—

(I) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the second calendar year (after 1976) the year of the individual's death or initial eligibility for an old-age or disability insurance benefit, whichever is earliest, by

(II) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the computation base year for which the determination is made.

(B) Wages paid in or self-employment income credited to an individual's computation base year which—

(i) occurs after the second calendar year specified in subparagraph (A) (ii) (I), or

(ii) is a year treated under subsection (f) (2) (C) as though it were the last year of the period specified in subsection (b) (2)

(B) (ii),

shall be available for use in determining an individual's benefit computation years, but without applying subparagraph (A) of this paragraph.

(4) For purposes of determining the average monthly wage of an individual whose primary insurance amount is computed (after 1978) under section 215(a) or 215(d) as in effect (except with respect to the tables contained therein) in December 1978, by reason of subsection (a) (4) (B), this subsection as in effect in December 1978 shall remain in effect, except that paragraph (2) (C) (as then in effect) shall be deemed to provide that "computation base years" include only calendar years in the period after 1950 (or 1936, if applicable) and prior to the year in which occurred the first month for which the individual was eligible (as defined in subsection (a) (3) (B) as in effect in January 1979) for an old-age or disability insurance benefit, or died. Any calendar year all of which is included in a period of disability shall not be included as a computation base year for such purposes.

Application of Prior Provisions in Certain Cases

(c) This subsection as in effect in December 1978 shall remain in effect with respect to an individual to whom subsection (a) (1) does not apply by reason of the individual's eligibility for an old-age or disability insurance benefit, or the individual's death, prior to 1979.

Primary Insurance Benefit Under 1939 Act

[(d) (1) For purposes of column I of the table appearing in subsection (a) of this section, an individual's primary insurance benefit shall be computed as follows:

[(A) The individual's average monthly wage shall be determined as provided in subsection (b) (but without regard to paragraph (4) thereof) of this section, except that for purposes of paragraph (2)(C) and (3) of such subsection, 1936 shall be used instead of 1950.

[(B) For purposes of subparagraphs (B) and (C) of subsection (b)(2), an individual whose total wages prior to 1951 (as defined in subparagraph (C) of this subsection)—

[(i) do not exceed \$27,000 shall be deemed to have been paid such wages in equal parts in nine calendar years after 1936 and prior to 1951;

[(ii) exceed \$27,000 and are less than \$42,000 shall be deemed to have been paid (I) \$3,000 in each of such number of calendar years after 1936 and prior to 1951 as is equal to the integer derived by dividing such total wages by \$3,000, and (II) the excess of such total wages over the product of \$3,000 times such integer, in an additional calendar year in such period; or

[(iii) are at least \$42,000 shall be deemed to have been paid \$3,000 in each of the fourteen calendar years after 1936 and prior to 1951.]

(d) (1) *For purposes of column I of the table appearing in subsection (a), as that subsection was in effect in December 1977, an individual's primary insurance benefit shall be computed as follows:*

(A) *The individual's average monthly wage shall be determined as provided in subsection (b), as in effect in December 1977 (but without regard to paragraph (4) thereof), except that for purposes of paragraphs (2)(C) and (3) of that subsection (as so in effect) 1936 shall be used instead of 1950.*

(B) *For purposes of subparagraphs (B) and (C) of subsection (b)(2) (as so in effect), the total wages prior to 1951 (as defined in subparagraph (C) of this paragraph) of an individual who attained age 21 after 1936 and prior to 1951 shall be divided by the number of years (hereinafter in this subparagraph referred to as the 'divisor') elapsing after the year in which the individual attained age 21 and prior to the earlier of 1951 or the year of the individual's death. The quotient so obtained shall be deemed to be the individual's wages credited to each of the years included in the divisor, except that—*

(i) *if the quotient exceeds \$3,000, only \$3,000 shall be deemed to be the individual's wages for each of years included in the divisor, and the remainder of the individual's total wages prior to 1951 (I) if less than \$3,000, shall be deemed credited to the year in which the individual attained age 21, or (II) if \$3,000 or more, shall be deemed credited, in \$3,000 increments, to the year in which the individual attained age 21 and to each year consecutively preceding that year, with any remainder less than \$3,000 being credited to the year immediately preceding the earliest year to which a full \$3,000 increment was credited; and*

(ii) *no more than \$42,000 may be taken into account, for purposes of this subparagraph, as total wages after 1936 and prior to 1951.*

(C) For the purposes of subparagraph (B), "total wages prior to 1951" with respect to an individual means the sum of (i) remuneration credited to such individual prior to 1951 on the records of the Secretary, (ii) wages deemed paid prior to 1951 to such individual under section 217, (iii) compensation under the Railroad Retirement Act of 1937 prior to 1951 creditable to him pursuant to this title, and (iv) wages deemed paid prior to 1951 to such individual under section 231.

[(D) The individual's primary insurance benefits shall be 45.6 per centum of the first \$50 of his average monthly wage as computed under this subsection, plus 114.4 per centum of the next \$200 of such average monthly wage.]

(D) The individual's primary insurance benefit shall be 40 per cent of the first \$50 of his average monthly wage as computed under this subsection, plus 10 percent of the next \$200 of his average monthly wage, increased by 1 percent for each increment year. The number of increment years is the number, not more than 14 nor less than 4, that is equal to the individual's total wages prior to 1951 divided by \$1,650 (disregarding any fraction).

(2) The provisions of this subsection shall be applicable only in the case of an individual—

(A) with respect to whom at least one of the quarters elapsing prior to 1951 is a quarter of coverage;

(B) except as provided in paragraph (3), who attained age 22 after 1950 and with respect to whom less than six of the quarters elapsing after 1950 are quarters of coverage, or who attained such age before 1951; and

(C)(i) who becomes entitled to benefits under section 202(a) or 223 after the date of the enactment of the Social Security Amendments of 1967, or

(ii) who dies after such date without being entitled to benefits under section 202(a) or 223, or

(iii) whose primary insurance amount is required to be recomputed under section 215(f) (2) or (6), or section 231.

(3) The provisions of this subsection as in effect prior to the enactment of the Social Security Amendments of 1967 shall be applicable [in the case of an individual—

[(A) who attained age 21 after 1936 and prior to 1951, or

[(B) who had a period of disability which began prior to 1951, but only if the primary insurance amount resulting therefrom is higher than the primary insurance amount resulting from the application of this section (as amended by the Social Security Amendments of 1967) and section 220] *in the case of an individual who had a period of disability which began prior to 1951, but only if the primary insurance amount resulting therefrom is higher than the primary insurance amount resulting from the application of this section (as amended by the Social Security Amendments of 1967) and section 220.*

(4) The provisions of this subsection as in effect in December 1977 shall be applicable to individuals who become eligible for old-age or disability insurance benefits or die prior to 1978.

Certain Wages and Self-Employment Income Not To Be Counted

(e) For the purposes of subsections (b) and (d)—

(1) in computing an individual's **average monthly wage** *average indexed monthly earnings or, in the case of an individual whose primary insurance amount is computed under section 215 (a) as in effect prior to January 1979, average monthly wage*, there shall not be counted the excess over \$3,600 in the case of any calendar year after 1950 and before 1955, the excess over \$4,200 in the case of any calendar year after 1954 and before 1959, the excess over \$4,800 in the case of any calendar year after 1958 and before 1966, the excess over \$6,600 in the case of any calendar year after 1965 and before 1968, the excess over \$7,800 in the case of any calendar year after 1967 and before 1972, the excess over \$9,000 in the case of any calendar year after 1971 and before 1973, the excess over \$10,800 in the case of any calendar year after 1972 and before 1974, the excess over \$13,200 in the case of any calendar year after 1973 and before 1975, and the excess over an amount equal to the contribution and benefit base (as determined under section 230) in the case of any calendar year after 1974 with respect to which such contribution and benefit base is effective (before the application, in the case of average indexed monthly earnings, of subsection (b)(3)(A)) of (A) the wages paid to him in such year, plus (B) the self-employment income credited to such year (as determined under section 212); and

(2) if an individual's **average monthly wage** *average indexed monthly earnings or, in the case of an individual whose primary insurance amount is computed under section 215(a) as in effect prior to January 1979, average monthly wage*, computed under subsection (b) or for the purposes of subsection (d) is not a multiple of \$1, it shall be reduced to the next lower multiple of \$1.

Recomputation of Benefits

(f)(1) After an individual's primary insurance amount has been determined under this section, there shall be no recomputation of such individual's primary insurance amount except as provided in this subsection or, in the case of a World War II veteran who died prior to July 27, 1954, as provided in section 217(b).

[(2) If an individual has wages or self-employment income for a year after 1965 for any part of which he is entitled to old-age insurance benefits, the Secretary shall, at such time or times and within such period as he may by regulations prescribe, recompute such individual's primary insurance amount with respect to each such year. Such recomputation shall be made as provided in subsections (a)(1)(A) and (C) and (a)(3) as though the year with respect to which such recomputation is made is the last year of the period specified in subsection (b)(2)(C). A recomputation under this paragraph with respect to any year shall be effective—

[(A) in the case of an individual who did not die in such year, for monthly benefits beginning with benefits for January of the following year; or

[(B) in the case of an individual who died in such year, for monthly benefits beginning with benefits for the month in which he died.]

(2) (A) *If an individual has wages or self-employment income for a year after 1978 for any part of which he is entitled to old-age or disability insurance benefits, the Secretary shall, at such time or times and within such period as he may by regulation prescribe, recompute the individual's primary insurance amount for that year.*

(B) *For the purpose of applying subparagraph (A) of subsection (a) (1) to the average indexed monthly earnings of an individual to whom that subsection applies and who receives a recomputation under this paragraph, there shall be used, in lieu of the amounts established by subsection (a) (1) (B) for purposes of clauses (i) and (ii) of subsection (a) (1) (A), the amounts so established that were (or, in the case of an individual described in subsection (a) (4) (B), would have been) used in the computation of such individual's primary insurance amount prior to the application of this subsection.*

(C) *A recomputation of any individual's primary insurance amount under this paragraph shall be made as provided in subsection (a) (1) as though the year with respect to which it is made is the last year of the period specified in subsection (b) (2) (B) (ii); and subsection (b) (3) (A) shall apply with respect to any such recomputation as it applied in the computation of such individual's primary insurance amount prior to the application of this subsection.*

(D) *A recomputation under this paragraph with respect to any year shall be effective—*

(i) in the case of an individual who did not die in that year, for monthly benefits beginning with benefits for January of the following year; or

(ii) in the case of an individual who died in that year, for monthly benefits beginning with benefits for the month in which he died.

[(3) In the case of any individual who became entitled to old-age insurance benefits in 1952 or in a taxable year which began in 1952 (and without the application of section 202(j)(1)), or who died in 1952 or in a taxable year which began in 1952 but did not become entitled to such benefits prior to 1952, and who had self-employment income for a taxable year which ended within or with 1952 or which began in 1952, then upon application filed by such individual after the close of such taxable year and prior to January 1961 or (if he died without filing such application and such death occurred prior to January 1961) by a person entitled to monthly benefits on the basis of such individual's wages and self-employment income, the Secretary shall recompute such individual's primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section (other than subsections (b) (4) (A)) for computation of such amount, except that (A) the self-employment income closing date shall be the day following the quarter with or within which such taxable year ended, and (B) the self-employment income for any subsequent taxable year shall not be taken into account. Such recomputation shall be effective (A) in the case of an application filed

by such individual, for and after the first month in which he became entitled to old-age insurance benefits, and (B) in the case of an application filed by any other person, for and after the month in which such person who filed such application for recomputation became entitled to such monthly benefits. No recomputation under this paragraph pursuant to an application filed after such individual's death shall affect the amount of the lump-sum death payment under subsection (i) of section 202, and no such recomputation shall render erroneous any such payment certified by the Secretary prior to the effective date of the recomputation.】

【(4) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount.】

(4) A recomputation shall be effective under this subsection only if it increases the primary insurance amount by at least \$1.

(5) In the case of a man who became entitled to old-age insurance benefits and died before the month in which he attained age 65, the Secretary shall recompute his primary insurance amount as provided in subsection (a) as though he became entitled to old-age insurance benefits in the month in which he died; except that (i) his computation base years referred to in subsection (b) (2) shall include the year in which he died, and (ii) his elapsed years referred to in subsection (b) (3) shall not include the year in which he died or any year thereafter. Such recomputation of such primary insurance amount shall be effective for and after the month in which he died.

(6) Upon the death after 1967 of an individual entitled to benefits under section 202(a) or section 223, if any person is entitled to monthly benefits or a lump-sum death payment, on the wages and self-employment income of such individual, the Secretary shall recompute the decedent's primary insurance amount, but only if the decedent during his lifetime was paid compensation which was treated under section 205(o) as remuneration for employment.

(7) This subsection as in effect in December 1978 shall continue to apply to the recomputation of a primary insurance amount computed under subsection (a) or (d) as in effect (without regard to the table in subsection (a)) in that month, and, where appropriate, under subsection (d) as in effect in December 1977. For purposes of recomputing a primary insurance amount determined under subsection (a) or (d) (as so in effect) in the case of an individual to whom those subsections apply by reason of subsection (a) (4) (B) as in effect after December 1978, no remuneration shall be taken into account for the year in which the individual initially became eligible for an old-age or disability insurance benefit or died, or for or any year thereafter.

(8) The Secretary shall recompute the primary insurance amounts applicable to beneficiaries whose benefits are based on a primary insurance amount which was computed under section 215(a) (3) effective prior to January 1979, or would have been so computed if the dollar amount specified therein were \$11.50. Such recomputation shall be effective January 1979, and shall include the effect of the increase in the dollar amount provided by section 215(a) (1) (C) (i) (II). Such primary insurance amount shall be deemed to be provided under such section for purposes of section 215(i).

Cost-of-Living Increases in Benefits

(i) (1) For purposes of this subsection—

(A) the term “base quarter” means (i) the calendar quarter ending on March 31 in each year after 1974, or (ii) any other calendar quarter in which occurs the effective month of a general benefit increase under this title;

(B) the term “cost-of-living computation quarter” means a base quarter, as defined in subparagraph (A)(i), in which the Consumer Price Index prepared by the Department of Labor exceeds, by not less than 3 per centum, such Index in the later of (i) the last prior cost-of-living computation quarter which was established under this subparagraph, or (ii) the most recent calendar quarter in which occurred the effective month of a general benefit increase under this title; except that there shall be no cost-of-living computation quarter in any calendar year if in the year prior to such year a law has been enacted providing a general benefit increase under this title or if in such prior year such a general benefit increase becomes effective; and

(C) the Consumer Price Index for a base quarter, a cost-of-living computation quarter, or any other calendar quarter shall be the arithmetical mean of such index for the 3 months in such quarter.

(2) (A) (i) The Secretary shall determine each year beginning with 1975 (subject to the limitation in paragraph (1)(B) whether the base quarter (as defined in paragraph (1)(A)(i)) in such year is a cost-of-living computation quarter.

[(ii) If the Secretary determines that the base quarter in any year is a cost-of-living computation quarter, he shall, effective with the month of June of such year as provided in subparagraph (B), increase the benefit amount of each individual who for such month is entitled to benefits under section 227 and 228, and the primary insurance amount of each other individual under this title (but not including a primary insurance amount determined under subsection (a)(3) of this section), by an amount derived by multiplying each such amount (including each such individual's primary insurance amount or benefit amount under section 227 or 228 as previously increased under this subparagraph) by the same percentage (rounded to the nearest one-tenth of 1 percent) as the percentage by which Consumer Price Index for such cost-of-living computation quarter exceeds such index for the most recent prior calendar quarter which was a base quarter under paragraph (1)(A)(ii) or, if later, the most recent cost-of-living computation quarter under paragraph (1)(B). Any such increased amount which is not a multiple of \$0.10 shall be increased to the next higher multiple of \$0.10.]

(ii) If the Secretary determines that the base quarter in any year is a cost-of-living computation quarter, he shall, effective with the month of June of that year as provided in subparagraph (B), increase—

(I) the benefit amount to which individuals are entitled for that month under section 227 or 228,

(II) the primary insurance amount of each other individual on which benefit entitlement is based under this title (including a primary insurance amount determined under subsection (a) (1) (C) (i)), and

(III) the amount of total monthly benefits based on any primary insurance amount which is permitted under section 203 (and such total shall be increased, unless otherwise so increased under another provision of this title, at the same time as such primary insurance amount) or, in the case of a primary insurance amount computed under subsection (a) as in effect (without regard to the table contained therein) prior to January 1979, the amount to which the beneficiaries may be entitled under section 203 as in effect in December 1978, except as provided by section 203(a) (6) and (7) as in effect after December 1978.

The increase shall be derived by multiplying each of the amounts described in subdivisions (I), (II), and (III) (including each of those amounts as previously increased under this subparagraph) by the same percentage (rounded to the nearest one-tenth of 1 percent) as the percentage by which the Consumer Price Index for that cost-of-living computation quarter exceeds such index for the most recent prior calendar quarter which was a base quarter under paragraph (1) (A) (ii) or, if later, the most recent cost-of-living computation quarter under paragraph (1) (B); and any amount so increased that is not a multiple of \$0.10 shall be increased to the next higher multiple of \$0.10. Any increase under this subsection in a primary insurance amount determined under subparagraph (C) (i) (II) of subsection (a) (1) shall be applied after the initial determination of such primary insurance amount under that subparagraph (with the amount of such increase, in the case of an individual who becomes eligible for old-age or disability insurance benefits or dies in a calendar year after 1979, being determined from the range of possible primary insurance amounts published by the Secretary under the last sentence of subparagraph (D)).

(iii) In the case of an individual who becomes eligible for an old-age or disability insurance benefit, or who dies prior to becoming so eligible, in a year in which there occurs an increase provided under clause (ii), the individual's primary insurance amount (without regard to the time of entitlement to that benefit) shall be increased (unless otherwise so increased under another provision of this title) by the amount of that increase, but only with respect to benefits payable for months after May of that year.

(B) The increase provided by subparagraph (A) with respect to a particular cost-of-living computation quarter shall apply in the case of monthly benefits under this title for months after May of the calendar year in which occurred such cost-of-living computation quarter, and in the case of lump-sum death payments with respect to deaths occurring after May of such calendar year.

(C) (i) Whenever the level of the Consumer Price Index as published for any month exceeds by 2.5 percent or more the level of such index for the most recent base quarter (as defined in paragraph (1) (A) (ii) or, if later, the most recent cost-of-living computation quarter, the Secretary shall (within 5 days after such publication) report the amount of such excess to the House Committee on Ways and Means and the Senate Committee on Finance.

(ii) Whenever the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall notify the House Committee on Ways and Means and the Senate Committee on Finance of such determination within 30 days after the close of such quarter, indicating the amount of the benefit increase to be provided, his estimate of the extent to which the cost of such increase would be met by an increase in the contribution and benefit base under section 230 and the estimated amount of the increase in such base, the actuarial estimates of the effect of such increase, and the actuarial assumptions and methodology used in preparing such estimates.

(D) If the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall publish in the Federal Register within 45 days after the close of such quarter, a determination that a benefit increase is resultantly required and the percentage thereof. He shall also publish in the Federal Register at that time (along with the increased benefit amounts which shall be deemed to be the amounts appearing in sections 227 and 228) a revision of the table of benefits contained in subsection (a) of this section (as it may have been most recently revised by another law or pursuant to this paragraph); and such revised table shall be deemed to be the table appearing in such subsection (a). Such revision shall be determined as follows:

[(i) The headings of the table shall be the same as the headings in the table immediately prior to its revision, except that the parenthetical phrase at the beginning of column II shall reflect the year in which the primary insurance amounts set forth in column IV of the table immediately prior to its revision were effective.

[(ii) The amounts on each line of column I and column III, except as otherwise provided by clause (v) of this subparagraph, shall be the same as the amounts appearing in each such column in the table immediately prior to its revision.

[(iii) The amount on each line of column II shall be changed to the amount shown on the corresponding line of column IV of the table immediately prior to its revision.

[(iv) The amounts on each line of column IV and column V shall be increased from the amounts shown in the table immediately prior to its revision by increasing each such amount by the percentage specified in subparagraph (A)(ii) of this paragraph. The amount on each line of column V shall be increased, if necessary, so that such amount is at least equal to one and one-half times the amount shown on the corresponding line in column IV. Any such increased amount which is not a multiple of \$0.10 shall be increased to the next higher multiple of \$0.10.

[(v) If the contribution and benefit base (determined under section 230) for the calendar year in which the table of benefits is revised is lower than such base for the following calendar year, columns III, IV, and V of such table shall be extended. The amounts on each additional line of column III shall be the amounts on the preceding line increased by \$5 until in the last such line of column III the second figure is equal to [one-twelfth of the new contribution and benefit base], or exceeds by less than \$5, one-

twelfth of the new contribution and benefit base for the calendar year following the calendar year in which such table of benefits is revised. The amount on each additional line of column IV shall be the amount on the preceding line increased by \$1.00, until the amount on the last line of such column is equal to the last line of such column as determined under clause (iv) [plus 20 percent of one-twelfth of the excess of the new contribution and benefit base for the calendar year following the calendar year in which such table of benefits is revised (as determined under section 230) over such base for the calendar year in which the table of benefits is revised] plus 20 percent of the excess of the second figure in the last line of column III as extended under the preceding sentence over such second figure for the calendar year in which the table of benefits as revised. The amount in each additional line of column V shall be equal to 1.75 times the amount on the same line of column IV. Any such increased amount which is not a multiple of \$0.10 shall be increased to the next higher multiple of \$0.10.] He shall also publish in the Federal Register at that time (i) a revision of the range of the primary insurance amounts which are possible after the application of this subsection based on the dollar amount specified in subparagraph (C) (i) (II) of subsection (a) (1) (with such revised primary insurance amounts constituting the increased amounts determined for purposes of such subparagraph (C) (i) (II) under this subsection), or specified in section 215(a) (3) as in effect prior to 1979, and (ii) a revision of the range of maximum family benefits which correspond to such primary insurance amounts (with such maximum benefits being effective notwithstanding section 203 (a) except for paragraph (3) (B) thereof (or paragraph (2) thereof as in effect prior to 1979)).

(3) As used in this subsection, the term "general benefit increase under this title" means an increase (other than an increase under this subsection) in all primary insurance amounts on which monthly insurance benefits under this title are based.

(4) This subsection as in effect in December 1978 shall continue to apply to subsections (a) and (d), as then in effect, for purposes of computing the primary insurance amount of an individual to whom subsection (a), as in effect after December 1978, does not apply (including an individual to whom subsection (a) does not apply in any year by reason of paragraph (4) (B) of that subsection (but the application of this subsection in such cases shall be modified by the application of clause (I) in the last sentence of paragraph (4) of that subsection)). For purposes of computing primary insurance amounts and maximum family benefits (other than primary insurance amounts and maximum family benefits for individuals to whom such paragraph (4) (B) applies), the Secretary shall publish in the Federal Register revisions of the table of benefits contained in subsection (a), as in effect in December 1978, as required by paragraph (2) (D) of this subsection as then in effect.

OTHER DEFINITIONS

SEC. 216. For the purposes of this title—

Spouse; Surviving Spouse

- (a) (1) *The term "spouse" means a wife as defined in subsection (b) or a husband as defined in subsection (f).*
- (2) *The term "surviving spouse" means a widow as defined in subsection (c) or a widower as defined in subsection (g).*

* * * * *

[Divorced Wives; Divorce] *Divorced Spouses; Divorce*

(d) (1) The term "divorced wife" means a woman divorced from an individual, but only if she had been married to such individual for a period of **[20]** 5 years immediately before the date the divorce became effective.

(2) The term "surviving divorced wife" means a woman divorced from an individual who has died, but only if she had been married to the individual for a period of **[20]** 5 years immediately before the date the divorce became effective.

(3) The term "surviving divorced mother" means a woman divorced from an individual who has died, but only if (A) she is the mother of his son or daughter, (B) she legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of 18, (C) he legally adopted her son or daughter while she was married to him and while such son or daughter was under the age of 18, or (D) she was married to him at the time both of them legally adopted a child under the age of 18.

(4) *The term "divorced husband" means a man divorced from an individual, but only if he has been married to such individual for a period of 5 years immediately before the date the divorce became effective.*

(5) *The term "surviving divorced husband" means a man divorced from an individual who has died, but only if he has been married to the individual for a period of 5 years immediately before the divorce became effective.*

(6) *The term "surviving divorced father" means a man divorced from an individual who has died, but only if (A) he is the father of her son or daughter, (B) he legally adopted her son or daughter while he was married to her and while such son or daughter was under the age of 18, (C) she legally adopted his son or daughter while he was married to her and while such son or daughter was under the age of 18, or (D) he was married to her at the time both of them legally adopted a child under the age of 18.*

(7) *The term "surviving divorced parent" means a surviving divorced mother as defined in paragraph (3) of this subsection or a surviving divorced father as defined in paragraph (6).*

[4]. (8) The terms "divorce" and "divorced" refer to a divorce a vinculo matrimonii.

* * * * *

Husband

(f) The term "husband" means the husband of an individual, but only if (1) he is the father of her son or daughter, (2) he was married to her for a period of not less than one year immediately preceding the day on which his application is filed, or (3) in the month prior to the month of his marriage to her (A) he was entitled to, or on application therefor and attainment of age 62 in such prior month would have been entitled to, benefits under subsection (e), (f), or (h) of section 202, (B) he had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section (subject, however, to section 202(s)), or (C) he was entitled to, or upon application therefor and attainment of the required age (if any) he would have been entitled to, a widower's, child's (after attainment of age 18), or parents' insurance annuity under section 2 of the Railroad Retirement Act of 1974, as amended.

Widower

(g) The term "widower" (except when used in section 202(i)) means the surviving husband of an individual, but only if (1) he is the father of her son or daughter, (2) he legally adopted her son or daughter while he was married to her and while such son or daughter was under the age of eighteen, (3) she legally adopted his son or daughter while he was married to her and while such son or daughter was under the age of eighteen, (4) he was married to her at the time both of them legally adopted a child under the age of eighteen, (5) he was married to her for a period of not less than nine months immediately prior to the day on which she died, or (6) in the month before the month of his marriage to her (A) he was entitled to, or on application therefor and attainment of age 62 in such prior month would have been entitled to, benefits under subsection (e), (f), or (h) of section 202, (B) he had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section (subject, however, to section 202(s)), or (C) he was entitled to, or on application therefor and attainment of the required age (if any) he would have been entitled to a widower's, child's (after attainment of age 18), or parent's insurance annuity under section 2 of the Railroad Retirement Act of 1974, as amended.

Determination of Family Status

(h) (1) (A) An applicant is the wife, husband, widow, or widower of a fully or currently insured individual for purposes of this title if the courts of the State in which such insured individual is domiciled at the time such applicant files an application, or, if such insured individual is dead, the courts of the State in which he was domiciled at the time of death, or, if such insured individual is or was not so domiciled in any State, the courts of the District of Columbia, would find that such applicant and such insured individual were validly married at the time such applicant files such application or, if such insured indi-

vidual is dead, at the time he died. If such courts would not find that such applicant and such insured individual were validly married at such time, such applicant shall, nevertheless be deemed to be the wife, husband, widow, or widower, as the case may be, of such insured individual if such applicant would, under the laws applied by such courts in determining the devolution of interstate personal property, have the same status with respect to the taking of such property as a wife, husband, widow, or widower of such insured individual.

(B) In any case where under subparagraph (A) an applicant is not (and is not deemed to be) the wife, widow, husband, or widower of a fully or currently insured individual, or where under subsection (b), (c), (f), or (g) such applicant is not the wife, widow, husband, or widower of such individual, but it is established to the satisfaction of the Secretary that such applicant in good faith went through a marriage ceremony with such individual resulting in a purported marriage between them which, but for a legal impediment not known to the applicant at the time of such ceremony, would have been a valid marriage, and such applicant and the insured individual were living in the same household at the time of the death of such insured individual or (if such insured individual is living) at the time such applicant files the application, then, for purposes of subparagraph (A) and subsections (b), (c), (f), and (g) such purported marriage shall be deemed to be a valid marriage. The provisions of the preceding sentence shall not apply (i) if another person is or has been entitled to a benefit under subsection (b), (c), (e), (f), or (g) of section 202 on the basis of the wages and self-employment income of such insured individual and such other person is (or is deemed to be) a wife, widow, husband, or widower of such insured individual under subparagraph (A) at the time such applicant files the application, or (ii) if the Secretary determines, on the basis of information brought to his attention, that such applicant entered into such purported marriage with such insured individual with knowledge that it would not be a valid marriage. The entitlement to a monthly benefit under subsection (b), (c), (e), (f), or (g) of section 202, based on the wages and self-employment income of such insured individual, of a person who would not be deemed to be a wife, widow, husband, or widower of such insured individual but for this subparagraph, shall end with the month before the month (i) in which the Secretary certifies, pursuant to section 205(i), that another person is entitled to a benefit under subsection (b), (c), (e), (f), or (g) of section 202 on the basis of the wages and self-employment income of such insured individual, if such other person is (or is deemed to be) the wife, widow, husband, or widower of such insured individual under subparagraph (A), or (ii) if the applicant is entitled to a monthly benefit under subsection (b) or (c) of section 202, in which such applicant entered into a marriage, valid without regard to this subparagraph, with a person other than such insured individual. For purposes of this subparagraph, a legal impediment to the validity of a purported marriage includes only an impediment (i) resulting from the lack of dissolution of a previous marriage or otherwise arising out of such previous marriage or its dissolution, or (ii) resulting from a defect in the procedure followed in connection with such purported marriage.

(2) (A) In determining whether an applicant is the child or parent of a fully or currently insured individual for purposes of this title, the Secretary shall apply such law as would be applied in determining the devolution of intestate personal property by the courts of the State in which such insured individual is domiciled at the time such applicant files application, or, if such insured individual is dead, by the courts of the State in which he was domiciled at the time of his death, or, if such insured individual is or was not so domiciled in any State, by the courts of the District of Columbia. Applicants who according to such law would have the same status relative to taking intestate personal property as a child or parent shall be deemed such.

(B) If an applicant is a son or daughter of a fully or currently insured individual but is not (and is not deemed to be) the child of such insured individual under subparagraph (A), such applicant shall nevertheless be deemed to be the child of such insured individual if such insured individual and the mother or father, as the case may be, of such applicant went through a marriage ceremony resulting in a purported marriage between them which, but for a legal impediment described in the last sentence of paragraph (1) (B), would have been a valid marriage.

(3) An applicant who is the son or daughter of a fully or currently insured individual, but who is not (and is not deemed to be) the child of such insured individual under paragraph (2), shall nevertheless be deemed to be the child of such insured individual if:

(A) in the case of an insured individual entitled to old-age insurance benefits (who was not, in the month preceding such entitlement, entitled to disability insurance benefits)—

(i) such insured individual—

(I) has acknowledged in writing that the applicant is his son or daughter,

(II) has been decreed by a court to be the *mother or father* of the applicant, or

(III) has been ordered by a court to contribute to the support of the applicant because the applicant is his son or daughter,

and such acknowledgement, court decree, or court order was made not less than one year before such insured individual became entitled to old-age insurance benefits or attained age 65, whichever is earlier; or] *daughter; or*

(ii) such insured individual is shown by evidence satisfactory to the Secretary to be the *mother or father* of the applicant and was living with or contributing to the support of the applicant at the time [such insured individual became entitled to benefits or attained age 65, whichever first occurred;] *such applicant's application for benefits was filed;*

(B) in the case of an insured individual entitled to disability insurance benefits, or who was entitled to such benefits in the month preceding the first month for which he was entitled to old-age insurance benefits—

(i) such insured individual—

(I) has acknowledged in writing that the applicant is his son or daughter,

(II) has been decreed by a court to be the *mother or father of the applicant*, or

(III) has been ordered by a court to contribute to the support of the applicant because the applicant is his son or [daughter,

and such acknowledgement, court decree, or court order was made before such insured individual's most recent period of disability began; or] *daughter; or*

(ii) such insured individual is shown by evidence satisfactory to the Secretary to be the *mother or father of the applicant* and was living with or contributing to the support of that applicant at the time such [period of disability began] *applicant's application for benefits was filed;*

(C) in the case of a deceased individual—

(i) such insured individual—

(I) had acknowledged in writing that the applicant is his son or daughter,

(II) had been decreed by a court to be the *mother or father of the applicant*, or

(III) had been ordered by a court to contribute to the support of the applicant because the applicant was his son or daughter,

and such acknowledgement, court decree, or court order was made before the death of such insured individual, or

(ii) such insured individual is shown by evidence satisfactory to the Secretary to have been the *mother or father of the applicant*, and such insured individual was living with or contributing to the support of the applicant at the time such insured individual died.

* * * * *

BENEFITS IN CASE OF VETERANS

SEC. 217. (a) * * *

* * * * *

(b) (1) Any World War II veteran who died during the period of three years immediately following his separation from the active military or naval service of the United States shall be deemed to have died a fully insured individual whose primary insurance amount is the amount determined under section 215(c) *as in effect in December 1978*. Notwithstanding section 215(d) *as in effect in December 1978*, the primary insurance benefit (for purposes of section 215(c) *as in effect in December 1978*) of such veteran shall be determined as provided in this title as in effect prior to the enactment of this section, except that the 1 per centum addition provided for in section 209(e) (2) of this Act as in effect prior to the enactment of this section shall be applicable only with respect to calendar years prior to 1951. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

(A) a larger such benefit or payment, as the case may be, would be payable without its application:

(B) any pension or compensation is determined by the Veteran's Administration to be payable by it on the basis of the death of such veteran;

(C) the death of the veteran occurred while he was in the active military or naval service of the United States; or

(D) such veteran has been discharged or released from the active military or naval service of the United States subsequent to July 26, 1951.

* * * * *

(f) (1) In any case where a World War II veteran (as defined in subsection (d) (2)) or a veteran (as defined in subsection (e) (4)) has died or shall hereafter die, and his [widow] *surviving spouse* or child is entitled under subchapter III of chapter 83 of title 5, United States Code, to an annuity in the computation of which his active military or naval service was included, clause (B) of subsection (a) (1) or clause (B) of subsection (e) (1) shall not operate (solely by reason of such annuity) to make such subsection inapplicable in the case of any monthly benefit under section 202 which is based on his wages and self-employment income; except that no such [widow] *surviving spouse* or child shall be entitled under section 202 to any monthly benefit in the computation of which such service is included by reason of this subsection (A) unless such [widow] *surviving spouse* or child after December 1956 waives his or her right to receive such annuity, or (B) for any month prior to the first month with respect to which the Civil Service Commission certifies to the Secretary of Health, Education, and Welfare that (by reason of such waiver) no further annuity will be paid to such [widow] *surviving spouse* or child under such subchapter III on the basis of such veteran's military or civilian service. Any such waiver shall be irrevocable.

(2) Whenever a [widow] *surviving spouse* waives [her] *his* right to receive such annuity such waiver shall constitute a waiver on [her] *his* own behalf; a waiver by a legal guardian or guardians, or, in the absence of a legal guardian, the person (or persons) who has the child in his care, of the child's right to receive such annuity shall constitute a waiver on behalf of such child. Such a waiver with respect to an annuity based on a veteran's service shall be valid only if the [widow] *surviving spouse* and all children, or, if there is no [widow] *surviving spouse*, all the children, waive their rights to receive annuities under subchapter III of chapter 83 of title 5, United States Code, based on such veteran's military or civilian service.

* * * * *

[VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

[Purpose of Agreement

[SEC. 218. (a) (1) The Secretary of Health, Education, and Welfare shall, at the request of any State, enter into an agreement with such State for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such State or any political subdivision thereof. Each such agreement shall

contain such provisions, not inconsistent with the provisions of this section, as the State may request.

[(2) Notwithstanding section 210(a), for the purposes of this title the term "employment" includes any service included under an agreement entered into under this section.

【Definitions

【(b) for the purposes of this section—

【(1) The term "State" does not include the District of Columbia, Guam or American Samoa.

【(2) The term "political subdivision" includes an instrumentality of (A) a State, (B) one or more political subdivisions of a State, or (C) a State and one or more of its political subdivisions.

【(3) The term "employee" includes an officer of a State or political subdivision.

【(4) The term "retirement system" means a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof.

【(5) The term "coverage group" means (A) employees of the State other than those engaged in performing service in connection with a proprietary function; (B) employees of a political subdivision of a State other than those engaged in performing service in connection with a proprietary function; (C) employees of a State engaged in performing service in connection with a single proprietary function; or (D) employees of a political subdivision of a State engaged in performing service in connection with a single proprietary function. If under the preceding sentence an employee would be included in more than one coverage group by reason of the fact that he performs service in connection with two or more proprietary functions or in connection with both a proprietary function and a nonproprietary function, he shall be included in only one such coverage group. The determination of the coverage group in which such employee shall be included shall be made in such manner as may be specified in the agreement. Persons employed under section 709 of title 32, United States Code, who elected under section 6 of the National Guard Technicians Act of 1968 to remain covered by an employee retirement system of, or plan sponsored by, a State or the Commonwealth of Puerto Rico, shall, for the purposes of this Act, be employees of the State or the Commonwealth of Puerto Rico and (notwithstanding the preceding provisions of this paragraph), shall be deemed to be a separate coverage group. For purposes of this section, individuals employed pursuant to an agreement, entered into pursuant to section 205 of the Agricultural Marketing Act of 1946 (7 U.S.C. 1624) or section 14 of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499n), between a State and the United States Department of Agriculture to perform services as inspectors of agricultural products may be deemed, at the option of the State, to be employees of the State and (notwithstanding the preceding provisions of this paragraph) shall be deemed to be a separate coverage group.

【Services Covered

【(c) (1) An agreement under this section shall be applicable to any one or more coverage groups designated by the State.

【(2) In the case of each coverage group to which the agreement applies, the agreement must include all services (other than services excluded by or pursuant to subsection (d) or paragraph (3), (5), or (6) of this subsection) performed by individuals as members of such group.

【(3) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any one or more of the following:

【(A) All services in any class or classes of (i) elective positions, (ii) part-time positions, or (iii) positions the compensation for which is on a fee basis;

【(B) All services performed by individuals as members of a coverage group in positions covered by a retirement system on the date such agreement is made applicable to such coverage group, but only in the case of individuals who, on such date (or, if later, the date on which they first occupy such positions), are not eligible to become members of such system and whose services in such positions have not already been included under such agreement pursuant to subsection (d) (3).

【(4) The Secretary of Health, Education, and Welfare shall, at the request of any State, modify the agreement with such State so as to (A) include any coverage group to which the agreement did not previously apply, or (B) include, in the case of any coverage group to which the agreement applies, services previously excluded from the agreement; but the agreement as so modified may not be inconsistent with the provisions of this section applicable in the case of an original agreement with a State. A modification of an agreement pursuant to clause (B) of the preceding sentence may apply to individuals to whom paragraph (3) (B) is applicable (whether or not the previous exclusion of the service of such individuals was pursuant to such paragraph), but only if such individuals are, on the effective date specified in such modification, ineligible to be members of any retirement system or if the modification with respect to such individuals is pursuant to subsection (d) (3).

【(5) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any agricultural labor, or service performed by a student, designated by the State. This paragraph shall apply only with respect to service which is excluded from employment by any provision of section 210(a) other than paragraph (7) of such section and service the remuneration for which is excluded from wages by paragraph (2) of section 209(h).

【(6) Such agreement shall exclude—

【(A) service performed by an individual who is employed to relieve him from unemployment.

【(B) service performed in a hospital, home, or other institution by a patient or inmate thereof,

【(C) covered transportation service (as determined under section 210(k), and

【(D) service (other than agricultural labor or service performed by a student) which is excluded from employment by any

provision of section 210(a) other than paragraph (7) of such section, and

[(E) service performed by an individual as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency.

[(7) No agreement may be made applicable (either in the original agreement or by any modification thereof) to service performed by any individual to whom paragraph (3)(B) is applicable unless such agreement provides (in the case of each coverage group involved) either that the service of any individual to whom such paragraph is applicable and who is a member of such coverage group shall continue to be covered by such agreement in case he thereafter becomes eligible to be a member of a retirement system, or that such service shall cease to be so covered when he becomes eligible to be a member of such a system (but only if the agreement is not already applicable to such system pursuant to subsection (d)(3)), whichever may be desired by the State.

[(8) Notwithstanding any other provision of this section, the agreement with any State entered into under this section may at the option of the State be modified on or after January 1, 1968, to exclude service performed by election officials or election workers if the remuneration paid in a calendar [quarter] year for such service is less than [\\$50.] \$100. Any modification of an agreement pursuant to this paragraph shall be effective with respect to services performed after an effective date, specified in such modification, which shall not be earlier than the last day of the calendar quarter in which the modification is mailed or delivered by other means to the Secretary.

[(Positions Covered by Retirement Systems

[(d)(1) No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members of any coverage group in positions covered by a retirement system either (A) on the date such agreement is made applicable to such coverage group, or (B) on the date of enactment of the succeeding paragraph of this subsection (except in the case of positions which are, by reason of action by such State or political subdivision thereof, as may be appropriate, taken prior to the date of enactment of such succeeding paragraph, no longer covered by a retirement system on the date referred to in clause (A), and except in the case of positions excluded by paragraph (5)(A). The preceding sentence shall not be applicable to any service performed by an employee as a member of any coverage group in a position (other than a position excluded by paragraph (5)(A)) covered by a retirement system on the date an agreement is made applicable to such coverage group, if on such date (or, if later, the date on which such individual first occupies such position), such individual is ineligible to be a member of such system.

[(2) It is hereby declared to be the policy of the Congress in enacting the succeeding paragraphs of this subsection that the protection afforded employees in positions covered by a retirement system on the date an agreement under this section is made applicable to serv-

ice performed in such positions, or receiving periodic benefits under such retirement system at such time, will not be impaired as a result of making the agreement so applicable or as a result of legislative enactment in anticipation thereof.

[(3) Notwithstanding paragraph (1), an agreement with a State may be made applicable (either in the original agreement or by any modification thereof) to service performed by employees in positions covered by a retirement system (including positions specified in paragraph (4) but not including positions excluded by or pursuant to paragraph (5)), if the governor of the State, or an official of the State designated by him for the purpose, certifies to the Secretary of Health, Education, and Welfare that the following conditions have been met:

[(A) A referendum by secret written ballot was held on the question of whether service in positions covered by such retirement system should be excluded from or included under an agreement under this section;

[(B) An opportunity to vote in such referendum was given (and was limited) to eligible employees;

[(C) Not less than ninety days' notice of such referendum was given to all such employees;

[(D) Such referendum was conducted under the supervision of the governor or an agency or individual designated by him; and

[(E) A majority of the eligible employees voted in favor of including service in such positions under an agreement under this section.

[An employee shall be deemed an "eligible employee" for purposes of any referendum with respect to any retirement system if, at the time such referendum was held, he was in a position covered by such retirement system and was a member of such system, and if he was in such a position at the time notice of such referendum was given as required by clause (C) of the preceding sentence; except that he shall not be deemed an "eligible employee" if, at the time the referendum was held, he was in a position to which the State agreement already applied, or if he was in a position excluded by or pursuant to paragraph (5). No referendum with respect to a retirement system shall be valid for purposes of this paragraph unless held within the two-year period which ends on the date of execution of the agreement or modification which extends the insurance system established by this title to such retirement system, nor shall any referendum with respect to a retirement system be valid for purposes of this paragraph if held less than one year after the last previous referendum held with respect to such retirement system.

[(4) For the purposes of subsection (c) of this section, the following employees shall be deemed to be a separate coverage group—

[(A) all employees in positions which were covered by the same retirement system on the date the agreement was made applicable to such system (other than employees to whose services the agreement already applied on such date);

[(B) all employees in positions which became covered by such system at any time after such date; and

[(C) all employees in positions which were covered by such system at any time before such date and to whose services the

insurance system established by this title has not been extended before such date because the positions were covered by such retirement system (including employees to whose services the agreement was not applicable on such date because such services were excluded pursuant to subsection (c) (3) (B)).

【(5) Nothing in paragraph (3) of this subsection shall authorize the extension of the insurance system established by this title to service in any policeman's or fireman's position.¹

【(B) At the request of the State, any class or classes of positions covered by a retirement system which may be excluded from the agreement pursuant to paragraph (3) or (5) of subsection (3), and to which the agreement does not already apply, may be excluded from the agreement at the time it is made applicable to such retirement system; except that, notwithstanding the provisions of paragraph (3) (B) of such subsection, such exclusion may not include any services to which such paragraph (3) (B) is applicable. In the case of any such exclusion, each such class so excluded shall, for purposes of this subsection, constitute a separate retirement system in case of any modification of the agreement thereafter agreed to.

【(6) (A) If a retirement system covers positions of employees of the State and positions of employees of one or more political subdivisions of the State, or covers positions of employees of two or more political subdivisions of the State, then, for purposes of the preceding paragraphs of this subsection, there shall, if the State so desires, be deemed to be a separate retirement system with respect to any one or more of the political subdivisions concerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State or with respect to the State and any one or more of the political subdivisions concerned. Where a retirement system covering positions of employees of a State and positions of employees of one or more political subdivisions of a State, or covering positions of employees of two or more political subdivisions of the State, is not divided into separate retirement systems pursuant to the preceding sentence or pursuant to subparagraph (C), then the State may, for purposes of subsection (f) only, deem the system to be a separate retirement system with respect to any one or more of the political subdivisions concerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State or with respect to the State and any one or more of the political subdivisions concerned.

【(B) If a retirement system covers positions of employees of one or more institutions of higher learning, then, for purposes of such preceding paragraphs there shall, if the State so desires, be deemed to be a separate retirement system for the employees of each such institution of higher learning. For the purposes of this subparagraph, the term "institutions of higher learning" includes junior colleges and teachers colleges. If a retirement system covers positions of employees of a hospital which is an integral part of a political subdivision, then, for purposes of the preceding paragraphs there shall, if the State so desires, be deemed to be a separate retirement system for the employees of such hospital.

[(C) For the purposes of this subsection, any retirement system established by the State of Alaska, California, Connecticut, Florida, Georgia, Illinois, Massachusetts, Minnesota, Nevada, *New Jersey*, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Washington, Wisconsin, or Hawaii, or any political subdivision of any such State, which, on, before, or after the date of enactment of this subparagraph, is divided into two divisions or parts, one of which is composed of positions of members of such system who desire coverage under an agreement under this section and the other of which is composed of positions of members of such systems who do not desire such coverage, shall, if the State so desires and if it is provided that there shall be included in such division or part composed of members desiring such coverage the positions of individuals who become members of such system after such coverage is extended, be deemed to be a separate retirement system with respect to each such division or part. If, in the case of a separate retirement system which is deemed to exist by reason of subparagraph (A) and which has been divided into two divisions or parts pursuant to the first sentence of this subparagraph, individuals become members of such system by reason of action taken by a political subdivision after coverage under an agreement under this section has been extended to the division or part thereof composed of positions of individuals who desire such coverage, the positions of such individuals who become members of such retirement system by reason of the action so taken shall be included in the division or part of such system composed of positions of members who do not desire such coverage if (i) such individuals, on the day before becoming such members, were in the division or part of another separate retirement system (deemed to exist by reason of subparagraph (A)) composed of positions of members of such system who do not desire coverage under an agreement under this section, and (ii) all of the position in the separate retirement system of which such individuals so become members and all of the positions in the separate retirement system referred to in clause (i) would have been covered by a single retirement system if the State had not taken action to provide for separate retirement systems under his paragraph.

[(D) (i) the position of any individual which is covered by any retirement system to which subparagraph (C) is applicable shall, if such individual is ineligible to become a member of such system on August 1, 1956, or, if later, the day he first occupies such position, be deemed to be covered by the separate retirement system consisting of the positions of members of the division or part who do not desire coverage under the insurance system established under this title.

[(ii) Notwithstanding clause (i), the State may, pursuant to subsection (c) (4) (B) and subject to the conditions of continuation or termination of coverage provided for in subsection (c) (7), modify its agreement under this section to include services performed by all individuals described in clause (i) other than those individuals to whose services the agreement already applies. Such individuals shall be deemed (on and after the effective date of the modification) to be in positions covered by the separate retirement system consisting of the positions of members of the division or part who desire coverage under the insurance system established under this title.

[(E) An individual who is in a position covered by a retirement system to which subparagraph (C) is applicable and who is not a member of such system but is eligible to become a member thereof shall, for purposes of this subsection (other than paragraph (8)), be regarded as a member of such system; except that, in the case of any retirement system a division or part of which is covered under the agreement (either in the original agreement or by a modification thereof), which coverage is agreed to prior to 1960, the preceding provisions of this subparagraph shall apply only if the State so requests and any such individual referred to in such preceding provisions shall, if the State so requests, be treated, after division of the retirement system pursuant to such subparagraph (C), the same as individuals in positions referred to in subparagraph (F).

[(F) In the case of any retirement system divided pursuant to subparagraph (C), the position of any member of the division or part composed of positions of members who do not desire coverage may be transferred to the separate retirement system composed of positions of members who desire such coverage if it is so provided in a modification of such agreement which is mailed, or delivered by other means, to the Secretary prior to 1970, or, if later, the expiration of two years after the date on which such agreement, or the modification thereof making the agreement applicable to such separate retirement system, as the case may be, is agreed to, but only if, prior to such modification or such later modification, as the case may be, the individual occupying such position files with the State a written request for such transfer. Notwithstanding subsection (f) (1), any such modification or later modification, providing for the transfer of additional positions within a retirement system previously divided pursuant to subparagraph (C) to the separate retirement system composed of positions of members who desire coverage, shall be effective with respect to services performed after the same effective date as that which was specified in the case of such previous division.

[(G) For the purposes of this subsection, in the case of any retirement system of the State of Florida, Georgia, Minnesota, North Dakota, Pennsylvania, Washington, or Hawaii which covers positions of employees of such State who are compensated in whole or in part from grants made to such State under title III, there shall be deemed to be, if such State so desires, a separate retirement system with respect to any of the following:

[(i) the positions of such employees;

[(ii) the positions of all employees of such State covered by such retirement system who are employed in the department of such State in which the employees referred to in clause (i) are employed; or

[(iii) employees of such State covered by such retirement system who are employed in such department of such State in positions other than those referred to in clause (i).

[(7) The certification by the governor (or an official of the State designated by him for the purpose) required under paragraph (3) shall be deemed to have been made, in the case of a division or part (created under subparagraph (C) of paragraph (6) or the corre-

sponding provision of prior law) consisting of the positions of members of a retirement system who desire coverage under the agreement under this section, if the governor (or the official so designated) certifies to the Secretary of Health, Education, and Welfare that—

[(A) an opportunity to vote by written ballot on the question of whether they wish to be covered under an agreement under this section was given to all individuals who were members of such system at the time the vote was held;

[(B) not less than ninety days' notice of such vote was given to all individuals who were members of such system on the date the notice was issued;

[(C) the vote was conducted under the supervision of the governor or an agency or individual designated by him; and

[(D) such system was divided into two parts or divisions in accordance with the provisions of subparagraphs (C) and (D) of paragraph (6) or the corresponding provision of prior law. For purposes of this paragraph, an individual in a position to which the State agreement already applied or in a position excluded by or pursuant to paragraph (5) shall not be considered a member of the retirement system.

[(8) (A) Notwithstanding paragraph (1), if under the provisions of this subsection an agreement is, after December 31, 1958, made applicable to service performed in positions covered by a retirement system, service performed by an individual in a position covered by such a system may not be excluded from the agreement because such position is also covered under another retirement system.

[(B) Subparagraph (A) shall not apply to service performed by an individual in a position covered under a retirement system if such individual, on the day the agreement is made applicable to service performed in positions covered by such retirement system, is not a member of such system and is a member of another system.

[(C) If an agreement is made applicable, prior to 1959, to service in positions covered by any retirement system, the preceding provisions of this paragraph shall be applicable in the case of such system if the agreement is modified to so provide.

[(D) Except in the case of agreements with the States named in subsection (p) and agreements with interstate instrumentalities, nothing in this paragraph shall authorize the application of an agreement to service in any policeman's or fireman's position.

[(Payments and Reports by States

[(e) (1) Each agreement under this section shall provide—

[(A) that the State will pay to the Secretary of the Treasury, at such time or times as the Secretary of Health, Education, and Welfare may by regulations prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954 if the services of employees covered by the agreement constituted employment as defined in section 3121 of such code; and

[(B) that the State will comply with such regulations relating to payments and reports as the Secretary of Health, Education,

and Welfare may prescribe to carry out the purposes of this section.

[(2) Where—

[(A) an individual in any calendar year performs services to which an agreement under this section is applicable (i) as the employee of two or more political subdivisions of a State or (ii) as the employee of a State and one or more political subdivisions of such State; and

[(B) such State provides all of the funds for the payment of those amounts referred to in paragraph (1) (A) which are equivalent to the taxes imposed by section 3111 of the Internal Revenue Code of 1954 with respect to wages paid to such individual for such services; and

[(C) the political subdivision or subdivisions involved do not reimburse such State for the payment of such amounts or, in the case of services described in subparagraph (A) (ii), for the payment of so much of such amounts as is attributable to employment by such subdivision or subdivisions;

then, notwithstanding paragraph (1), the agreement under this section with such State may provide (either in the original agreement or by a modification thereof) that the amounts referred to in paragraph (1) (A) may be computed as though the wages paid to such individual for the services referred to in clause (A) of this paragraph were paid by one political subdivision for services performed in its employ; but the provisions of this paragraph shall be applicable only where such State complies with such regulations as the Secretary may prescribe to carry out the purposes of this paragraph. The preceding sentence shall be applicable with respect to wages paid after an effective date specified in such agreement or modification, but in no event with respect to wages paid before (i) January 1, 1957, in the case of an agreement or modification which is mailed or delivered by other means to the Secretary before January 1, 1962, or (ii) the first day of the year in which the agreement or modification is mailed or delivered by other means to the Secretary, in the case of an agreement or modification which is so mailed or delivered on or after January 1, 1962.

[(EFFECTIVE DATE OF AGREEMENT

[(f) (1) Except as provided in subsection (e) (2), any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification; except that such date may not be earlier than the last day of the sixth calendar year preceding the year in which such agreement or modification, as the case may be, is agreed to by the Secretary and the State.

[(2) In the case of service performed by members of any coverage group—

[(A) to which an agreement under this section is made applicable, and

[(B) with respect to which the agreement, or modification thereof making the agreement so applicable, specifies an effective date earlier than the date of execution of such agreement and such modification, respectively,

the agreement shall, if so requested by the State, be applicable to such services (to the extent the agreement was not already applicable) performed before such date of execution and after such effective date by any individual as a member of such coverage group if he is such a member on a date, specified by the State, which is earlier than such date of execution, except that in no case may the date so specified be earlier than the date such agreement or such modification, as the case may be, is mailed, or delivered by other means, to the Secretary.

[(3) Notwithstanding the provisions of paragraph (2) of this subsection, in the case of services performed by individuals as members of any coverage group to which an agreement under this section is made applicable, and with respect to which there were timely paid in good faith to the Secretary of the Treasury amounts equivalent to the sum of the taxes which would have been imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954 had such services constituted employment for purposes of chapter 21 of such Code at the time they were performed, and with respect to which refunds were not obtained, such individuals may, if so requested by the State, be deemed to be members of such coverage group on the date designated pursuant to paragraph (2).

Termination of Agreement

[(g) (1) [Upon] Subject to paragraph (4), upon giving at least two years' advance notice in writing to the Secretary of Health, Education, and Welfare, a State may terminate, effective at the end of a calendar quarter specified in the notice, its agreement with the Secretary either—

[(A) in its entirety but only if the agreement has been in effect from its effective date for not less than five years prior to the receipt of such notice; or

[(B) with respect to any coverage group designated by the State, but only if the agreement has been in effect with respect to such coverage group for not less than five years prior to the receipt of such notice.

[(2) [If] Subject to paragraph (4), if the Secretary, after reasonable notice and opportunity for hearing to a State with whom he has entered into an agreement pursuant to this section, finds that the State has failed or is no longer legally able to comply substantially with any provision of such agreement or of this section, he shall notify such State that the agreement will be terminated in its entirety, or with respect to any one or more coverage groups designated by him, at such time, not later than two years from the date of such notice, as he deems appropriate, unless prior to such time he finds that there no longer is any such failure or that the cause for such legal inability has been removed.

[(3) If any agreement entered into under this section is terminated in its entirety, the Secretary and the State may not again enter into an agreement pursuant to this section. If any such agreement is terminated with respect to any coverage group, the Secretary and the State may not thereafter modify such agreement so as to again make the agreement applicable with respect to such coverage group.

[(4) *No agreement under this section may be terminated under paragraph (1) or paragraph (2) (either in its entirety or with respect to any coverage group) unless the applicable notice referred to in such paragraph is given on or before September 13, 1977.*

[Deposits in Trust Funds; Adjustments

[(h) (1) All amounts received by the Secretary of the Treasury under an agreement made pursuant to this section shall be deposited in the Trust Funds and the Federal Hospital Insurance Trust Fund in the ratio in which amounts are appropriated to such Funds pursuant to subsection (a) (3) of section 201, subsection (b) (1) of such section, and subsection (a) (1) of section 1817, respectively.

[(2) If more or less than the correct amount due under an agreement made pursuant to this section is paid with respect to any payment of remuneration, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be prescribed by regulations of the Secretary of Health, Education, and Welfare.

[(3) If an overpayment cannot be adjusted under paragraph (2), the amount thereof and the time or times it is to be paid shall be certified by the Secretary of Health, Education, and Welfare to the Managing Trustee, and the Managing Trustee, through the Fiscal Service of the Treasury Department and prior to any action thereon by the General Accounting Office, shall make payment in accordance with such certification. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Secretary of Health, Education, and Welfare.

[Regulations

(i) Regulations of the Secretary of Health, Education, and Welfare to carry out the purposes of this section shall be designed to make the requirements imposed on States pursuant to this section the same, so far as practicable, as those imposed on employers pursuant to this title and chapter 21 and subtitle F of the Internal Revenue Code of 1954.¹

[Failure to Make Payments

[(j) In case any State does not make, at the time or times due, the payments provided for under an agreement pursuant to this section there shall be added, as part of the amounts due, interest at the rate of 6 per centum per annum from the date due until paid, and the Secretary of Health, Education, and Welfare may, in his discretion, deduct such amounts plus interest from any amounts certified by him to the Secretary of the Treasury for payment to such State under any other provision of this Act. Amounts so deducted shall be deemed to have been paid to the State under such other provision of this Act. Amounts equal to the amounts deducted under this subsection are hereby appropriated to the Trust Funds in the ratio in which amounts are deposited in such Funds pursuant to subsection (h) (1).

Instrumentalities of Two or More States

[(k) (1) The Secretary of Health, Education, and Welfare may, at the request of any instrumentality of two or more States, enter into an agreement with such instrumentality for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such instrumentality. Such agreement, to the extent practicable, shall be governed by the provisions of this section applicable in the case of an agreement with a State.

[(2) In the case of any instrumentality of two or more States, if—

[(A) employees of such instrumentality are in positions covered by a retirement system of such instrumentality or of any of such States or any of the political subdivisions thereof, and

[(B) such retirement system is (on, before, or after the date of enactment of this paragraph) divided into two divisions or parts, one of which is composed of positions of members of such system who are employees of such instrumentality and who desire coverage under an agreement under this section and the other of which is composed of positions of members of such system who are employees of such instrumentality and who do not desire such coverage, and

[(C) it is provided that there shall be included in such division or part composed of the positions of members desiring such coverage the positions of employees of such instrumentality who become members of such system after such coverage is extended, then such retirement system shall, if such instrumentality so desires, be deemed to be a separate retirement system with respect to each such division or part. An individual who is in a position covered by a retirement system divided pursuant to the preceding sentence and who is not a member of such system but is eligible to become a member thereof shall, for purposes of this subsection, be regarded as a member of such system. Coverage under the agreement of any such individual shall be provided under the same conditions, to the extent practicable, as are applicable in the case of the States to which the provisions of subsection (d) (6) (C) apply. The position of any employee system to which the first sentence of this paragraph is applicable shall, if such individual is ineligible to become a member of such system on the date of enactment of this paragraph or, if later, the day he first occupies such position, be deemed to be covered by the separate retirement system consisting of the positions of members of the division or part who do not desire coverage under the insurance system established under this title. Services in positions covered by a separate retirement system created pursuant to this subsection (and consisting of the positions of members who desire coverage under an agreement under this section) shall be covered under such agreement or compliance, to the extent practicable, with the same conditions as are applicable to coverage under an agreement under this section of services in positions covered by a separate retirement system created pursuant to subparagraph (C) of subsection (d) (6) or the corresponding provision of prior law (and consisting of the positions of members who desire coverage under such agreement).

[(3) Any agreement with any instrumentality of two or more States entered into pursuant to this Act may, notwithstanding the provisions

of subsection (d)(5)(A) and the references thereto in subsections (d)(1) and (d)(3), apply to service performed by employees of such instrumentality in any policeman's or fireman's position covered by a retirement system, but only upon compliance, to the extent practicable, with the requirements of subsection (d)(3). For the purpose of the preceding sentence, a retirement system which covers positions of policemen or firemen or both, and other positions shall, if the instrumentality concerned so desires, be deemed to be a separate retirement system with respect to the positions of such policemen or firemen, or both, as the case may be.

【Delegation of Functions

【(1) The Secretary of Health, Education, and Welfare is authorized pursuant to agreement with the head of any Federal agency, to delegate any of his functions under this section to any officer or employee of such agency and otherwise to utilize the services and facilities of such agency in carrying out such functions, and payment therefor shall be in advance or by way of reimbursement, as may be provided in such agreement.

【Wisconsin Retirement Fund

【(m)(1) Notwithstanding paragraph (1) of subsection (d), the agreement with the State of Wisconsin may, subject to the provisions of this subsection, be modified so as to apply to service performed by employees in positions covered by the Wisconsin retirement fund *or any successor system*.

【(2) All employees in positions covered by the Wisconsin retirement fund at any time on or after January 1, 1951, shall, for the purposes of subsection (c) only, be deemed to be a separate coverage group; except that there shall be excluded from such separate coverage group all employees in positions to which the agreement applies without regard to this subsection.

【(3) The modification pursuant to this subsection shall exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) service performed by any individual during any period before he is included under the Wisconsin retirement fund.

【(4) The modification pursuant to this subsection shall, if the State of Wisconsin requests it, exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) all service performed in policemen's positions, all service performed in firemen's positions, or both.

【Certain Positions No Longer Covered by Retirement Systems

【(n) Notwithstanding subsection (d), an agreement with any State entered into under this section prior to the date of the enactment of this subsection may, prior to January 1, 1958, be modified pursuant to subsection (c)(4) so as to apply to services performed by employees, as members of any coverage group to which such agreement already applies (and to which such agreement applied on such date of enact-

ment), in positions (1) to which such agreement does not already apply, (2) which were covered by a retirement system on the date such agreement was made applicable to such coverage group, and (3) which, by reason of action by such State or political subdivision thereof, as may be appropriate, taken prior to the date of the enactment of this subsection, are no longer covered by a retirement system on the date such agreement is made applicable to such services.

【Certain Employees of the State of Utah

【(o) Notwithstanding the provisions of subsection (d), the agreement with the State of Utah entered into pursuant to this section may be modified pursuant to subsection (c) (4) so as to apply to services performed for any of the following, the employees performing services for each of which shall constitute a separate coverage group: Weber Junior College, Carbon Junior College, Dixie Junior College, Central Utah Vocational School, Salt Lake Area Vocational School, Center for the Adult Blind, Union High School (Roosevelt, Utah), Utah High School Activities Association, State Industrial School, State Training School, State Board of Education, and Utah School Employees Retirement Board. Any modification agreed to prior to January 1, 1955, may be made effective with respect to services performed by employees as members of any of such coverage groups after an effective date specified therein, except that in no case may any such date be earlier than December 31, 1950.

【Policemen and Firemen in Certain States

【(p) (1) Any agreement with the State of Alabama, California, Florida, Georgia, Hawaii, Idaho, Kansas, Maine, Maryland, *Mississippi*, Montana, New York, North Carolina, North Dakota, Oregon, Puerto Rico, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, or Washington entered into pursuant to this section prior to the date of enactment of this subsection may, notwithstanding the provisions of subsection (d) (5) (A) and the references thereto in subsections (d) (1) and (d) (3), be modified pursuant to subsection (c) (4) to apply to service performed by employees of such State or any political subdivision thereof in any policeman's or firemen's position covered by a retirement system in effect on or after the date of the enactment of this subsection, but only upon compliance with the requirements of subsection (d) (3). For the purposes of the preceding sentence, a retirement system which covers positions of policemen or firemen, or both, and other positions shall, if the State concerned so desires, be deemed to be a separate retirement system with respect to the positions of such policemen or firemen, or both, as the case may be.

【(2) A State, not otherwise listed by name in paragraph (1), shall be deemed to be a State listed in such paragraph for the purpose of extending coverage under this title to service in firemen's positions covered by a retirement system, if the Governor of the State, or an official of the State designated by him for the purpose, certifies to the Secretary of Health, Education, and Welfare that the overall bene-

fit protection of the employees in such positions would be improved by reason of the extension of such coverage to such employees. Notwithstanding the provisions of the second sentence of such paragraph (1), such firemen's positions shall be deemed a separate retirement system and no other positions shall be included in such system.

Time Limitation on Assessments

(q) (1) Where a State is liable for an amount due under an agreement pursuant to this section, such State shall remain so liable until the Secretary is satisfied that the amount due has been paid to the Secretary of the Treasury.

(2) Notwithstanding paragraph (1), a State shall not be liable for an amount due under an agreement pursuant to this section, with respect to the wages paid to individuals, after the expiration of the latest of the following periods—

(A) three years, three months, and fifteen days after the year in which such wages were paid, or

(B) three years after the date on which such amount become due, or

(C) three years, three months, and fifteen days after the year following the year in which this subsection is enacted, unless prior to the expiration of such period the Secretary makes an assessment of the amount due.

(3) For purposes of this subsection and section 205(c), an assessment of an amount due is made when the Secretary mails or otherwise delivers to the State a notice stating the amount he has determined to be due under an agreement pursuant to this section and the basis for such determination.

(4) An assessment of an amount due made by the Secretary after the expiration of the period specified in paragraph (2) shall nevertheless be deemed to have been made within such period if—

(A) before the expiration of such period (or, if it has previously been extended under this paragraph, of such period as so extended), the State and the Secretary agree in writing to an extension of such period (or extended period) and, subject to such conditions as may be agreed upon, the Secretary makes the assessment prior to the expiration of such extension; or

(B) within the 365 days immediately preceding the expiration of such period (or extended period) the State pays to the Secretary of the Treasury less than the correct amount due under an agreement pursuant to this section with respect to wages paid to individuals in [any calendar quarters] a calendar year as members of a coverage group, and the Secretary of Health, Education, and Welfare makes the assessment, adjusted to take into account the amount paid by the State, no later than the 365th day after the day the State made payment to the Secretary of the Treasury; but the Secretary of Health, Education, and Welfare, shall make such assessment only with respect to the wages paid to such individuals in [such calendar quarters] such calendar year as members of such coverage group; or

[(C) pursuant to subparagraph (A) or (B) of section 205(c) (5) he includes in his records an entry with respect to wages for an individual, but only if such assessment is limited to the amount due with respect to such wages and is made within the period such entry could be made in such records under such subparagraph.

[(5) If the Secretary allows a claim for a credit or refund of an overpayment by a State under an agreement pursuant to this section, with respect to wages paid or alleged to have been paid to an individual in a calendar year for services as a member of a coverage group, and if as a result of the facts on which such allowance is based there is an amount due from the State, with respect to wages paid to such individual in such calendar year for services performed as a member of a coverage group, for which amount the State is not liable by reason of paragraph (2) then notwithstanding paragraph (2) the State shall be liable for such amount due if the Secretary makes an assessment of such amount due at the time of or prior to notification to the State of the allowance of such claim. For purposes of this paragraph and paragraph (6), interest as provided for in subsection (j) shall not be included in determining the amount due.

[(6) The Secretary shall accept wage reports filed by a State under an agreement pursuant to this section or regulations of the Secretary thereunder, after the expiration of the period specified in paragraph (2) or such period as extended pursuant to paragraph (4), with respect to wages which are paid to individuals performing services as employees in a coverage group included in the agreement and for payment in connection with which the State is not liable by reasons of paragraph (2), only if the State—

[(A) pays to the Secretary of the Treasury the amount due under such agreement with respect to such wages, and

[(B) agrees in writing with the Secretary of Health, Education, and Welfare to an extension of the period specified in paragraph (2) with respect to wages paid to all individuals performing services as employees in such coverage group in the [calendar quarters designated by the State in such wage reports as the] *period or periods designated by the State in such wage reports as the period or periods in which such wages were paid.* If the State so agrees, the period specified in paragraph (2), or such period as extended pursuant to paragraph (4), shall be extended until such time as the Secretary notifies the State that such wage reports have been accepted.

[(7) Notwithstanding the preceding provisions of this subsection, where there is an amount due by a State under an agreement pursuant to this section and there has been a fraudulent attempt on the part of an officer or employee of the State or any political subdivision thereof to defeat or evade payment of such amount due, the State shall be liable for such amount due without regard to the provisions of paragraph (2), and the Secretary may make an assessment of such amount due at any time.

[Time Limitations on Credits and Refunds

[(r) (1) No credit or refund of an overpayment by a State under an agreement pursuant to this section with respect to wages paid or alleged to have been paid to an individual as a member of a coverage

group in a calendar **[quarter]** *year* shall be allowed after the expiration of the latest of the following periods—

[(A)] three years, three months, and fifteen days after the year **[in which occurred the calendar quarter]** in which such wages were paid or alleged to have been paid, or

[(B)] three years after the date the payment which included such overpayment became due under such agreement with respect to the wages paid or alleged to have been paid to such individual as a member of such coverage group in such calendar **[quarter]** *year*, or

[(C)] two years after such overpayment was made to the Secretary of the Treasury, or

[(D)] three years, three months, and fifteen days after the year following the year in which this subsection is enacted, unless prior to the expiration of such period a claim for such credit or refund is filed with the Secretary of Health, Education, and Welfare by the State.

[(2)] A claim for a credit or refund filed by a State after the expiration of the period specified by paragraph (1) shall nevertheless be deemed to have been filed within such period if—

[(A)] before the expiration of such period (or, if it has previously been extended under this subparagraph, of such period as so extended) the State and the Secretary agreed in writing to an extension of such period (or extended period) and the claim is filed with the Secretary by the State prior to the expiration of such extension; but any claim for a credit or refund valid because of this subparagraph shall be allowed only to the extent authorized by the conditions provided for in the agreement for such extension, or

[(B)] the Secretary deletes from his records an entry with respect to wages of an individual pursuant to the provisions of subparagraph (A), (B), or (E) of section 205(c)(5), but only with respect to the entry so deleted.

[Review by Secretary

[(s)] Where the Secretary has made an assessment of an amount due by a State under an agreement pursuant to this section, disallowed a State's claim for a credit or refund of an overpayment under such agreement, or allowed a State a credit or refund of an overpayment under such agreement, he shall review such assessment, disallowance, or allowance if a written request for such review is filed with him by the State within 90 days (or within such further time as he may allow) after notification to the State of such assessment, disallowance, or allowance. On the basis of the evidence obtained by or submitted to the Secretary, he shall render a decision affirming, modifying, or reversing such assessment, disallowance, or allowance. In notifying the State of his decision, the Secretary shall state the basis therefor.

[Review By Court

[(t) (1)] Notwithstanding any other provision of this title any State, irrespective of the amount in controversy, may file, within two years

after the mailing to such State of the notice of any decision by the Secretary pursuant to subsection (s) affecting such State, or within such further time as the Secretary may allow, a civil action for a re-determination of the correctness of the assessment of the amount due, the disallowance of the claim for a refund or credit, or the allowance of the refund or credit, as the case may be, with respect to which the Secretary has rendered such decision. Such action shall be brought in the district court of the United States for the judicial district in which is located the capital of such State, or, if such action is brought by an instrumentality of two or more States, the principal office of such instrumentality. The judgment of the court shall be final, except that it shall be subject to review in the same manner as judgments of such court in other civil actions. Any action filed under this subsection shall survive notwithstanding any change in the person occupying the office of Secretary or any vacancy in such office.

【(2) Notwithstanding the provisions of section 2411 of title 28, United States Code, no interest shall accrue to a State after final judgment with respect to a credit or refund of an overpayment made under an agreement pursuant to this section.

【(3) the first sentence of section 2414 of title 28, United States Code, shall not apply to final judgments rendered by district courts of the United States in civil actions filed under this subsection. In such cases, the payment of amounts due to States pursuant to such final judgments shall be adjusted in accordance with the provisions of this section and with regulations promulgated by the Secretary.

【Positions Compensated Solely on a Fee Basis

【(u) (1) Notwithstanding any other provision in this section, an agreement entered into under this section may be made applicable to service performed after 1967 in any class or classes of positions compensated solely on a fee basis to which such agreement did not apply prior to 1968 only if the State specifically requests that its agreement be made applicable to such service in such class or classes of positions.

【(2) Notwithstanding any other provision in this section, an agreement entered into under this section may be modified, at the option of the State, at any time after 1967, so as to exclude services performed in any class or classes of positions compensation for which is solely on a fee basis.

【(3) Any modification made under this subsection shall be effective with respect to services performed after the last day of the calendar year in which the modification is agreed to by the Secretary and the State.

【(4) If any class or classes of positions have been excluded from coverage under the State agreement by a modification agreed to under this subsection, the Secretary and the State may not thereafter modify such agreement so as to again make the agreement applicable with respect to such class or classes of positions.】

* * * * *

REHABILITATION SERVICES

Referral for Rehabilitation Services

SEC. 222. (a) It is hereby declared to be the policy of the Congress that disabled individuals applying for a determination of disability, and disabled individuals who are entitled to child's insurance benefits, widow's insurance benefits, or widower's insurance benefits, shall be promptly referred to the State agency or agencies administering or supervising the administration of the State plan approved under the Vocational Rehabilitation Act for necessary vocational rehabilitation services, to the end that the maximum number of such individuals may be rehabilitated into productive activity.

Deductions on Account of Refusal To Accept Rehabilitation Services

(b) (1) Deductions, in such amounts and at such time or times as the Secretary shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under sections 202 and 223 for any month in which such individual, if a child who has attained the age of eighteen and is entitled to child's insurance benefits, a widow, widower [or surviving divorced wife], *surviving divorced wife, or surviving divorced husband* who has not attained age 60, or an individual entitled to disability insurance benefits, refuses without good cause to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act. Any individual who is a member or adherent of any recognized church or religious sect which teaches its members or adherents to rely solely, in the treatment and cure of any physical or mental impairment, upon prayer or spiritual means through the application and use of the tenets or teachings of such church or sect, and who, solely because of his adherence to the teachings or tenets of such church, or sect, refuses to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act, shall, for the purposes of the first sentence of this subsection, be deemed to have done so with good cause.

(2) Deductions shall be made from any child's insurance benefit to which a child who has attained the age of eighteen is entitled or from any mother's *or father's* insurance benefit to which a person is entitled, until the total of such deductions equals such child's insurance benefit or benefits or such mother's *or father's* insurance benefit or benefits under section 202 for any month in which such child or person entitled to mother's *or father's* insurance benefits is married to an individual who is entitled to disability insurance benefits and in which such individual refuses to accept rehabilitation services and a deduction, on account of such refusal, is imposed under paragraph (1). If both this paragraph and paragraph (3) are applicable to a child's insurance benefit for any month, only an amount equal to such benefit shall be deducted.

(3) Deductions shall be made from any wife's, husband's, or child's insurance benefit, based on the wages and self-employment income of an individual entitled to disability insurance benefits, to which a wife,

divorced wife, husband, *divorced husband*, or child is entitled, until the total of such deductions equal such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month in which the individual, on the basis of whose wages and self-employment income such benefit was payable, refuses to accept rehabilitation services and deductions, on account of such refusal, are imposed under paragraph (1).

(4) The provisions of paragraph (1) shall not apply to any child entitled to benefits under section 202(d), if he has attained the age of 18 but has not attained the age of 22, for any month during which he is a full-time student (as defined and determined under section 202(d)).

* * * * *

Costs of Rehabilitation Services From Trust Funds

(d) (1) For the purpose of making vocational rehabilitation services more readily available to disabled individuals who are—

(A) entitled to disability insurance benefits under section 223,

or

(B) entitled to child's insurance benefits under section 202(d) after having attained age 18 (and are under a disability), or

(C) entitled to widow's insurance benefits under section 202(e) prior to attaining age 60, or

(D) entitled to widower's insurance benefits under section 202(f) prior to attaining age 60,

to the end that savings will result to the Trust Fund as a result of rehabilitating the maximum number of such individuals into productive activity, there are authorized to be transferred from the Trust Funds such sums as may be necessary to enable the Secretary to pay the costs of vocational rehabilitation services for such individuals (including (i) services during their waiting periods, and (ii) so much of the expenditures for the administration of any State plan as is attributable to carrying out this subsection); except that the total amount so made available pursuant to this subsection may not exceed—

(i) 1 percent in the fiscal year ending June 30, 1972,

(ii) 1.25 percent in the fiscal year ending June 30, 1973,

(iii) 1.5 percent in the fiscal year ending June 30, 1974, and

thereafter,

of the total of the benefits under section 202(d) for children who have attained age 18 and are under a disability, the benefits under section 202(e) for widows and surviving divorced wives who have not attained age 60 and are under a disability, the benefits under section 202(f) for widowers and surviving divorced husbands who have not attained age 60, and the benefits under section 223, which were certified for payment in the preceding year. The selection of individuals (including the order in which they shall be selected) to receive such services shall be made in accordance with criteria formulated by the Secretary which are based upon the effect the provision of such services would have upon the Trust Funds.

(2) In the case of each State which is willing to do so, such vocational rehabilitation services shall be furnished under a State plan for vocational rehabilitation services which—

(A) has been approved under section 5 of the Vocational Rehabilitation Act,

(B) provides that, to the extent funds provided under this subsection are adequate for the purpose, such services will be furnished, to any individual in the State who meets the criteria prescribed by the Secretary pursuant to paragraph (1), with reasonable promptness and in accordance with the order of selection determined under such criteria, and

(C) provides that such services will be furnished to any individual without regard to (i) his citizenship or place of residence, (ii) his need for financial assistance except as provided in regulations of the Secretary in the case of maintenance during rehabilitation, or (iii) any order of selection which would otherwise be followed under the State plan pursuant to section 5(a)(4) of the Vocational Rehabilitation Act.

(3) In the case of any State which does not have a plan which meets the requirements of paragraph (2), the Secretary may provide such services by agreement or contract with other public or private agencies, organizations, institutions, or individuals.

(4) Payments under this subsection may be made in installments, in advance or by way of reimbursement, with necessary adjustments and on account of overpayments or underpayments.

(5) Money paid from the Trust Funds under this subsection to pay the costs of providing services to individuals who are entitled to benefits under section 223 (including services during their waiting periods), or who are entitled to benefits under section 202(d) on the basis of the wages and self-employment income of such individuals shall be charged to the Federal Disability Insurance Trust Fund, and all other money paid out from the Trust Funds under this subsection shall be charged to the Federal Old-Age and Survivors Insurance Trust Fund. The Secretary shall determine according to such methods and procedures as he may deem appropriate—

(A) the total cost of the services provided under this subsection, and

(B) subject to the provisions of the preceding sentence, the amount of such cost which should be charged to each of such Trust Funds.

(6) For the purposes of this subsection the term "vocational rehabilitation services" shall have the meaning assigned to it in the Vocational Rehabilitation Act, except that such services may be limited in type, scope, or amount in accordance with regulations of the Secretary designed to achieve the purposes of this subsection.

DISABILITY INSURANCE BENEFIT PAYMENTS

Disability Insurance Benefits

SEC. 223.(a) * * *

* * * * *

Definition of Disability

(d) (1) The term "disability" means—

(A) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months; or

(B) in the case of an individual who has attained the age of 55 and is blind (within the meaning of "blindness" as defined in section 216(i)(1)), inability by reason of such blindness to engage in substantial gainful activity requiring skills or abilities comparable to those of any gainful activity in which he has previously engaged with some regularity and over a substantial period of time.

(2) For purposes of paragraph (1)(A)—

(A) an individual (except a widow, surviving divorced wife, [or widower] *widower, or surviving divorced husband* for purposes of section 202 (e) or (f)) shall be determined to be under a disability only if his physical or mental impairment or impairments are of such severity that he is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the immediate area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work. For purposes of the preceding sentence (with respect to any individual), "work which exists in the national economy" means work which exists in significant numbers either in the region where such individual lives or in several regions of the country.

(B) A widow, surviving divorced wife, [or widower] *widower, or surviving divorced husband* shall not be determined to be under a disability (for purposes of section 202 (e) or (f)) unless his or her physical or mental impairment or impairments are of a level of severity which under regulations prescribed by the Secretary is deemed to be sufficient to preclude an individual from engaging in any gainful activity.

* * * * *

REDUCTION OF BENEFITS BASED ON DISABILITY ON ACCOUNT OF RECEIPT OF
WORKMEN'S COMPENSATION

SEC. 224. (a) If any month prior to the month in which an individual attains the age of 62—

(1) such individual is entitled to benefits under section 223, and

(2) such individual is entitled for such month, under a workmen's compensation law or plan of the United States or a State to periodic benefits for a total or partial disability (whether or not permanent), and the Secretary has, in a prior month, received notice of such entitlement for such month,

the total of his benefits under section 223 for such month and of any benefits under section 202 for such month based on his wages and self-employment income shall be reduced (but not below zero) by the amount by which the sum of—

(3) such total of benefits under section 223 and 202 for such month, and

(4) such periodic benefits payable (and actually paid) for such month to such individual under the workmen's compensation law or plan,

exceeds the higher of—

(5) 80 per centum of his "average current earnings", or

(6) the total of such individual's disability insurance benefits under section 223 for such month and of any monthly insurance benefits under section 202 for such month based on his wages and self-employment income, prior to reduction under this section.

In no case shall the reduction in the total of such benefits under sections 223 and 202 for a month (in a continuous period of months) reduce such total below the sum of—

(7) the total of the benefits under sections 223 and 202, after reduction under this section, with respect to all persons entitled to benefits on the basis of such individual's wages and self-employment income for such month which were determined for such individual and such persons for the first month for which reduction under this section was made (or which would have been so determined if all of them had been so entitled in such first month), and

(8) any increase in such benefits with respect to such individual and such persons, before reduction under this section, which is made effective for months after the first month for which reduction under this section is made.

For purposes of clause (5), an individual's average current earnings means the largest of (A) the average monthly wage (*determined under section 215(b) as in effect prior to January 1979*) used for purposes of computing his benefits under section 223, (B) one-sixtieth of the total of his wages and self-employment income (computed without regard to the limitations specified in sections 209(a) and 211(b)(1)) for the five consecutive calendar years after 1950 for which such wages and self-employment income were highest, or (C) one-twelfth of the total of his wages and self-employment income (computed without regard to the limitations specified in sections 209(a) and 211(b)(1)) for the calendar year in which he had the highest such wages and income during the period consisting of the calendar year in which he became disabled (as defined in section 223(d)) and the five years preceding that year. In any case where an individual's wages and self-employment income reported to the Secretary for a calendar year reach the limitations specified in sections 209(a) and 211(b)(1), the Secretary under regulations shall estimate the total of such wages and self-employment income for purposes of clauses (B) and (C) of the preceding sentence on the basis of such information as may be available to him indicating the extent (if any) by which such wages and self-employment income exceed such limitations.

* * * * *

(f) (1) In the second calendar year after the year in which reduction under this section in the total of an individual's benefits under section 223 and any benefits under section 202 based on his wages and self-employment income was first required (in a continuous period of months), and in each third year thereafter, the Secretary shall redetermine the amount of such benefits which are still subject to reduction under this section; but such redetermination shall not result in any decrease in the total amount of benefits payable under this title on the basis of such individual's wages and self-employment income. Such redetermined benefit shall be determined as of, and shall become effective with, the January following the year in which such redetermination was made.

[(2) in making the redetermination required by paragraph (1), the individual's average current earnings (as defined in subsection (a)) shall be deemed to be the product of his average current earnings as initially determined under subsection (a) and the ratio of (i) the average of the taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of the calendar year before the calendar year in which such redetermination is made, to (ii) the average of the taxable wages of such persons reported to the Secretary for the first calendar quarter of the taxable year before the calendar year in which the reduction was first computed (but not counting any reduction made in benefits for a previous period of disability). Any amount determined under the preceding sentence which is not a multiple of \$1 shall be reduced to the next lower multiple of \$1.)]

(2) In making the redetermination required by paragraph (1), the individual's average current earnings (as defined in subsection (a)) shall be deemed to be the product of—

(A) his average current earnings as initially determined under subsection (a);

(B) the ratio of (i) the average of the total wages (as defined in the regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the year in which such redetermination is made to (ii) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for calendar year 1977 or, if later, the calendar year before the year in which the reduction was first computed (but not counting any reduction made in benefits for a previous period of disability); and

(C) in any case in which the reduction was first computed before 1978, the ratio of (i) the average of the taxable wages reported to the Secretary for the first calendar quarter of 1977 to (ii) the average of the taxable wages reported to the Secretary for the first calendar quarter of the calendar year before the year in which the reduction was first computed (but not counting any reduction made in benefits for a previous period of disability).

Any amount determined under this paragraph which is not a multiple of \$1 shall be reduced to the next lower multiple of \$1.

* * * * *

SUSPENSION OF BENEFITS BASED ON DISABILITY

SEC. 225. If the Secretary, on the basis of information obtained by or submitted to him, believes that an individual entitled to benefits under section 223, or that a child who has attained the age of eighteen and is entitled to benefits under section 202(d), or that a widow or surviving divorced wife who has not attained age 60 and is entitled to benefits under section 202(e), or that a widower or surviving divorced husband who has not attained age 60 and is entitled to benefits under section 202(f), may have ceased to be under a disability, the Secretary may suspend the payment of benefits under such section 202(d), 202(e), 202(f), or 223, until it is determined (as provided in section 221) whether or not such individual's disability has ceased or until the Secretary believes that such disability has not ceased. In the case of any individual whose disability is subject to determination under an agreement with a State under section 221(b), the Secretary shall promptly notify the appropriate State of his action under this section and shall request a prompt determination of whether such individual's disability has ceased. For purposes of this section, the term "disability" has the meaning assigned to such term in section 223(d). Whenever the benefits of an individual entitled to a disability insurance benefit are suspended for any month, the benefits of any individual entitled thereto under subsection (b), (c), or (d) of section 202, on the basis of the wages and self-employment income of such individual, shall be suspended for such month. The first sentence of this section shall not apply to any child entitled to benefits under section 202(d), if he has attained the age of 18 but has not attained the age of 22, for any month during which he is a fulltime student (as defined and determined under section 202(d)).

ENTITLEMENT TO HOSPITAL INSURANCE BENEFITS

SEC. 226.

(a) * * *

* * * * *

(h) (1) For purposes of determining entitlement to hospital insurance benefits under subsection (b) in the case of widows and widowers described in paragraph (2) (A) (iii) thereof—

(A) the term "age 60" in sections 202(e)(1)(B)(ii), 202(e)(5), 202(f)(1)(B)(ii), and 202(f)(6) shall be deemed to read "age 65"; and

(B) the phrase "before she attained age 60" in the matter following subparagraph (F) of section 202(e)(1) and the phrase "before he attained age 60" in the matter following subparagraph (G) of section 202(f)(1) shall each be deemed to read "based on a disability".

(2) For purposes of determining entitlement to hospital insurance benefits under subsection (b) in the case of an individual under age 65 who is entitled to benefits under section 202, and who was entitled to widow's insurance benefits or widower's insurance benefits based on disability for the month before the first month in which such individual was so entitled to old-age insurance benefits (but ceased to be entitled to such widow's or widower's insurance benefits upon becoming entitled to such old-age insurance benefits), such individual shall be

deemed to have continued to be entitled to such widow's insurance benefits or widower's insurance benefits for and after such first month.

[(3) For purposes of determining entitlement to hospital insurance benefits under subsection (b) any disabled widow age 50 or older who is entitled to mother's insurance benefits (and who would have been entitled to widow's insurance benefits by reason of disability if she had filed for such widow's benefits) shall, upon application, for such hospital insurance benefits be deemed to have filed for such widow's benefits and shall, upon furnishing proof of such disability prior to July 1, 1974, under such procedures as the Secretary may prescribe, be deemed to have been entitled to such widow's benefits as of the time she would have been entitled to such widow's benefits if she had filed a timely application therefor.]

(3) *For purposes of determining entitlement to hospital insurance benefits under subsection (b), any disabled widow age 50 or older who is entitled to mother's insurance benefits (and who would have been entitled to widow's insurance benefits by reason of disability if she had filed for such widow's benefits), and any disabled widower who is entitled to father's insurance benefits (and who would have been entitled to widower's insurance benefits by reason of disability if he had filed for such widower's benefits), shall, upon application for such hospital insurance benefits be deemed to have filed for such widow's or widower's benefits.*

(4) *For the purposes of determining entitlement to hospital insurance benefits under subsection (b) in the case of an individual described in clause (iii) of subsection (b) (2) (A), the entitlement of such individual to widow's or widower's insurance benefits under section 202(e) or (f) by reason of a disability shall be deemed to be the entitlement to such benefits that would result if such entitlement were determined without regard to the provisions of section 202(j) (4).*

* * * * *

TRANSITIONAL INSURED STATUS

SEC. 227. (a) In the case of any individual who attains the age of 72 before 1969 but who does not meet the requirements of section 214(a), the 6 quarters of coverage referred to in paragraph (1) of section 214(a) shall, instead, be 3 quarters of coverage for purposes of determining entitlement of such individual to benefits under section 202(a), and of [his wife] *his or her spouse* to benefits under section 202(b) or section 202(c), but, in the case of such [wife,] *spouse*, only if [she] *he or she* attains the age of 72 before 1969 and only with respect to [wife's] *spouse's* insurance benefits under section 202(b) or section 202(c) for and after the month in which [she] *he or she* attains such age. For each month before the month in which way any such individual meets the requirements of section 214(a), the amount of his *or her* old-age insurance benefit shall, notwithstanding the provisions of section 202(a), be the larger of \$64.40 or the amount most recently established in lieu thereof under section 215(i) and the amount of the [wife's] *spouse's* insurance benefit of his *or her* [wife] *spouse* shall, notwithstanding the provisions of section 202(b) or section 202(c), be the larger of \$32.20 or the amount most recently established in lieu thereof under section 215(i).

(b) In the case of any individual who has died, who does not meet the requirements of section 214(a), and whose [widow] *surviving spouse* attains age 72 before 1969, the 6 quarters of coverage referred to in paragraph (3) of section 214(a) and in paragraph (1) thereof shall, for purposes of determining [her] *the* entitlement to [widow's] *surviving spouse's* insurance benefits under section 202(e) *or section 202(f)*, instead be—

- (1) 3 quarters of coverage if such [widow] *surviving spouse* attains the age of 72 in or before 1966,
- (2) 4 quarters of coverage if such [widow] *surviving spouse* attains the age of 72 in 1967, or
- (3) 5 quarters of coverage if such [widow] *surviving spouse* attains the age of 72 in 1968.

The amount of [her widow's] *the surviving spouse's* insurance benefit for each month shall, notwithstanding the provisions of section 202(e) *or section 202(f)* (and section 202(m)), be the larger of \$64.40 or the amount most recently established in lieu thereof under section 215(i).

(c) In the case of any individual who becomes, or upon filing application therefor would become, entitled to benefits under section 202(a) by reason of the application of subsection (a) of this section, who dies, and whose [widow] *surviving spouse* attains the age of 72 before 1969, such deceased individual shall be deemed to meet the requirements of subsection (b) of this section for purposes of determining entitlement of such [widow] *surviving spouse* to [widow's] *surviving spouse's* insurance benefits under section 202(e) *or section 202(f)*.

BENEFITS AT AGE 72 FOR CERTAIN UNINSURED INDIVIDUALS

Eligibility

SEC. 228. (a) * * *

* * * * *

Benefit Amount

(b) (1) Except as provided in paragraph (2), the benefit amount to which an individual is entitled under this section for any month shall be the larger of \$64.40 or the amount most recently established in lieu thereof under section 215(i).

(2) If both husband and wife are entitled (or upon application would be entitled) to benefits under this section for any month, the amount of [the husband's benefit] *each of their benefits* for such month shall be the larger of [\$64.40] *\$48.30* or the amount most recently established in lieu thereof under section 215(i) [and the amount of the wife's benefit for such month shall be the larger of \$32.20 or the amount most recently established in lieu thereof under section 215(i)].

Reduction for Governmental Pension System Benefits

(c) (1) The benefit amount of any individual under this section for any month shall be reduced (but not below zero) by the amount

of any periodic benefit under a governmental pension system for which he is eligible for such month.

(2) In the case of a husband and wife only one of whom is entitled to benefits under this section for any month, the benefit amount, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (A) the total amount of any periodic benefits under governmental pension systems for which the spouse who is not entitled to benefits under this section is eligible for such month, over (B) the larger of \$32.20 or the amount most recently established in lieu thereof under section 215(i).¹

[(3) In the case of a husband and wife both of whom are entitled to benefits under this section for any month—

[(A) the benefit amount of the wife, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (i) the total amount of any periodic benefits under governmental pension systems for which the husband is eligible for such month, over (ii) the larger of \$64.40 or the amount most recently established in lieu thereof under section 215(i); and

[(B) the benefit amount of the husband, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (i) the total amount of any periodic benefits under governmental pension systems for which the wife is eligible for such month, over (ii) the larger of \$32.20 or the amount most recently established in lieu thereof under section 215(i).]

(3) *In the case of a husband or wife, both of whom are entitled to benefits under this section for any month, the benefit amount of each, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (A) the total amount of any periodic benefits under governmental pension systems for which the other is eligible for such month, over (B) the larger of \$48.30 or the amount most recently established in lieu thereof under section 215(i).*

* * * * *

BENEFITS IN CASE OF MEMBERS OF THE UNIFORMED SERVICES

SEC. 229. (a) For purposes of determining entitlement to and the amount of any monthly benefit for any month after December 1972, or entitlement to and the amount of any lump-sum death payment in case of a death after such month, payable under this title on the basis of the wages and self-employment income of any individual, and for purposes of section 216(i)(3), such individual [shall be deemed to have been paid, in each calendar quarter occurring after 1956 in which he], *if he was paid wages for [service as a member of a uniformed service (as defined in section 210(m)) which was included in the term "employment" as defined in section 210(a) as a result of the provisions of section 210(l)] service, as a member of a uniformed service, to which the provisions of section 210(l)(1) are applicable, [wages (in addition to the wages actually paid to him for such service) of \$300.] shall be deemed to have been paid—*

(1) in each calendar quarter occurring after 1956 and before 1978 in which he was paid such wages, additional wages of \$300, and

(2) in each calendar year occurring after 1977 in which he was paid such wages, additional wages of \$100 for each \$300 of such wages, up to a maximum of \$1,200 of additional wages for any calendar year.

* * * * *

ADJUSTMENT OF THE CONTRIBUTION AND BENEFIT BASE

SEC. 230. (a) Whenever the Secretary pursuant to section 215(i) increases benefits effective with the June following a cost-of-living computation quarter, he shall also determine and publish in the Federal Register on or before November 1 of the calendar year in which such quarter occurs the contribution and benefit base determined under subsection (b) or (c) which shall be effective with respect to remuneration paid after the calendar year in which such quarter occurs and taxable years beginning after such year.

(b) The amount of such contribution and benefit base shall (*subject to subsection (c)*) be the amount of the contribution and benefit base in effect in the year in which the determination is made or, if larger, the product of—

[(1) the contribution and benefit base which was in effect with respect to remuneration paid in (and taxable years beginning in) the calendar year in which the determination under subsection (a) with respect to such particular calendar year was made, and

[(2) the ratio of (A) the average of the wages of all employees as reported to the Secretary of the Treasury for the calendar year preceding the calendar year in which the determination under subsection (a) with respect to such particular calendar year was made to (B) the average of the wages of all employees as reported to the Secretary of the Treasury for the calendar year 1973 or, if later, the calendar year preceding the most recent calendar year in which an increase in the contribution and benefit base was enacted or a determination resulting in such an increase was made under subsection (a).]

(1) *the contribution and benefit base which is in effect with respect to remuneration paid in (and taxable years beginning in) the calendar year in which the determination under subsection (a) is made, and*

(2) *the ratio of (A) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the calendar year in which the determination under subsection (a) is made to (B) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the calendar year before the most recent calendar year in which an increase in the contribution and benefit base was enacted or a determination resulting in such an increase was made under subsection (a),*

with such product, if not a multiple of \$300, being rounder to the next higher multiple of \$300 where such product is a multiple of \$150 but not of \$300 and to the nearest multiple of \$300 in any other case. [For purposes of this subsection, the average of the wages for the calendar year 1978 (or any prior calendar year) shall, in the case of determinations made under subsection (a) prior to December 31, 1979, be deemed to be an amount equal to 400 per centum of the amount of the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of such calendar year.]

(c) For purposes of this section, and for purposes of determining wages and self-employment income under sections 209, 211, 213, and 215 of this Act and sections 1402, 3121, 3122, [3125,] 3126, 3127, 6413, and 6654 of the Internal Revenue Code of 1954, (1) the "contribution and benefit base" with respect to remuneration paid in (and taxable years beginning in) any calendar year after 1973 and prior to the calendar year with the June of which the first increase in benefits pursuant to section 215(i) of this Act becomes effective shall be \$13,200 or (if applicable) such other amount as may be specified in a law enacted subsequent to the law which added this [section.] section, and (2) the "contribution and benefit base" with respect to remuneration paid (and taxable years beginning) —

- (A) in 1978 shall be \$19,900,
- (B) in 1979 shall be \$22,900,
- (C) in 1980 shall be \$25,900, and
- (D) in 1981 shall be \$27,900.

For purposes of determining under subsection (b) the "contribution and benefit base" with respect to remuneration paid (and taxable years beginning) in 1982 and subsequent years, the dollar amounts specified in clause (2) of the preceding sentence shall be considered to have resulted from the application of such subsection (b) and to be the amount determined (with respect to the years involved) under that subsection. For purposes of determining employer tax liability under section 3221(a) of the Internal Revenue Code of 1954 and for purposes of computing average monthly compensation under section 3(j) of the Railroad Retirement Act of 1974, except with respect to annuity amounts determined under section 3(a) or 3(f) (3) of such Act, clause (2) and the preceding sentence of this subsection shall be disregarded.

(d) Notwithstanding any other provision of law, the contribution and benefit base determined under this section for any calendar year after 1976 for purposes of section 4022(b)(3)(B) of Public Law 93-406, with respect to any plan, shall be the contribution and benefit base that would have been determined for such year if this section as in effect immediately prior to the enactment of the Social Security Financing Amendments of 1977 had remained in effect without change.

* * * * *

INTERNATIONAL AGREEMENTS

Purpose of Agreement

SEC. 233. (a) The President is authorized to enter into agreements establishing totalization arrangements between the social security sys-

tem established by this title and the social security system of any foreign country, for the purposes of establishing entitlement to and the amount of old-age, survivors, disability, or derivative benefits based on a combination of an individual's periods of coverage under the social security system established by this title and the social security system of each foreign country.

Definitions

(b) For the purposes of this section—

(1) the term "social security system" means, with respect to a foreign country, a social insurance or pension system which is of general application in the country and under which periodic benefits, or the actuarial equivalent thereof, are paid on account of old age, death, or disability; and

(2) the term "period of coverage" means a period of payment of contributions or a period of earnings based on wages for employment or on self-employment income, or any similar period recognized as equivalent thereto under this title or under the social security system of a country which is a party to an agreement entered into under this section.

Crediting Periods of Coverage; Conditions of Payment of Benefits

(c) (1) Any agreement establishing a totalization arrangement pursuant to this section shall provide—

(A) that in the case of an individual who has at least 6 quarters of coverage as defined in section 213 of this Act and periods of coverage under the social security system of a foreign country which is a party to such agreement, periods of coverage of such individual under such social security system of such foreign country may be combined with periods of coverage under this title and otherwise considered for the purposes of establishing entitlement to and the amount of old-age, survivors, and disability insurance benefits under this title;

(B) (i) that employment or self-employment, or any service which is recognized as equivalent to employment or self-employment under this title or the social security system of a foreign country which is a party to such agreement, shall, or on after the effective date of such agreement, result in a period of coverage under the system established under this title or under the system established under the laws of such foreign country, but not under both, and (ii) the methods and conditions for determining under which system employment, self-employment, or other service shall result in a period of coverage; and

(C) that where an individual's periods of coverage are combined, the benefit amount payable under this title shall be based on the proportion of such individual's periods of coverage which was completed under this title.

(2) Any such agreement may provide that—

(A) an individual who is entitled to cash benefits under this title shall, notwithstanding the provisions of section 202(t), receive such benefits while he resides in a foreign country which is a party to such agreement; and

(B) the benefit paid by the United States to an individual who legally resides in the United States shall be increased to an amount which, when added to the benefit paid by such foreign country, will be equal to the benefit amount which would be payable to an entitled individual based on the first figure in (or deemed to be in) column IV of the table in section 215(a) in the case of an individual becoming eligible for such benefit before January 1, 1979, or based on a primary insurance amount determined under section 215(a)(1)(C)(i)(I) in the case of an individual becoming eligible for such benefit on or after that date.

(3) Section 226 shall not apply in the case of any individual to whom it would not be applicable but for this section or any agreement or regulation under this section.

(4) Any such agreement may contain such other provisions, not inconsistent with this section, as the President deems appropriate.

Regulations

(d) The Secretary of Health, Education, and Welfare shall make rules and regulations and establish procedures which are reasonable and necessary to implement and administer any agreement which has been entered into in accordance with this section.

Reports to Congress; Effective Date of Agreements

(e)(1) Any agreement to establish a totalization arrangement entered into pursuant to this section shall be transmitted by the President to the Congress.

(2) Such an agreement shall become effective on any date, provided in the agreement, which occurs after the expiration of 90 days on each of which at least one House of Congress is in session following the date on which the agreement is transmitted in accordance with paragraph (1).

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TITLE VII—ADMINISTRATION

* * * * *

TIME FOR DELIVERY OF BENEFITS CHECKS WHEN REGULAR DELIVERY DAY FALLS ON A SATURDAY, SUNDAY, OR LEGAL HOLIDAY

Sec. 708. (a) If the day regularly designated for the delivery of benefit checks under title II or title XVI falls on a Saturday, Sunday, or legal public holiday (as defined in section 6103 of title 5, United States Code) in any month, the benefit checks which would otherwise be delivered on such day shall be mailed in time for delivery, and delivered, on the first day preceding such day which is not a Saturday, Sunday, or legal public holiday (as so defined), without regard to whether the delivery of such checks would as a result have to be made before the end of the month for which such checks are issued.

(b) If more than the correct amount of payment under title II or XVI is made to any individual as a result of the receipt of a benefit

check pursuant to subsection (a) before the end of the month for which such check is issued, no action shall be taken (under section 204 or 1631 (b) or otherwise) to recover such payment or the incorrect portion thereof.

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**TITLE XVIII—HEALTH INSURANCE FOR THE AGED AND
DISABLED**

* * * * *

**PART B—SUPPLEMENTARY MEDICAL INSURANCE BENEFITS FOR THE
AGED AND DISABLED**

* * * * *

AMOUNTS OF PREMIUMS

SEC. 1839. (a) * * *

* * * * *

(c) (1) The Secretary shall, during December of 1972 and of each year thereafter, determine the monthly actuarial rate for enrollees age 65 and over which shall be applicable for the 12-month period commencing July 1 in the succeeding year. Such actuarial rate shall be the amount the Secretary estimates to be necessary so that the aggregate amount for such 12-month period with respect to those enrollees age 65 and over will equal one-half of the total of the benefits and administrative costs which he estimates will be payable from the Federal Supplementary Medical Insurance Trust Fund for services performed and related administrative costs incurred in such 12-month period. In calculating the monthly actuarial rate, the Secretary shall include an appropriate amount for a contingency margin.

(2) The monthly premium of each individual enrolled under this part for each month after June 1973 shall, except as provided in subsection (d), be the amount determined under paragraph (3).

(3) The Secretary shall, during December of 1972 and of each year thereafter, determine and promulgate the monthly premium applicable for the individuals enrolled under this part for the 12-month period commencing July 1 in the succeeding year. The monthly premium shall be equal to the smaller of—

(A) the monthly actuarial rate for enrollees age 65 and over, determined according to paragraph (1) of this subsection, for that 12-month period, or

(B) the monthly premium rate most recently promulgated by the Secretary under this paragraph or, in the case of the determination made in December 1971, such rate promulgated under subsection (b) (2) multiplied by the ratio of (i) the amount in column IV of the table which, by reason of the law in effect at the time the promulgation is made, will be in effect as of May 1 next following such determination appears (or is deemed to appear) in section 215(a) on the line which includes the figure "750" in column III of such table to (ii) the amount in column IV of the table which appeared (or was deemed to appear) in section 215(a) on the line which included the figure "750" in column III

as of May 1 of the year in which such determination is made.

(B) the monthly premium rate most recently promulgated by the Secretary under this paragraph, increased by a percentage determined as follows: The Secretary shall ascertain the primary insurance amount computed under section 215(a)(1), based upon average indexed monthly earnings of \$900, that applied to individuals who became eligible for and entitled to old-age insurance benefits on May 1 of the year of the promulgation. He shall increase the monthly premium rate by the same percentage by which that primary insurance amount is increased when, by reason of the law in effect at the time the promulgation is made, it is so computed to apply to those individuals on the following May 1.

Whenever the Secretary promulgates the dollar amount which shall be applicable as the monthly premium for any period, he shall, at the time such promulgation is announced, issue a public statement setting forth the actuarial assumptions and bases employed by him in arriving at the amount of an adequate actuarial rate for enrollees age 65 and over as provided in paragraph (1) and the derivation of the dollar amounts specified in this paragraph.¹

(4) The Secretary shall also, during December of 1972 and of each year thereafter, determine the monthly actuarial rate for disabled enrollees under age 65 which shall be applicable for the 12-month period commencing July 1 in the succeeding year. Such actuarial rate shall be the amount the Secretary estimates to be necessary so that the aggregate amount for such 12-month period with respect to disabled enrollees under age 65 will equal one-half of the total of the benefits and administrative costs which he estimates will be incurred in the Federal Supplementary Medical Insurance Trust Fund for such 12-month period with respect to such enrollees. In calculating the monthly actuarial rate under this paragraph, the Secretary shall include an appropriate amount for a contingency margin.

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INTERNAL REVENUE CODE OF 1954

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Subtitle A—Income Taxes

* * * * *

CHAPTER 2—TAX ON SELF-EMPLOYMENT INCOME

* * * * *

SEC. 1401. RATE OF TAX.

(a) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—In addition to other taxes, there shall be imposed for each taxable year, on the self-employment income of every individual, [a tax equal to 7.0 percent of the amount of the self-employment income for such taxable year.]

a tax (subject to section 3125) as follows:

(1) in the case of any taxable year beginning before January 1, 1978, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year;

(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1981, the tax shall be equal to 7.10 percent of the amount of the self-employment income for such taxable year;

(3) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1985, the tax shall be equal to 7.70 percent of the amount of the self-employment income for such taxable year;

(4) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1990, the tax shall be equal to 8.20 percent of the amount of the self-employment income for such taxable year; and

(5) in the case of any taxable year beginning after December 31, 1989, the tax shall be equal to 9.00 percent of the amount of the self-employment income for such taxable year.

(b) HOSPITAL INSURANCE.—In addition to the tax imposed by the preceding subsection, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

(1) in the case of any taxable year beginning after December 31, 1973, and before January 1, 1978, the tax shall be equal to 0.90 percent of the amount of the self-employment income for such taxable year;

(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1981, the tax shall be equal to **[1.10]** 1.00 percent of the amount of the self-employment income for such taxable year.

(3) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1986, the tax shall be equal to **[1.35]** 1.30 percent of the amount of the self-employment income for such taxable year; and

(4) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to **[1.50 percent]** 1.45 percent of the amount of the self-employment income for such taxable year.

(c) RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.—During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, the self-employment income of an individual shall be exempt from the taxes imposed by this section to the extent that such self-employment income is subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country.

SEC. 1402. DEFINITIONS.

(a) NET EARNINGS FROM SELF-EMPLOYMENT.—The term “net earnings from self-employment” means the gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed by this subtitle which are attributable to such trade or business, plus his distributive share (whether or not distributed) of income or loss described in section 702(a)(8) from any trade or business carried on by a partnership of which he is a member; except that

in computing such gross income and deductions and such distributive share of partnership ordinary income or loss—

(1) there shall be excluded rentals from real estate and from personal property leased with the real estate (including such rentals paid in crop shares) together with the deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer; except that the preceding provisions of this paragraph shall not apply to any income derived by the owner or tenant of land if (A) such income is derived under an arrangement, between the owner or tenant and another individual, which provides that such other individual shall produce agricultural or horticultural commodities (including livestock, bees, poultry, and fur-bearing animals and wildlife) on such land, and that there shall be material participation by the owner or tenant (as determined without regard to any activities of an agent of such owner or tenant) in the production or the management of the production of such agricultural or horticultural commodities, and (B) there is material participation by the owner or tenant (as determined without regard to any activities of an agent of such owner or tenant) with respect to any such agricultural or horticultural commodity;

(2) there shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest are received in the course of a trade or business as a dealer in stocks or securities;

(3) there shall be excluded any gain or loss—

(A) which is considered as gain or loss from the sale or exchange of a capital asset,

(B) from the cutting of timber, or the disposal of timber, coal, or iron ore, if section 631 applies to such gain or loss, or

(C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither—

(i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor

(ii) property held primarily for sale to customers in the ordinary course of the trade or business;

(4) the deduction for net operating losses provided in section 172 shall not be allowed;

(5) if—

(A) any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income

and deductions of the wife] spouse who exercises the greater management and control over the trade or business, except that such income and deductions shall be divided equally between the two spouses if each spouse exercises the same amount of management and control over the trade or business, and

(B) any portion of a partner's distributive share of the ordinary income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;

(6) a resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States but without regard to section 933;

(7) the deduction for personal exemptions provided in section 151 shall not be allowed;

(8) an individual who is a duly ordained, commissioned, or licensed minister of a church or a member of a religious order shall compute his net earnings from self-employment derived from the performance of service described in subsection (c)(4) without regard to section 107 (relating to rental value of parsonages), section 119 (relating to meals and lodging furnished for the convenience of the employer), section 911 (relating to earned income from sources without the United States) and section 931 (relating to income from sources within possessions of the United States);

(9) the term "possession of the United States" as used in sections 931 (relating to income from sources within possessions of the United States) and 932 (relating to citizens of possessions of the United States) shall be deemed not to include the Virgin Islands, Guam, or American Samoa;

(10) there shall be excluded amounts received by a partner pursuant to a written plan of the partnership, which meets such requirements as are prescribed by the Secretary, and which provides for payments on account of retirement, on a periodic basis, to partners generally or to a class or classes of partners, such payments to continue at least until such partner's death, if—

(A) such partner rendered no services with respect to any trade or business carried on by such partnership (or its successors) during the taxable year of such partnership (or its successors), ending within or with his taxable year, in which such amounts were received, and

(B) no obligation exists (as of the close of the partnership's taxable year referred to in subparagraph (A)) from the other partners to such partner except with respect to retirement payments under such plan, and

(C) such partner's share, if any, of the capital of the partnership has been paid to him in full before the close of the partnership's taxable year referred to in subparagraph (A);

[and]

(11) in the case of an individual who has been a resident of the United States during the entire taxable year, the exclusion from gross income provided by section 911(a)(2) shall not apply.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based on the ordinary income or loss of the partnership for any taxable year of the partnership ending within or with his taxable year. In the case of any trade or business which is carried on by an individual or by a partnership and in which, if such trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 3121(g)—

(i) in the case of an individual, if the gross income derived by him from such trade or business is not more than \$2,400, the net earnings from self-employment derived by him from such trade or business may, at his option, be deemed to be 66 $\frac{2}{3}$ percent of such gross income; or

(ii) in the case of an individual, if the gross income derived by him from such trade or business is more than \$2,400 and the net earnings from self-employment derived by him from such trade or business (computed under this subsection without regard to this sentence) are less than \$1,600, the net earnings from self-employment derived by him from such trade or business may, at his option, be deemed to be \$1,600; and

(iii) in the case of a member of a partnership, if his distributive share of the gross income of the partnership derived from such trade or business (after gross income has been reduced by the sum of all payments to which section 707(c) applies) is not more than \$2,400, his distributive share of income described in section 702(a)(8) derived from such trade or business may, at his option, be deemed to be an amount equal to 66 $\frac{2}{3}$ percent of his distributive share of such gross income (after such gross income has been so reduced); or

(iv) in the case of a member of a partnership, if his distributive share of the gross income of the partnership derived from such trade or business (after such gross income has been reduced by the sum of all payments to which section 707(c) applies) is more than \$2,400 and his distributive share (whether or not distributed) of income described in section 702(a)(8) derived from such trade or business (computed under this subsection without regard to this sentence) is less than \$1,600, his distributive share of income described in section 702(a)(8) derived from such trade or business may, at his option, be deemed to be \$1,600.

For purposes of the preceding sentence, gross income means—

(v) in the case of any such trade or business in which the income is computed under a cash receipts and disbursements method, the gross receipts from such trade or business reduced by the cost or other basis of property which was

purchased and sold in carrying on such trade or business, adjusted (after such reduction) in accordance with the provisions of paragraphs (1) through (7) and paragraph (9) of this subsection; and

(vi) in the case of any such trade or business in which the income is computed under an accrual method, the gross income from such trade or business, adjusted in accordance with the provisions of paragraphs (1) through (7) and paragraph (9) of this subsection;

and, for purposes of such sentence, if an individual (including a member of a partnership) derives gross income from more than one such trade or business, such gross income (including his distributive share of the gross income of any partnership derived from any such trade or business) shall be deemed to have been derived from one trade or business.

The preceding sentence and clauses (i) through (iv) of the second preceding sentence shall also apply in the case of any trade or business (other than a trade or business specified in such second preceding sentence) which is carried on by an individual who is self-employed on a regular basis as defined in subsection (i), or by a partnership of which an individual is a member on a regular basis as defined in subsection (i), but only if such individual's net earnings from self-employment as determined without regard to this sentence in the taxable year are less than \$1,600 and less than $66\frac{2}{3}$ percent of the sum (in such taxable year) of such individual's gross income derived from all trade or businesses carried on by him and his distributive share of the income or loss from all trades or businesses carried on by all the partnerships of which he is a member; except that this sentence shall not apply to more than 5 taxable years in the case of any individual, and in no case in which an individual elects to determine the amount of his net earnings from self-employment for a taxable year under the provisions of the two preceding sentences with respect to a trade or business to which the second preceding sentence applies and with respect to a trade or business to which this sentence applies shall such net earnings for such years exceed \$1,600[.]; and

(12) there shall be excluded the distributive share of any item of income or loss of a limited partner, as such, other than guaranteed payments described in section 707(c) to that partner for services actually rendered to or on behalf of the partnership to the extent that those payments are established to be in the nature of remuneration for those services.

(b) **SELF-EMPLOYMENT INCOME.**—The term “self-employment income” means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year, except that such term shall not include—

(1) that part of the net earnings from self-employment which is in excess of (i) an amount equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) which is effective for the calendar year in which such tax-

able year begins, minus (ii) the amount of the wages paid to such individual during such taxable years, or

(2) the net earnings from self-employment, if such net earnings for the taxable year are less than \$400.

For purposes of clause (1), the term "wages" (A) includes such remuneration paid to an employee for services included **█**under an agreement entered into pursuant to the provisions of section 218 of the Social Security Act (relating to coverage of State employees), or**█** *as would be wages* under an agreement entered into pursuant to the provisions of section 3121(1) (relating to coverage of citizens of the United States who are employees of foreign subsidiaries of domestic corporations), as would be wages under section 3121(a) if such services constituted employment under section 3121(b), and (B) includes compensation which is subject to the tax imposed by section 3201 or 3211. An individual who is not a citizen of the United States but who is a resident of the Commonwealth of Puerto Rico, the Virgin Islands, Guam, or American Samoa shall not, for purposes of this chapter be considered to be a nonresident alien individual.

(c) **TRADE OR BUSINESS.**—The term "trade or business", when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 162 (relating to trade or business expenses), except that such term shall not include—

(1) the performance of the functions of a public office, other than the functions of a public office of a State or a political subdivision thereof with respect to fees received in any period in which the functions are performed in a position compensated solely on a fee basis **█**and in which such functions are not covered under an agreement entered into by such State and the Secretary of Health, Education, and Welfare pursuant to section 218 of the Social Security Act**█**;

(2) the performance of service by an individual as an employee, other than—

(A) service described in section 3121(b)**█**(14)(B)**█** (11)

(B) performed by an individual who has attained the age of 18.

(B) service described in section 3121(b)**█**(16)**█** (13),

(C) service described in section 3121(b)**█**(11), (12), or (15)**█** (8), (9), or 12 performed in the United States (as defined in section 3121(e) (2)) by a citizen of the United States,

(D) service described in paragraph (4) of this subsection.

(E) service performed by an individual as an employee of a State or a political subdivision thereof in a position compensated solely on a fee basis **█**with respect to fees received in any period in which such service is not covered under an agreement entered into by such State and the Secretary of Health, Education, and Welfare pursuant to section 218 of the Social Security Act, and**█**

(F) service described in section 3121(b)**█**(20)**█** (17);

(3) the performance of service by an individual as an employee or employee representative as defined in section 3231;

(4) the performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

(5) the performance of service by an individual in the exercise of his profession as a Christian Science practitioner; or

(6) the performance of service by an individual during the period for which an exemption under subsection (h) is effective with respect to him.

The provisions of paragraph (4) or (5) shall not apply to service (other than service performed by a member of a religious order who has taken a vow of poverty as a member of such order) performed by an individual unless an exemption under subsection (e) is effective with respect to him.

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Subtitle C—Employment Taxes

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CHAPTER 21—FEDERAL INSURANCE CONTRIBUTIONS ACT

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Subchapter A—Tax on Employees

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SEC. 3101. RATE OF TAX.

(a) **OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.**—In addition to other taxes, there is hereby imposed on the income of every individual a tax equal to the following percentages (*subject to section 3125*) of the wages (as defined in section 3121(a)) received by him with respect to employment (as defined in section 3121(b))—

【(1) with respect to wages received during the calendar years 1974 through 2010, the rate shall be 4.95 percent; and

【(2) with respect to wages received after December 31, 2010, the rate shall be 5.95 percent】

(1) *with respect to wages received during the calendar years 1974 through 1977, the rate shall be 4.95 percent;*

(2) *with respect to wages received during the calendar years 1978 through 1980, the rate shall be 5.05 percent;*

(3) *with respect to wages received during the calendar years 1981 through 1984, the rate shall be 5.15 percent;*

(4) *with respect to wages received during the calendar years 1985 through 1989, the rate shall be 5.45 percent; and*

(5) *with respect to wages received after December 31, 1989, the rate shall be 6.00 percent.*

(b) **HOSPITAL INSURANCE.**—In addition to the tax imposed by the preceding subsection there is hereby imposed on the income of every individual a tax equal to the following percentages of the wages (as

defined in section 3121(a)) received by him with respect to employment (as defined in section 3121(b))—

- (1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 0.90 percent;
- (2) with respect to wages received during the calendar years 1978 through 1980, the rate shall be ~~1.10~~ 1.00 percent;
- (3) with respect to wages received during the calendar years 1981 through 1985, the rate shall be ~~1.35~~ 1.30 percent; and
- (4) with respect to wages received after December 31, 1985, the rate shall be ~~1.50~~ 1.45 percent.

(c) RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.—During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, wages received by or paid to an individual shall be exempt from the taxes imposed by the section to the extent that such wages are subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country.

SEC. 310. DEDUCTION OF TAX FROM WAGES.

(a) REQUIREMENT.—The tax imposed by section 3101 shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid. An employer who in any calendar quarter pays to an employee cash remuneration to which paragraph (7) (B) ~~or (C) or (10)~~ of section 3121(a) is applicable may deduct an amount equivalent to such tax from any such payment of remuneration, even though at the time of payment the total amount of such remuneration paid to the employee by the employer in the calendar quarter is less than \$50; *and an employer who in any calendar year pays to an employee cash remuneration to which paragraph (7) (C) or (10) of section 3121(a) is applicable may deduct an amount equivalent to such tax from any such payment of remuneration, even though at the time of payment the total amount of such remuneration paid to the employee by the employer in the calendar year is less than \$100*; and an employer who in any calendar year pays to an employee cash remuneration to which paragraph (8) (B) of section 3121(a) is applicable may deduct an amount equivalent to such tax from any such payment of remuneration, even though at the time of payment the total amount of such remuneration paid to the employee by the employer in the calendar year is less than \$150 and the employee has not performed agricultural labor for the employer on 20 days or more in the calendar year for cash remuneration computed on a time basis; and an employer who is furnished by an employee a written statement of tips (received in a calendar month) pursuant to section 6053(a) to which paragraph (12) (B) of section 3121(a) is applicable may deduct an amount equivalent to such tax with respect to such tips from any wages of the employee (exclusive of tips) under his control, even though at the time such statement is furnished the total amount of the tips included in statements furnished to the employer as having been received by the employee in such calendar month in the course of his employment by such employer is less than \$20.

* * * * *

(c) SPECIAL RULE FOR TIPS—

(1) In the case of tips which constitute wages, subsection (a) shall be applicable only to such tips as are included in a written statement furnished to the employer pursuant to section 6053(a), and only to the extent that collection can be made by the employer, at or after the time such statement is so furnished and before the close of the 10th day following the calendar month (or, if paragraph (3) applies, the 30th day following the [quarter] year) in which the tips were deemed paid, by deducting the amount of the tax from such wages of the employee (excluding tips, but including funds turned over by the employee to the employer pursuant to paragraph (2)) as are under control of the employer.

(2) If the tax imposed by section 3101, with respect to tips which are included in written statements furnished in any month to the employer pursuant to section 6053(a), exceeds the wages of the employee (excluding tips) from which the employer is required to collect the tax under paragraph (1), the employee may furnish to the employer on or before the 10th day of the following month (or, if paragraph (3) applies, on or before the 30th day of the following [quarter] year) an amount of money equal to the amount of the excess.

(3) The Secretary may, under regulations prescribed by him, authorize employers—

(A) to estimate the amount of tips that will be reported by the employee pursuant to section 6053(a) in any [quarter] of the] calendar year.

(B) to determine the amount to be deducted upon each payment of wages (exclusive of tips) during such [quarter] year as if the tips so estimated constituted the actual tips so reported, and

(C) to deduct upon any payment of wages (other than tips, but including funds turned over by the employee to the employer pursuant to paragraph (2)) to such employee during such [quarter] year (and within 30 days thereafter) such amount as may be necessary to adjust the amount actually deducted upon such wages of the employee during the [quarter] year to the amount required to be deducted in respect to tips included in written statements furnished to the employer during the [quarter] year.

(4) If the tax imposed by section 3101 with respect to tips which constitute wages exceeds the portion of such tax which can be collected by the employer from the wages of the employee pursuant to paragraph (1) or paragraph (3), such excess shall be paid by the employee.

Subchapter B—Tax on Employers

* * * * *

SEC. 3111. RATE OF TAX.

(a) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—In addition to other taxes, there is hereby imposed on every employer an excise tax with respect to having individuals in his employ, equal to the following

percentages (*subject to section 3125*) of the wages (as defined in section 3121(a)) paid by him with respect to employment (as defined in section 3121(b))—

【(1) with respect to wages paid during the calendar years 1974 through 2010, the rate shall be 4.95 percent; and

【(2) with respect to wages paid after December 31, 2010, the rate shall be 5.95 percent】

(1) *with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 4.95 percent;*

(2) *with respect to wages paid during the calendar years 1978 through 1980, the rate shall be 5.05 percent;*

(3) *with respect to wages paid during the calendar years 1981 through 1984, the rate shall be 5.15 percent;*

(4) *with respect to wages received during the calendar years 1985 through 1989, the rate shall be 5.45 percent; and*

(5) *with respect to wages paid after December 31, 1989, the rate shall be 6.00 percent.*

(b) HOSPITAL INSURANCE.—In addition to the tax imposed by the preceding subsection, there is hereby imposed on every employer an excise tax with respect to having individuals in this employ, equal to the following percentages of the wages (as defined in section 3121(a)) paid by him with respect to employment (as defined in section 3121(b))—

(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 0.90 percent;

(2) with respect to wages paid during the calendar years 1978 through 1980, the rate shall be 【1.10】 1.00 percent;

(3) with respect to wages paid during the calendar years 1981 through 1985, the rate shall be 【1.35】 1.30 percent; and

(4) with respect to wages paid after December 31, 1985, the rate shall be 【1.50】 1.45 percent.

(c) RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.—*During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, wages received by or paid to an individual shall be exempt from the taxes imposed by this section to the extent that such wages are subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country.*

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Subchapter C—General Provisions

Sec. 3121. Definitions.

Sec. 3122. Federal service.

Sec. 3123. Deductions as constructive payments.

Sec. 3124. Estimate of revenue reduction.

【Sec. 3125. Returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia:

【Sec. 3126. Short title.】

Sec. 3125. *Increase in tax rates to assure repayment of loans made to trust funds.*

Sec. 3126. *Returns in the case of State and local governmental employees.*

Sec. 3127. Returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia.

Sec. 3128. Short title.

SEC. 3121. DEFINITIONS.

(a) **WAGES.**—For purposes of this chapter, the term “wages” means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

(1) that part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) with respect to employment has been paid to an individual by an employer during the calendar year with respect to which such contribution and benefit base is effective, is paid to such individual by such employer during such calendar year. If an employer (hereinafter referred to as successor employer) during any calendar year acquires substantially all the property used in a trade or business of another employer (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether the successor employer has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) to such individual during such calendar year, any remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such successor employer;

(2) the amount of any payment (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), made to, or on behalf of, an employee or any of his dependents under a plan or system established by an employer which makes provision for his employees generally (or for his employees generally and their dependents) or for a class or classes of his employees (or for a class or classes of his employees and their dependents), on account of—

- (A) retirement, or
- (B) sickness or accident disability, or
- (C) medical or hospitalization expenses in connection with sickness or accident disability, or
- (D) death;

(3) any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

(4) any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of,

an employee after the expiration of 6 calendar months following the last calendar month in which the employee worked for such employer;

(5) any payment made to, or on behalf of, an employee or his beneficiary—

(A) from or to a trust described in section 401(a) which is exempt from tax under section 501(a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust,

(B) under or to an annuity plan which, at the time of such payment, is a plan described in section 403(a), or

(C) under or to a bond purchase plan which, at the time of such payment, is a qualified bond purchase plan described in section 405(a);

(6) the payment by an employer (without deduction from the remuneration of the employee)—

(A) of the tax imposed upon an employee under section 3101 (or the corresponding section of prior law), or

(B) of any payment required from an employee under a State unemployment compensation law;

(7) (A) remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer;

(B) cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than \$50. As used in this subparagraph, the term "domestic service in a private home of the employer" does not include service described in subsection (g)(5);

(C) cash remuneration paid by an employer in any calendar **[quarter]** year to an employee for service not in the course of the employer's trade or business, if the cash remuneration paid in such **[quarter]** year by the employer to the employee for such service is less than **[\$50]** \$100. As used in this subparagraph, the term "service not in the course of the employer's trade or business" does not include domestic service in a private home of the employer and does not include service described in subsection (g)(5);

(8) (A) remuneration paid in any medium other than cash for agricultural labor;

(B) cash remuneration paid by an employer in any calendar year to an employee for agricultural labor unless (i) the cash remuneration paid in such year by the employer to the employee for such labor is \$150 or more, or (ii) the employee performs agricultural labor for the employer on 20 days or more during such year for cash remuneration computed on a time basis;

(9) any payment (other than vacation or sick pay) made to an employee after the month in which he attains age 62, if such employee did not work for the employer in the period for which such payment is made;

(10) remuneration paid by an employer in any calendar **[quarter]** year to an employee for service described in subsection (d) (3) (C) (relating to home workers), if the cash remuneration paid in such **[quarter]** year by the employer to the employee for such service is less than **[\$50;]** \$100;

(11) remuneration paid to or on behalf of an employee if (and to the extent that) at the time of the payment of such remuneration it is reasonable to believe that a corresponding deduction is allowable under section 217;

(12) (A) tips paid in any medium other than cash;

(B) cash tips received by an employee in any calendar month in the course of his employment by an employer unless the amount of such cash tips is \$20 or more;

(13) any payment or series of payments by an employer to an employee or any of his dependents which is paid—

(A) upon or after the termination of an employee's employment relationship because of (i) death, (ii) retirement for disability, or (iii) retirement after attaining an age specified in the plan referred to in subparagraph (B) or in a pension plan of the employer, and

(B) under a plan established by the employer which makes provision for his employees generally or a class or classes of his employees (or for such employees or class or classes of employees and their dependents),

other than such payment or series of payments which would have been paid if the employee's employment relationship had not been so terminated;

(14) any payment made by an employer to a survivor or the estate of a former employee after the calendar year in which such employee died; **[or]**

(15) any payment made by an employer to an employee, if at the time such payment is made such employee is entitled to disability insurance benefits under section 223(a) of the Social Security Act and such entitlement commenced prior to the calendar year in which such payment is made, and if such employee did not perform any services for such employer during the period for which such payment is made**[.]**; or

(16) remuneration paid by an organization exempt from income tax under section 501(a) (other than an organization described in section 401(a)) or under section 521 in any calendar year to an employee for service rendered in the employ of such organization, if the remuneration paid in such year by the organization to the employee for such service is less than \$100.

(b) EMPLOYMENT.—For purposes of this chapter, the term "employment" means any service, of whatever nature, performed either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft

when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (h)); except that such term shall not include—

(1) service performed by foreign agricultural workers (A) under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended (7 U.S.C. 1461–1468), or (B) lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies, or from any other foreign country or possession thereof, on a temporary basis to perform agricultural labor;

(2) domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university;

(3) (A) service performed by an individual in the employ of his spouse, and service performed by a child under the age of 21 in the employ of his father or mother;

(B) service not in the course of the employer's trade or business, or domestic service in a private home of the employer, performed by an individual in the employ of his son or daughter; except that the provisions of this subparagraph shall not be applicable to such domestic service if—

(i) the employer is a surviving spouse or a divorced individual and has not remarried, or has a spouse living in the home who has a mental or physical condition which results in such spouse's being incapable of caring for a son, daughter, stepson, or stepdaughter (referred to in clause (ii)) for at least 4 continuous weeks in the calendar quarter in which the service is rendered, and

(ii) a son, daughter, stepson, or stepdaughter of such employer is living in the home, and

(iii) the son, daughter, stepson, or stepdaughter (referred to in clause (ii)) has not attained age 18 or has a mental or physical condition which requires the personal care and supervision of an adult for at least 4 continuous weeks in the calendar quarter in which the service is rendered;

(4) service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if (A) the individual is employed on and in connection with such vessel or aircraft, when outside the United States and (B) (i) such individual is not a citizen of the United States or (ii) the employer is not an American employer;

[(5) service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 3111 by virtue of any provision of law which specifically refers to such section (or the corresponding section of prior law) in granting such exemption;

[(6) (A) service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is covered by a retirement system established by a law of the United States;

[(B) service performed by an individual in the employ of an instrumentality of the United States if such an instrumentality was exempt from the tax imposed by section 1410 of the Internal Revenue Code of 1939 on December 31, 1950, and if such service is covered by a retirement system established by such instrumentality; except that the provisions of this subparagraph shall not be applicable to—

[(i) service performed in the employ of a corporation which is wholly owned by the United States;

[(ii) service performed in the employ of a Federal land bank, a Federal intermediate credit bank, a bank for cooperatives, a Federal land bank association, a production credit association, a Federal Reserve Bank, a Federal Home Loan Bank, or a Federal Credit Union;

[(iii) service performed in the employ of a State, county, or community committee under the Commodity Stabilization Service;

[(iv) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department; or

[(v) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Transportation, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard;

[(C) service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is performed—

[(i) as the President or Vice President of the United States or as a Member, Delegate, or Resident Commissioner of or to the Congress;

[(ii) in the legislative branch;

[(iii) in a penal institution of the United States by an inmate thereof;

[(iv) by any individual as an employee included under section 5351(2) of title 5, United States Code (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government) other than as a medical or dental intern or a medical or dental resident in training;

[(v) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency; or

[(vi) by any individual to whom subchapter III of chapter 83 of title 5, United States Code, does not apply because such individual is subject to another retirement system (other than the retirement system of the Tennessee Valley Authority) ;]

[(7) service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned thereby, except that this paragraph shall not apply in the case of—

[(A) service which, under subsection (j), constitutes covered transportation service,

[(B) service in the employ of the Government of Guam or the Government of American Samoa or any political subdivision thereof, or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, performed by an officer or employee thereof (including a member of the legislature of any such Government or political subdivision), and, for purposes of this title with respect to the taxes imposed by this chapter—

[(i) any person whose service as such an officer or employee is not covered by a retirement system established by a law of the United States shall not, with respect to such service, be regarded as an employee of the United States or any agency or instrumentality thereof, and

[(ii) the remuneration for service described in clause (i) (including fees paid to a public official) shall be deemed to have been paid by the Government of Guam or the Government of American Samoa or by a political subdivision thereof or an instrumentality of any one or more of the foregoing which is wholly owned thereby whichever is appropriate,

[(C) service performed in the employ of the District of Columbia or any instrumentality which is wholly owned thereby, if such service is not covered by a retirement system established by a law of the United States; except that the provisions of this subparagraph shall not be applicable to service performed—

[(i) in a hospital or penal institution by a patient or inmate thereof;

[(ii) by any individual as an employee included under section 5351 (2) of title 5, United States Code (relating to certain interns, student nurses, and other student employees of hospitals of the District of Columbia Government), other than as a medical or dental intern or as a medical or dental resident in training;

[(iii) by any individual as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood or other similar emergency; or

[(iv) by a member of a board, committee, or council of District of Columbia, paid on a per diem, meeting, or other fee basis, or

[(D) service performed in the employ of the Government of Guam (or any instrumentality which is wholly owned by

such Government) by an employee properly classified as a temporary or intermittent employee, if such service is not covered by a retirement system established by a law of Guam; except that (i) the provisions of this subparagraph shall not be applicable to services performed by an elected official or a member of the legislature or in a hospital or penal institution by a patient or inmate thereof, and (ii) for purposes of this subparagraph, clauses (i) and (ii) of subparagraph (B) shall apply;】

【(8)(A)】 (5) service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order, except that this 【subparagraph】 *paragraph* shall not apply to service performed by a member of such an order in the exercise of such duties, if an election of coverage under subsection (r) is in effect with respect to such order, or with respect to the autonomous subdivision thereof to which such member belongs;

【(B)】 service performed in the employ of a religious, charitable, educational, or other organization described in section 501(c)(3) which is exempt from income tax under section 501(a), but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to subsection (k) (or the corresponding subsection of prior law) or deemed to have been so filed under paragraph (4) or (5) of such subsection, is in effect if such service is performed by an employee—

【(i)】 whose signature appears on the list filed (or deemed to have been filed) by such organization under subsection (k) (or the corresponding subsection of prior law),

【(ii)】 who became an employee of such organization after the calendar quarter in which the certificate (other than a certificate referred to in clause (iii)) was filed (or deemed to have been filed), or

【(iii)】 who, after the calendar quarter in which the certificate was filed (or deemed to have been filed) with respect to a group described in section 3121(k)(1)(E), became a member of such group,

【except that this subparagraph shall apply with respect to service performed by an employee as a member of a group described in section 3121(k)(1)(E) with respect to which no certificate is (or is deemed to be) in effect;】

【(9)】 (6) service performed by an individual as an employee or employee representative as defined in section 3231;

【(10)(A)】 service performed in any calendar quarter in the employ of any organization exempt from income tax under section 501(a) (other than an organization described in section 401(a)) or under section 521, if the remuneration for such service is less than \$50;

【(B) service】 (7) *service* performed in the employ of—

【(i)】 (4) a school, college, or university, or

[(ii)] (B) an organization described in section 509(a) (3) if the organization is organized, and at all times thereafter is operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of a school, college, or university and is operated, supervised, or controlled by or in connection with such school, college, or university [], unless it is a school, college, or university of a State or a political subdivision thereof and the services performed in its employ by a student referred to in section 218(c) (5) of the Social Security Act are covered under the agreement between the Secretary of Health, Education, and Welfare and such State entered into pursuant to section 218 of such Act;

if such service is performed by a student who is enrolled in regularly attending classes at such school, college, or university;];

[(11)] (8) service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

[(12)] (9) service performed in the employ of an instrumentality wholly owned by a foreign government—

(A) if the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

(B) if the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

[(13)] (10) service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law;

[(14)] (11) (A) service performed by an individual under the age of 18 in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

(B) service performed by an individual in, and at the time or, sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back;

[(15)] (12) service performed in the employ of an international organization;

[(16)] (13) service performed by an individual under an arrangement with the owner or tenant of land pursuant to which—

(A) such individual undertakes to produce agricultural or horticultural commodities (including livestock, bees, poultry, and fur-bearing animals and wildlife) on such land,

(B) the agricultural or horticultural commodities produced by such individual, or the proceeds therefrom, are to be divided between such individual and such owner or tenant, and

(C) the amount of such individual's share depends on the amount of the agricultural or horticultural commodities produced;

[(17)] (14) service in the employ of any organization which is performed (A) in any [quarter] year during any part of which such organization is registered, or there is in effect a final order of the Subversive Activities Control Board requiring such organization to register, under the Internal Security Act of 1950, as amended, as a Communist-action organization, a Communist-front organization, or a Communist-infiltrated organization, and (B) after June 30, 1956;

[(18)] (15) service performed in Guam by a resident of the Republic of the Philippines while in Guam on a temporary basis as a nonimmigrant alien admitted to Guam pursuant to section 101(a)(15)(H)(ii) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(15)(H)(ii));

[(19)] (16) service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be; or

[(20)] (17) service performed by an individual on a boat engaged in catching fish or other forms of aquatic animal life under an arrangement with the owner or operator of such boat pursuant to which—

(A) such individual does not receive any cash remuneration (other than as provided in subparagraph (B)),

(B) such individual receives a share of the boat's (or the boats' in the case of a fishing operation involving more than one boat) catch of fish or other forms of aquatic animal life or a share of the proceeds from the sale of such catch, and

(C) the amount of such individual's share depends on the amount of the boat's (or the boats' in the case of a fishing operation involving more than one boat) catch of fish or other forms of aquatic animal life,

but only if the operating crew of such boat (or each boat from which the individual receives a share in the case of a fishing operation involving more than one boat) is normally made up of fewer than 10 individuals.

(c) INCLUDED AND EXCLUDED SERVICE.—For purposes of this chapter, if the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more

than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection, the term "pay period" means a period (of not more than 31 consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him, where any of such service is excepted by subsection (b) [9] (6).

* * * * *

(g) AGRICULTURAL LABOR.—For purposes of this chapter, the term "agricultural labor" includes all service performed—

(1) on a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife;

(2) in the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm;

(3) in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended (12 U.S.C. 1141j), or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes;

(4) (A) in the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity; but only if such operator produced more than one-half of the commodity with respect to which such service is performed;

(B) in the employ of a group of operators of farms (other than a co-operative organization) in the performance of service described in subparagraph (A), but only if such operators produced all of the commodity with respect to which such service is performed. For purposes of this subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than 20 at any time during the calendar [quarter] year in which such service is performed;

(C) the provisions of subparagraphs (A) and (B) shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption; or

(5) on a farm operated for profit if such service is not in the course of the employer's trade or business or is domestic service in a private home of the employer.

As used in this subsection, the term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

* * * * *

[(j) COVERED TRANSPORTATION SERVICE.—For purposes of this chapter—

[(1) EXISTING TRANSPORTATION SYSTEMS—GENERAL RULE.—Except as provided in in paragraph (2), all service performed in the employ of a State or political subdivision in connection with its operation of a public transportation system shall constitute covered transportation service if any part of the transportation system was acquired from private ownership after 1936 and prior to 1951.

[(2) EXISTING TRANSPORTATION SYSTEMS—CASES IN WHICH NO TRANSPORTATION EMPLOYEES, OR ONLY CERTAIN EMPLOYEES, ARE COVERED.—Service performed in the employ of a State or political subdivision in connection with the operation of its public transportation system shall not constitute covered transportation service if—

[(A) any part of the transportation system was acquired from private ownership after 1936 and prior to 1951, and substantially all service in connection with the operation of the transportation system was, on December 31, 1950, covered under a general retirement system providing benefits which, by reason of a provision of the State constitution dealing specifically with retirement systems of the State or political subdivisions thereof, cannot be diminished or impaired; or

[(B) no part of the transportation system operated by the State or political subdivision on December 31, 1950, was acquired from private ownership after 1936 and prior to 1951;

except that if such State or political subdivision makes an acquisition after 1950 from private ownership of any part of its transportation system, then, in the case of any employee who—

[(C) became an employee of such State or political subdivision in connection with and at the time of its acquisition after 1950 of such part, and

[(D) prior to such acquisition rendered service in employment (including as employment service covered by an agreement under section 218 of the Social Security Act) in connection with the operation of such part of the transportation system acquired by the State or political subdivision.

the service of such employee in connection with the operation of the transportation system shall constitute covered transportation service, commencing with the first day of the third calendar quarter following the calendar quarter in which the acquisition of such part took place, unless on such first day such service of such

employee is covered by a general retirement system which does not, with respect to such employee, contain special provisions applicable only to employees described in subparagraph (C).

[(3) TRANSPORTATION SYSTEMS ACQUIRED AFTER 1950.—All service performed in the employ of a State or political subdivision thereof in connection with its operation of a public transportation system shall constitute covered transportation service if the transportation system was not operated by the State or political subdivision prior to 1951 and, at the time of its first acquisition (after 1950) from private ownership of any part of its transportation system, the State or political subdivision did not have a general retirement system covering substantially all service performed in connection with the operation of the transportation system.

[(4) DEFINITIONS.—For purposes of this subsection—

[(A) The term “general retirement system” means any pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof for employees of the State, political subdivision, or both; but such terms shall not include such a fund or system which covers only service performed in positions connected with the operation of its public transportation system.

[(B) A transportation system or a part thereof shall be considered to have been acquired by a State or political subdivision from private ownership if prior to the acquisition service performed by employees in connection with the operation of the system or part thereof acquired constituted employment under this chapter or subchapter A of chapter 9 of the Internal Revenue Code of 1939 or was covered by an agreement made pursuant to section 218 of the Social Security Act and some of such employees became employees of the State or political subdivision in connection with and at the time of such acquisition.

[(C) The term “political subdivision” includes an instrumentality of—

[(i) a State,

[(ii) one or more political subdivisions of a State, or

[(iii) a State and one or more of its political subdivisions.]

(k) EXEMPTION OF RELIGIOUS, CHARITABLE, AND CERTAIN OTHER ORGANIZATIONS.—

(1) WAIVER OF EXEMPTION BY ORGANIZATION.—

(A) An organization described section 501(c)(3) which is exempt from income tax under section 501(a) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this chapter) certifying that it desires to have the insurance system established by title II of Social Security Act extended to service performed by its employees. Such certificate may be filed only if it is accompanied by a list containing the signature, address, and social security account number (if any) of each employee (if any) who concurs in the filing of the certificate.

Such list may be amended at any time prior to the expiration of the twenty-fourth month following the calendar quarter in which the certificate is filed by filing with the prescribed official a supplemental list or lists containing the signature, address, and social security account number (if any) of each additional employee who concurs in the filing of the certificate. The list and any supplemental list shall be filed in such form and manner as may be prescribed by regulations made under this chapter.

(B) The certificate shall be in effect (for purposes of subsection (b) (8) (B) and for purposes of section 210(a) (8) (B) of the Social Security Act) for the period beginning with whichever of the following may be designated by the organization:

(i) the first day of the calendar quarter in which the certificate is filed,

(ii) the first day of the calendar quarter succeeding such quarter, or

(iii) the first day of any calendar quarter preceding the calendar quarter in which the certificate is filed, except that such date may not be earlier than the first day of the twentieth calendar quarter preceding the quarter in which such certificate is filed.

(C) In the case of service performed by an employee whose name appears on a supplemental list filed after the first month following the calendar quarter in which the certificate is filed, the certificate shall be in effect (for purposes of subsection (b) (8) (B) and for purposes of section 210(a) (8) (B) of the Social Security Act) only with respect to service performed by such individual for the period beginning with the first day of the calendar quarter in which such supplemental list is filed.

(D) **[The period]** *Subject to subparagraph (G), the period for which a certificate filed pursuant to this subsection or the corresponding subsection of prior law is effective may be terminated by the organization, effective at the end of a calendar quarter, upon giving 2 years' advance notice in writing, but only if, at the time of the receipt of such notice, the certificate has been in effect for a period of not less than 8 years. The notice of termination may be revoked by the organization by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or revocation thereof shall be filed in such form and manner, and with such official, as may be prescribed by regulations made under this chapter.*

(E) If an organization described in subparagraph (A) employs both individuals who are in positions covered by a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof and

individuals who are not in such positions, the organization shall divide its employees into two separate groups. One group shall consist of all employees who are in positions covered by such a fund or system and (i) are members of such fund or system, or (ii) are not members of such fund or system but are eligible to become members thereof; and the other group shall consist of all remaining employees. An organization which has so divided its employees into two groups may file a certificate pursuant to subparagraph (A) with respect to the employees in either group, or may file a separate certificate pursuant to such subparagraph with respect to the employees in each group.

(F) If a certificate filed pursuant to this paragraph is effective for one or more calendar quarters prior to the quarter in which the certificate is filed, then—

(i) for purposes of computing interest and for purposes of section 6651 (relating to addition to tax for failure to file tax return or pay tax), the due date for the return and payment of the tax for such prior calendar quarters resulting from the filing of such certificate shall be the last day of the calendar month following the calendar quarter in which the certificate is filed; and

(ii) the statutory period for the assessment of such tax shall not expire before the expiration of 3 years from such due date.

(G) *No period for which a certificate is effective may be terminated under subparagraph (D) or paragraph (2) unless the applicable advance notice referred to in such subparagraph or paragraph is given on or before September 13, 1977.*

(2) **TERMINATION OF WAIVER PERIOD BY SECRETARY.**—**[If]** *Subject to paragraph (1) (G), if the Secretary finds that any organization which filed a certificate pursuant to this subsection or the corresponding subsection of prior law has failed to comply substantially with the requirements applicable with respect to the taxes imposed by this chapter or the corresponding provisions of prior law or is no longer able to comply with the requirements applicable with respect to the taxes imposed by this chapter, the Secretary shall give such organization not less than 60 days' advance notice in writing that the period covered by such certificate will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Secretary by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the organization. No notice of termination or of revocation thereof shall be given under this paragraph to an organization without the prior concurrence of the Secretary of Health, Education, and Welfare.*

(3) **NO RENEWAL OF WAIVER.**—In the event the period covered by a certificate filed pursuant to this subsection or the correspond-

ing subsection of prior law is terminated by the organization, no certificate may again be filed by such organization pursuant to this subsection.

(4) CONSTRUCTIVE FILING OF CERTIFICATE WHERE NO REFUND OR CREDIT OF TAXES HAS BEEN MADE.—

(A) In any case where—

(i) an organization described in section 501(c)(3) which is exempt from income tax under section 501(a) has not filed a valid waiver certificate under paragraph (1) of this subsection (or under the corresponding provision of prior law) as of the date of the enactment of this paragraph or any subsequent date, but

(ii) the taxes imposed by sections 3101 and 3111 have been paid with respect to the remuneration paid by such organization to its employees, as though such a certificate had been filed, during any period (subject to subparagraph (B)(i) of not less than three consecutive calendar quarters,

such organization shall be deemed (except as provided in subparagraph (B) of this paragraph) for purposes of subsection (b)(8)(B) and section 210(a)(8)(B) of the Social Security Act, to have filed a valid waiver certificate under paragraph (1) of this subsection (or under the corresponding provision of prior law) on the first day of the period described in clause (ii) of this subparagraph effective on the first day of the calendar quarter in which such period began, and to have accompanied such certificate with a list containing the signature, address, and social security number (if any) of each employee with respect to whom the taxes described in such subparagraph were paid (and each such employee shall be deemed for such purposes to have concurred in the filing of the certificate).

(B) Subparagraph (A) shall not apply with respect to any organization if—

(i) the period referred to in clause (ii) of such subparagraph (in the case of that organization) terminated before the end of the earliest calendar quarter falling wholly or partly within the time limitation (as defined in section 205(c)(1)(B) of the Social Security Act) immediately preceding the date of the enactment of this paragraph, or

(ii) a refund or credit of any part of the taxes which were paid as described in clause (ii) of such subparagraph with respect to remuneration for services performed on or after the first day of the earliest calendar quarter falling wholly or partly within the time limitation (as defined in section 205(c)(1)(B) of the Social Security Act) immediately preceding the date of enactment of this paragraph (other than a refund or credit which would have been allowed if a valid waiver certificate filed under paragraph (1) had been in effect) has been obtained by the organization or its employees prior to September 9, 1976.

(5) CONSTRUCTIVE FILING OF CERTIFICATE WHERE REFUND OR CREDIT HAS BEEN MADE AND NEW CERTIFICATE IS NOT FILED.—In any case where—

(A) an organization described in section 501(c)(3) which is exempt from income tax under section 501(a) would be deemed under paragraph (4) of this subsection to have filed a valid waiver certificate under paragraph (1) if it were not excluded from such paragraph (4) (pursuant to subparagraph (B)(ii) thereof) because a refund or credit of all or a part of the taxes described in paragraph (4)(A)(ii) was obtained prior to September 9, 1976; and

(B) such organization has not, prior to the expiration of 180 days after the date of the enactment of this paragraph, filed a valid waiver certificate under paragraph (1) which is effective for a period beginning on or before the first day of the first calendar quarter with respect to which such refund or credit was made (or, if later, with the first day of the earliest calendar quarter for which such certificate may be in effect under paragraph (1)(B)(iii)) and which is accompanied by the list described in paragraph (1)(A),

such organization shall be deemed, for purposes of subsection (b)(8)(B) and section 210(a)(8)(B) of the Social Security Act, to have filed a valid waiver certificate under paragraph (1) of this subsection on the 181st day after the date of the enactment of this paragraph, effective for the period beginning on the first day of the first calendar quarter with respect to which the refund or credit referred to in subparagraph (A) of this paragraph was made (or, if later, with the first day of the earliest calendar quarter falling wholly or partly within the time limitation (as defined in section 205(c)(1)(B) of the Social Security Act) immediately preceding the date of the enactment of this paragraph), and to have accompanied such certificate with a list containing the signature, address, and social security number (if any) of each employee described in subparagraph (A) of paragraph (4) including any employee with respect to whom taxes were refunded or credited as described in subparagraph (A) of this paragraph (and each such employee shall be deemed for such purposes to have concurred in the filing of the certificate). A certificate which is deemed to have been filed by an organization on such 181st day shall supersede any certificate which may have been actually filed by such organization prior to that day except to the extent prescribed by the Secretary.

(6) APPLICATION OF CERTAIN PROVISIONS TO CASES OF CONSTRUCTIVE FILING.—All of the provisions of this subsection (other than subparagraphs (B), (F), and (H) of paragraph (1)), including the provisions requiring payment of taxes under sections 3101 and 3111 with respect to the services involved, shall apply with respect to any certificate which is deemed to have been filed by an organization on any day under paragraph (4) or (5), in the same way they would apply if the certificate had been actually filed on that day under paragraph (1); except that—

(A) the provisions relating to the filing of supplemental lists of concurring employees in the third sentence of paragraph (1) (A), and in paragraph (1) (C), shall apply to the extent prescribed by the Secretary;

(B) the provisions of paragraph (1) (E) shall not apply unless the taxes described in paragraph (4) (A) (ii) were paid by the organization as though a separate certificate had been filed with respect to one or both of the groups to which such provisions relate; and

(C) the action of the organization in obtaining the refund or credit described in paragraph (5) (A) shall not be considered a termination of such organization's coverage period for purposes of paragraph (3). Any organization which is deemed to have filed a waiver certificate under paragraph (4) or (5) shall be considered for purposes of section 3102 (b) to have been required to deduct the taxes imposed by section 3101 with respect to the services involved.

(7) **BOTH EMPLOYEE AND EMPLOYER TAXES PAYABLE BY ORGANIZATION FOR RETROACTIVE PERIOD IN CASES OF CONSTRUCTIVE FILING.**—Notwithstanding any other provision of this chapter, in any case where an organization described in paragraph (5) (A) has not filed a valid waiver certificate under paragraph (1) prior to the expiration of 180 days after the date of the enactment of this paragraph and is accordingly deemed under paragraph (5) to have filed such a certificate on the 181st day after such date, the taxes due under section 3101, with respect to services constituting employment by reason of such certificate for any period prior to the first day of the calendar quarter in which such 181st day occurs (along with the taxes due under section 3111 with respect to such services and the amount of any interest paid in connection with the refund or credit described in paragraph (5) (A)) shall be paid by such organization from its own funds and without any deduction from the wages of the individuals who performed such services; and those individuals shall have no liability for the payment of such taxes.

(8) **EXTENDED PERIOD FOR PAYMENT OF TAXES FOR RETROACTIVE COVERAGE.**—Notwithstanding any other provision of this title, in any case where an organization described in paragraph (5) (A) files a valid waiver certificate under paragraph (1) by the end of the 180-day period following the date of the enactment of this paragraph as described in paragraph (5) (B), or (not having filed such a certificate within that period) is deemed under paragraph (5) to have filed such a certificate on the 181st day following that date, the taxes due under sections 3101 and 3111 with respect to services constituting employment by reason of such certificate for any period prior to the first day of the calendar quarter in which the date of such filing or constructive filing occurs may be paid in installments over an appropriate period of time, as determined under regulations prescribed by the Secretary, rather than in a lump sum.

* * * * *

(m) SERVICE IN THE UNIFORMED SERVICE.—For purposes of this chapter—

【(1) INCLUSION OF SERVICE.—The term “employment” shall, notwithstanding the provisions of subsection (b) of this section, include service performed by an individual as a member of a uniformed service on active duty; but such term shall not include any such service which is performed while on leave without pay.】

(1) INCLUSION OF SERVICE.—*The term “employment” shall include service (other than service performed while on leave without pay) which is performed by an individual as a member of a uniformed service on active duty after December 1956.*

(2) ACTIVE DUTY.—The term “active duty” means “active duty” as described in section 102 of the Servicemen’s and Veterans’ Survivor Benefits Act, except that it shall also include “active duty for training” as described in such section.

(3) INACTIVE DUTY TRAINING.—The term “inactive duty training” means “inactive duty training” as described in such section 102.

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(p) PEACE CORPS VOLUNTEER SERVICE.—For purposes of this chapter, the term “employment” shall 【, notwithstanding the provisions of subsection (b) of this section,】 include service performed by an individual as a volunteer or volunteer leader within the meaning of the Peace Corps Act.

* * * * *

(r) ELECTION OF COVERAGE BY RELIGIOUS ORDERS.—

(1) CERTIFICATE OF ELECTION BY ORDER.—A religious order whose members are required to take a vow of poverty, or any autonomous subdivision of such order, may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations under this chapter) electing to have the insurance system established by title II of the Social Security Act extended to services performed by its members in the exercise of duties required by such order or such subdivision thereof. Such certificate of election shall provide that—

(A) such election of coverage by such order or subdivision shall be irrevocable;

(B) such election shall apply to all current and future members of such order, or in the case of a subdivision thereof to all current and future members of such order who belong to such subdivision;

(C) all services performed by a member of such an order or subdivision in the exercise of duties required by such order or subdivision shall be deemed to have been performed by such member as an employer of such order or subdivision; and

(D) the wages of each member, upon which such order or subdivision shall pay the taxes imposed by sections 3101 and 3111, will be determined as provided in subsection (i) (4).

(2) DEFINITION OF MEMBER.—For purposes of this subsection, a member of a religious order means any individual who is subject

to a vow of poverty as a member of such order and who performs tasks usually required (and to the extent usually required) of an active member of such order and who is not considered retired because of old age or total disability.

(3) **EFFECTIVE DATE FOR ELECTION.**—(A) A certificate of election of coverage shall be in effect, for purposes of subsection **[(b)(8)(A)] (b)(5)** and for purposes of **[210(a)(8)(A)] 210(a)(5)** of the Social Security Act, for the period beginning with whichever of the following may be designated by the order or subdivision thereof:

(i) the first day of the calendar quarter in which the certificate is filed,

(ii) the first day of the calendar quarter succeeding such quarter, or

(iii) the first day of any calendar quarter preceding the calendar quarter in which the certificate is filed, except that such date may not be earlier than the first day of the twentieth calendar quarter preceding the quarter in which such certificate is filed.

Whenever a date is designated under clause (iii), the election shall apply to services performed before the quarter in which the certificate is filed only if the member performing such services was a member at the time such services were performed and is living on the first day of the quarter in which such certificate is filed.

(B) If a certificate of election filed pursuant to this subsection is effective for one or more calendar quarters prior to the quarter in which such certificate is filed, then—

(i) for purposes of computing interest and for purposes of section 6651 (relating to addition to tax for failure to file tax return), the due date for the return and payment of the tax for such prior calendar quarters resulting from the filing of such certificate shall be the last day of the calendar month following the calendar quarter in which the certificate is filed; and

(ii) the statutory period for the assessment of such tax shall not expire before the expiration of 3 years from such due date.

(4) **COORDINATION WITH COVERAGE OF LAY EMPLOYEES.**—Notwithstanding the preceding provisions of this subsection, no certificate of election shall become effective with respect to an order or subdivision thereof, unless—

(A) if at the time the certificate of election is filed a certificate of waiver of exemption under subsection (k) is in effect with respect to such order or subdivision, such order or subdivision amends such certificate of waiver of exemption (in such form and manner as may be prescribed by regulations made under this chapter) to provide that it may not be revoked, or

(B) if at the time the certificate of election is filed a certificate of waiver of exemption under such subsection is not in effect with respect to such order or subdivision, such order or

subdivision files such certificate of waiver of exemption under the provisions of such subsection except that such certificate of waiver of exemption cannot become effective at a later date than the certificate of election and such certificate of waiver of exemption must specify that such certificate of waiver of exemption may not be revoked. The certificate of waiver of exemption required under this subparagraph shall be filed notwithstanding the provisions of subsection (k) (3).

(8) *SPECIAL RULE FOR DETERMINING WAGES SUBJECT TO EMPLOYER TAX IN CASE OF CERTAIN EMPLOYERS WHOSE EMPLOYEES RECEIVE INCOME FROM TIPS.*—If the wages paid by an employer with respect to the employment during any month of an individual who (for services performed in connection with such employment) receives tips which constitute wages, and to which section 3102(a) applies, are less than the total amount which would be payable (with respect to such employment) at the minimum wage rate applicable to such individual under section 6(a) (1) of the Fair Labor Standards Act of 1938 (determined without regard to section 3(m) of such Act), the wages so paid shall be deemed for purposes of section 3111 to be equal to such total amount.

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SEC. 3124. ESTIMATE OF REVENUE REDUCTION.

The Secretary at intervals of not longer than 3 years shall estimate the reduction in the amount of taxes collected under this chapter by reason of the operation of section 3121[(b) (9)](b) (6) and shall include such estimate in his annual report.

SEC. 3125. INCREASE IN TAX RATES TO ASSURE REPAYMENT OF LOANS MADE TO TRUST FUNDS.

Whenever an appropriation has been made under section 201(j) (1) of the Social Security Act for loans to the Federal Old-Age and Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund, and section 201(j) (2) of such Act applies with respect to a succeeding calendar year, each of the rates of tax which would otherwise be effective under sections 3101(a) and 3111(a) with respect to wages received or paid in the second calendar year after such succeeding year shall be increased by 0.10 percent, and the rate or rates of tax which would otherwise be effective under section 1401(a) with respect to taxable years beginning in the second year after such succeeding year shall be increased by 0.15 percent.

SEC. 3126. RETURNS IN THE CASE OF STATE AND LOCAL GOVERNMENTAL EMPLOYEES.

In the case of the taxes imposed by this chapter with respect to services performed in the employ of a State or any political subdivision thereof, or in the employ of any instrumentality of a State or political subdivision thereof which is wholly owned thereby, the return and payment of the taxes may be made by the Governor of such State or such agents as he may designate. The person making such return may, for convenience of administration, make payments of the tax imposed by section 3111 with respect to such service without regard to the contribution and benefit base limitation in section 3121(a) (1).

SEC. [3125.] 3127. RETURNS IN THE CASE OF GOVERNMENTAL EMPLOYEES IN GUAM, AMERICAN SAMOA, AND THE DISTRICT OF COLUMBIA.

(a) **GUAM.**—The return and payment of the taxes imposed by this chapter on the income of individuals who are officers or employees of the Government of Guam or any political subdivision thereof or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, and those imposed on such Government or political subdivision or instrumentality with respect to having such individuals in its employ, may be made by the Governor of Guam or by such agents as he may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 3111 with respect to the service of such individuals without regard to the contribution and benefit base limitation in section 3121 (a) (1).

(b) **AMERICAN SAMOA.**—The return and payment of the taxes imposed by this chapter on the income of individuals who are officers or employees of the Government of American Samoa or any political subdivision thereof or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, and those imposed on such Government or political subdivision or instrumentality with respect to having such individuals in its employ may be made by the Governor of American Samoa or by such agents as he may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 3111 with respect to the service of such individuals without regard to the contribution and benefit base limitation in section 3121 (a) (1).

(c) **DISTRICT OF COLUMBIA.**—In the case of the taxes imposed by this chapter with respect to service performed in the employ of the District of Columbia or in the employ of any instrumentality which is wholly owned thereby, the return and payment of the taxes may be made by the Mayor of the District of Columbia or such agents as he may designate. The person making such return may, for convenience of administration, make payments of the tax imposed by section 3111 with respect to such service without regard to the contribution and benefit base limitation in section 3121 (a) (1).

SEC. [3126.] 3128. SHORT TITLE.

This chapter may be cited as the "Federal Insurance Contributions Act."

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Subtitle F—Procedure and Administration

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CHAPTER 61—INFORMATION AND RETURNS

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Subchapter A—Returns and Records

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PART III—INFORMATION RETURNS

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Subpart C—Information Regarding Wages Paid Employees

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SEC. 6051. RECEIPTS FOR EMPLOYEES.

(a) REQUIREMENT.—Every person required to deduct and withhold from an employee a tax under section 3101 or 3402, or who would have been required to deduct and withhold a tax under section 3402 (determined without regard to subsection (n)) if the employee had claimed no more than one withholding exemption, or every employer engaged in a trade or business who pays remuneration for services performed by an employee, including the cash value of such remuneration paid in any medium other than cash, shall furnish to each employee in respect of the remuneration paid by such person to such employee during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of remuneration is made, a written statement showing the following:

- (1) the name of such person,
- (2) the name of the employee (and his social security account number if wages as defined in section 3121(a) have been paid),
- (3) the total amount of wages as defined in section 3401(a),
- (4) the total amount deducted and withheld as tax under section 3402,
- (5) the total amount of wages as defined in section 3121(a), and
- (6) the total amount deducted and withheld as tax under section 3101.

In the case of compensation paid for service as a member of a uniformed service, the statement shall show, in lieu of the amount required to be shown by paragraph (5), the total amount of wages as defined in section 3121(a), computed in accordance with such section and section 3121(i)(2). In the case of compensation paid for service as a volunteer or volunteer leader within the meaning of the Peace Corps Act, the statement shall show, in lieu of the amount required to be shown by paragraph (5), the total amount of wages as defined in section 3121(a), computed in accordance with such section and section 3121(i)(3). In the case of tips received by an employee in the course of his employment, the amounts required to be shown by paragraphs (3) and (5) shall include only such tips as are included in statements furnished to the employer pursuant to section 6053(a). *The amounts required to be shown by paragraph (5) shall not include wages which are exempted pursuant to sections 3101(c) and 3111(c) from the taxes imposed by section 3101 and 3111.*

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CHAPTER 63—ASSESSMENT

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Subchapter A—In General

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SEC. 6205. SPECIAL RULES APPLICABLE TO CERTAIN EMPLOYMENT TAXES.

(a) **ADJUSTMENT OF TAX.—**

(1) **GENERAL RULE.**—If less than the correct amount of tax imposed by section 3101, 3111, 3201, 3221, or 3402 is paid with respect to any payment of wages or compensation, proper adjustments, with respect to both the tax and the amount to be deducted, shall be made, without interest, in such manner and at such times as the Secretary may by regulation prescribe.

(2) **UNITED STATES AS EMPLOYER.**—For purposes of this subsection, in the case of remuneration received from the United States or a wholly-owned instrumentality thereof during any calendar year, each head of a Federal agency or instrumentality who makes a return pursuant to section 3122 and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall be deemed a separate employer.

(3) **STATE AS EMPLOYER.**—*For purposes of this subsection, in the case of remuneration received during any calendar year from a State or political subdivision thereof or any instrumentality which is wholly owned thereby, the Governor of the State and each agent designated by him who makes a return pursuant to section 3126 shall be deemed a separate employer.*

[(3)] (4) GUAM OR AMERICAN SAMOA AS EMPLOYER.—For purposes of this subsection, in the case of remuneration received during any calendar year from the Government of Guam, the Government of American Samoa, a political subdivision of either, or any instrumentality of any one or more of the foregoing which is wholly owned thereby, the Governor of Guam, the Governor of American Samoa, and each agent designated by either who makes a return pursuant to section **[3125]** 3127 shall be deemed a separate employer.

[(4)] (5) DISTRICT OF COLUMBIA AS EMPLOYER.—For purposes of this subsection, in the case of remuneration received during any calendar year from the District of Columbia or any instrumentality which is wholly owned thereby, the Mayor of the District of Columbia and each agent designated by him who makes a return pursuant to section **[3125]** 3127 shall be deemed a separate employer.

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CHAPTER 65—ABATEMENTS, CREDITS, AND REFUNDS

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Subchapter B—Rules of Special Application

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SEC. 6413. SPECIAL RULES APPLICABLE TO CERTAIN EMPLOYMENT TAXES.

(a) ADJUSTMENT OF TAX.—

(1) **GENERAL RULE.**—If more than the correct amount of tax imposed by section 3101, 3111, 3201, 3221, or 3402 is paid with respect to any payment of remuneration, proper adjustments, with respect to both the tax and the amount to be deducted, shall be made, without interest, in such manner and at such times as the Secretary may by regulations prescribe.

(2) **UNITED STATES AS EMPLOYER.**—For purposes of this subsection, in the case of remuneration received from the United States or a wholly-owned instrumentality thereof during any calendar year, each head of a Federal agency or instrumentality who makes a return pursuant to section 3122 and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall be deemed a separate employer.

(3) **STATE AS EMPLOYER.**—For purposes of this subsection, in the case of remuneration received during any calendar year from a State or political subdivision thereof or any instrumentality which is wholly owned thereby, the Governor of the State and each agent designated by him who makes a return pursuant to section 3126 shall be deemed a separate employer.

[(3)] (4) **GUAM OR AMERICAN SAMOA AS EMPLOYER.**—For purposes of this subsection, in the case of remuneration received during any calendar year from the Government of Guam, the Government of American Samoa, a political subdivision of either, or any instrumentality of any one or more of the foregoing which is wholly owned thereby, the Governor of Guam, the Governor of American Samoa, and each agent designated by either who makes a return pursuant to section [3125] 3127 shall be deemed a separate employer.

[(4)] (5) **DISTRICT OF COLUMBIA AS EMPLOYER.**—For purposes of this subsection, in the case of remuneration received during any calendar year from the District of Columbia or any instrumentality which is wholly owned thereby, the Mayor of the District of Columbia and each agent designated by him who makes a return pursuant to section [3125] 3127 shall be deemed a separate employer.

* * * * *

(c) SPECIAL REFUNDS.—

(1) **IN GENERAL.**—If by reason of an employee receiving wages from more than one employer during a calendar year the wages received by him during such year exceed the contribution and benefit base (as determined under section 230 of the Social Security Act) which is effective with respect to such year, the employee shall be entitled (subject to the provisions of section 31(b)) to a credit or refund of any amount of tax, with respect to such wages, imposed by section 3101 or section 3201, or by both such sections, and deducted from the employee's wages (whether or not paid to the Secretary), which exceeds the tax with respect to the amount of such wages received in such year which is equal

to such contribution and benefit base. The term "wages" as used in this paragraph shall, for purposes of this paragraph, include "compensation" as defined in section 3231(e).

(2) **APPLICABILITY IN CASE OF FEDERAL AND STATE EMPLOYEES, EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS, AND GOVERNMENTAL EMPLOYEES IN GUAM, AMERICAN SAMOA, AND THE DISTRICT OF COLUMBIA.**—

(A) **FEDERAL EMPLOYEES.**—In the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year, each head of a Federal agency or instrumentality who makes a return pursuant to section 3122 and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall, for purposes of this subsection, be deemed a separate employer, and the term "wages" includes for purposes of this subsection the amount, not to exceed an amount equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) for any calendar year with respect to which such contribution and benefit base is effective, determined by each such head or agent as constituting wages paid to an employee.

(B) **STATE EMPLOYEES.**—For purposes of this subsection, in the case of remuneration received during any calendar year [, the term "wages" includes such remuneration for services covered by an agreement made pursuant to section 218 of the Social Security Act as would be wages if such services constituted employment; the term "employer" includes a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing; the term "tax" or "tax imposed by section 3101" includes, in the case of services covered by an agreement made pursuant to section 218 of the Social Security Act, an amount equivalent to the tax which would be imposed by section 3101, if such services constituted employment as defined in section 3121; and the provisions of this subsection shall apply whether or not any amount deducted from the employee's remuneration as a result of an agreement made pursuant to section 218 of the Social Security Act has been paid to the Secretary] *from a State or political subdivision thereof or any instrumentality which is wholly owned thereby, the Governor of the State and each agent designated by him who makes a return pursuant to section 3126 shall be deemed a separate employer.*

(C) **EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS.**—For purposes of paragraph (1) of this subsection, the term "wages" includes such remuneration for services covered by an agreement made pursuant to section 3121(1) as would be wages if such services constituted employment; the term "employer" includes any domestic corporation which has entered into an agreement pursuant to section 3121(1); the term "tax" or "tax imposed by section 3101," includes, in the case of services covered by an agreement entered into pursuant to section 3121(1), an amount equivalent to the tax which would be imposed by section 3101, if such services constituted

employment as defined in section 3121; and the provisions of paragraph (1) of this subsection shall apply whether or not any amount deducted from the employee's remuneration as a result of the agreement entered into pursuant to section 3121 (1) has been paid to the Secretary.

(D) **GOVERNMENTAL EMPLOYEES IN GUAM.**—In the case of remuneration received from the Government of Guam or any political subdivision thereof or from any instrumentality of any one or more of the foregoing which is wholly owned thereby, during any calendar year, the Governor of Guam and each agent designated by him who makes a return pursuant to section **[3125(a)] 3127(a)** shall, for purposes of this subsection, be deemed a separate employer.

(E) **GOVERNMENTAL EMPLOYEES IN AMERICAN SAMOA.**—In the case of remuneration received from the Government of American Samoa or any political subdivision thereof or from any instrumentality of any one or more of the foregoing which is wholly owned thereby, during any calendar year, the Governor of American Samoa and each agent designated by him who makes a return pursuant to section **[3125(b)] 3127(b)** shall, for purposes of this subsection, be deemed a separate employer.

(F) **GOVERNMENTAL EMPLOYEES IN THE DISTRICT OF COLUMBIA.**—In the case of remuneration received from the District of Columbia or any instrumentality wholly owned thereby, during any calendar year, the Mayor of the District of Columbia and each agent designated by him who makes a return pursuant to section **[3125(c)] 3127(c)**, shall, for purposes of this subsection, be deemed a separate employer.

(3) **APPLICABILITY WITH RESPECT TO COMPENSATION OF EMPLOYEES SUBJECT TO THE RAILROAD RETIREMENT TAX ACT.**—In the case of any individual who, during any calendar year, receives wages from one or more employers and also receives compensation which is subject to the tax imposed by section 3201 or 3211, such compensation shall, solely for purposes of applying paragraph (1) with respect to the tax imposed by section 3101(b), be treated as wages received from an employer with respect to which the tax imposed by section 3101(b) was deducted.

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CHAPTER 66—LIMITATIONS

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Subchapter B—Limitations on Credit or Refund

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SEC. 6511. LIMITATIONS ON CREDIT OR REFUND.

(a) * * *

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(d) **SPECIAL RULES APPLICABLE TO INCOME TAXES.**—

(1) **SEVEN-YEAR PERIOD OF LIMITATION WITH RESPECT TO BAD DEBTS AND WORTHLESS SECURITIES.**—If the claim for credit or refund re-

lates to an overpayment of tax imposed by subtitle A on account of—

(A) The deductibility by the taxpayer, under section 166 or section 832(c), of a debt as a debt which became worthless, or, under section 165(g), of a loss from worthlessness of a security, or

(B) The effect that the deductibility of a debt or loss described in subparagraph (A) has on the application to the taxpayer of a carryover,

in lieu of the 3-year period of limitation prescribed in subsection (a), the period shall be 7 years from the date prescribed by law for filing the return for the year with respect to which the claim is made. If the claim for credit or refund relates to an overpayment on account of the effect that the deductibility of such a debt or loss has on the application to the taxpayer of a carryback, the period shall be either 7 years from the date prescribed by law for filing the return for the year of the net operating loss which results in such carryback or the period prescribed in paragraph (2) of this subsection, whichever expires the later. In the case of a claim described in this paragraph the amount of the credit or refund may exceed the portion of the tax paid within the period prescribed in subsection (b) (2) or (c), whichever is applicable, to the extent of the amount of the overpayment attributable to the deductibility of items described in this paragraph.

(2) SPECIAL PERIOD OF LIMITATION WITH RESPECT TO NET OPERATING LOSS OR CAPITAL LOSS CARRYBACKS.—

(A) PERIOD OF LIMITATION.—If the claim for credit or refund relates to an overpayment attributable to a net operating loss carryback or a capital loss carryback, in lieu of the 3-year period of limitation prescribed in subsection (a), the period shall be that period which ends with the expiration of the 15th day of the 40th month (or the 39th month, in the case of a corporation) following the end of the taxable year of the net operating loss or net capital loss which results in such carryback, or the period prescribed in subsection (c) in respect of such taxable year, whichever expires later; except that—

(i) with respect to an overpayment attributable to a net operating loss carryback to any year on account of a certification issued to the taxpayer under section 317 of the Trade Expansion Act of 1962, the period shall not expire before the expiration of the sixth month following the month in which such certification is issued to the taxpayer, and

(ii) with respect to an overpayment attributable to the creation of, or an increase in, a net operating loss carryback as a result of the elimination of excessive profits by a renegotiation (as defined in section 1481(a)(1)(A)), the period shall not expire before the expiration of the twelfth month following the month in which the agreement or order for the elimination of such excessive profits becomes final.

In the case of such a claim, the amount of the credit or refund may exceed the portion of the tax paid within the period

provided in subsection (b) (2) or (c), whichever is applicable, to the extent of the amount of the overpayment attributable to such carryback.

(B) APPLICABLE RULES.—

(i) If the allowance of a credit or refund of an overpayment of tax attributable to a net operating loss carryback or a capital loss carryback is otherwise prevented by the operation of any law or rule of law other than section 7122, relating to compromises, such credit or refund may be allowed or made, if claim therefor is filed within the period provided in subparagraph (A) of this paragraph. If the allowance of an application, credit, or refund of a decrease in tax determined under section 6411 (b) is otherwise prevented by the operation of any law or rule of law other than section 7122, such application, credit, or refund may be allowed or made if application for period provided in section 6411 (a). In the case of any such claim for credit or refund or any such application for a tentative carryback adjustment, the determination by any court, including the Tax Court, in any proceeding in which the decision of the court has become final, shall be conclusive except with respect to the net operating loss deduction, and the effect of such deduction, or with respect to the determination of a short-term capital loss, and the effect of such short-term capital loss, to the extent that such deduction or short-term capital loss is affected by a carryback which was not an issue in such proceeding.

(ii) A claim for credit or refund for a computation year (as defined in section 1302(c)(1)) shall be determined to relate to an overpayment attributable to a net operating loss carryback or a capital loss carryback, as the case may be, when such carryback relates to any base period year (as defined in section 1302(c)(3)).

(3) SPECIAL RULES RELATING TO FOREIGN TAX CREDIT.—

(A) SPECIAL PERIOD OF LIMITATION WITH RESPECT TO FOREIGN TAXES PAID OR ACCRUED.—If the claim for credit or refund relates to an overpayment attributable to any taxes paid or accrued to any foreign country or to any possession of the United States for which credit is allowed against the tax imposed by subtitle A in accordance with the provisions of section 901 or the provisions of any treaty to which the United States is a party, in lieu of the 3-year period of limitation prescribed in subsection (a), the period shall be 10 years from the date prescribed by law for filing the return for the year with respect to which the claim is made.

(B) EXCEPTION IN THE CASE OF FOREIGN TAXES PAID OR ACCRUED.—In the case of a claim described in subparagraph (A), the amount of the credit or refund may exceed the portion of the tax paid within the period provided in subsection (b) or (c), whichever is applicable, to the extent of the amount of the overpayment attributable to the allowance of a credit for the taxes described in subparagraph (A).

(4) SPECIAL PERIOD OF LIMITATION WITH RESPECT TO INVESTMENT CREDIT CARRYBACK.—

(A) PERIOD OF LIMITATION.—If the claim for credit or refund relates to an overpayment attributable to an investment credit carryback, in lieu of the 3-year period of limitation prescribed in subsection (a), the period shall be that period which ends with the expiration of the 15th day of the 40th month (or 39th month, in the case of a corporation) following the end of the taxable year of the unused investment credit which results in such carryback (or, with respect to any portion of an investment credit carryback from a taxable year attributable to a net operating loss carryback or a capital loss carryback from a subsequent taxable year, the period shall be that period which ends with the expiration of the 15th day of the 40th month, or 39th month, in the case of a corporation, following the end of such subsequent taxable year) or the period prescribed in subsection (c) in respect of such taxable year, whichever expires later. In the case of such a claim, the amount of the credit or refund may exceed the portion of the tax paid within the period provided in subsection (b) (2) or (c), whichever is applicable, to the extent of the amount of the overpayment attributable to such carryback.

(B) APPLICABLE RULES.—If the allowance of a credit or refund of an overpayment of tax attributable to an investment credit carryback is otherwise prevented by the operation of any law or rule of law other than section 7122, relating to compromises, such credit or refund may be allowed or made, if claim therefor is filed within the period provided in subparagraph (A) of this paragraph. In the case of any such claim for credit or refund, the determination by any court, including the Tax Court, in any proceeding in which the decision of the court has become final, shall not be conclusive with respect to the investment credit, and the effect of such credit, to the extent that such credit is affected by a carryback which was not in issue in such proceeding.

[(5) SPECIAL PERIOD OF LIMITATION WITH RESPECT TO SELF-EMPLOYMENT TAX IN CERTAIN CASES.—If the claim for credit or refund relates to an overpayment of the tax imposed by chapter 2 (relating to the tax on self-employment income) attributable to an agreement, or modification of an agreement, made pursuant to section 218 of the Social Security Act (relating to coverage of State and local employees); and if the allowance of a credit or refund of such overpayment is otherwise prevented by the operation of any law or rule of law other than section 7122 (relating to compromises), such credit or refund may be allowed or made if claim therefor is filed on or before the last day of the second year after the calendar year in which such agreement (or modification) is agreed to by the State and the Secretary of Health, Education, and Welfare.]

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RAILROAD RETIREMENT ACT OF 1974

* * * * *

COMPUTATION OF EMPLOYEE ANNUITIES

SEC. 3. (a) * * *

* * * * *

(f) (1) If the total amount of an individual's annuity and supplemental annuity computed under the preceding subsections of this section would, before any reductions on account of age, before any reduction due to such individual's entitlement to a monthly insurance benefit under the Social Security Act, and disregarding any increases in such total amount which become effective after the date on which such begins to accrue, exceed an amount equal to the sum of individual's annuity under section 2(a) (1) of this Act (A) 100 per centum of his "final average monthly compensation" up to an amount equal to 50 per centum of one-twelfth of the maximum annual taxable "wages" (as defined in section 3121 of the Internal Revenue Code of 1954) for the calendar year in which such individual's annuity under section 2(a) (1) of this Act begins to accrue, plus (B) 80 per centum of so much of his "final average monthly compensation" as exceeds 50 per centum of one-twelfth of the maximum annual taxable "wages" (as defined in section 3121 of the Internal Revenue Code of 1954) for the calendar year in which such individual's annuity under section 2(a) (1) of this Act begins to accrue, the supplemental annuity of such individual first, and then, if necessary, the annuity amount of such individual as computed under subsections (b), (c), and (d) of this section, shall be reduced until such total amount of such individual's annuity and supplemental annuity equals such sum or until such supplemental annuity and such annuity amount computed under subsections (b), (c), and (d) of this section are reduced to zero, whichever occurs first: *Provided, however,* That the provisions of this subdivision shall not operate to reduce the total amount of an individual's annuity and supplemental annuity computed under the preceding subsections of this section below \$1,200. For purposes of this subdivision, the "final average monthly compensation" of an individual shall be determined by dividing the total compensation received by such individual in the two calendar years, consecutive or otherwise, in which he was credited with the highest total compensation during the ten-year period ending with December 31 of the year in which such individual's annuity under section 2(a) (1) of this Act begins to accrue by 24. For purposes of this subdivision, the term "compensation" shall include "compensation" as defined in section 1(h) of this Act, "wages" as defined in section 209 of the Social Security Act, "self-employment income" as defined in section 211(b) of the Social Security Act, and wages deemed to have been paid under section 217 or 229 of the Social Security Act on account of military service: *Provided, however,* That in no case shall the compensation with respect to any calendar month exceed the limitation on the compensation for such month prescribed in subsection (j) of this section. Wages and self-employment income included as compensation for purposes of this subdivision shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the calendar quarter in which credited, in the case of wages paid before 1978, or in equal proportions with respect to all months in the calendar year in which credited, in the case of self-employment income and in the case of wages paid after 1977.

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VIII. INDIVIDUAL VIEWS OF HON. SAM M. GIBBONS

The social security system is in a mess. This bill does not correct it . . . or even come close to correcting it. In some ways it makes the situation worse because, by increasing the taxes levied without correcting the fundamental problems of the system, the bill moves us away from a solution instead of toward one.

The social security program has both short run and long run problems. Both of these are serious. The bill attempts to solve the short run problems but it fails. It does not even attempt to solve the long run problems.

Once again we are raising revenues and once again we are increasing benefits. This cannot go on forever and in fact it has already gone too far.

At present there are slightly more than three persons in the nation's work force for each person drawing social security benefits. By the year 2015 A.D., there will be only one person in the work force for each person receiving benefits. At that time or before, there will be a revolt by those who are forced to carry the burden of financing this program.

The Ways and Means Committee has failed in its responsibility to produce a solution to the short run or the long run problems of the social security program. I cannot support this legislation.

SAM M. GIBBONS.

IX. DISSENTING VIEWS OF HON. JOSEPH L. FISHER

The Social Security financing bill as approved by the Ways and Means Committee is a big step toward reversing the outflow of funds from the Trust Funds of the system. Although I did not think the Committee should report the bill with the provision for universal coverage of all Federal, State, and local government and non-profit organization employees, I did believe that the balance of the bill offered many improvements. The bill accelerates the increase in the wage base subject to the employment tax; it corrects the overindexing of future benefits; it removes inequities in the treatment of widows, widowers, and divorced persons; it increases the amount of wages that retirees can earn before their Social Security benefits are reduced, and it provides standby loan authority to bolster the trust funds if they fall below a certain level. The net effect of these changes is to assure retirees and workers that the Social Security system will remain capable of paying them the benefits they have worked for and been promised by Congress. The increased taxes will continue to be shared equally by individuals and employers. Meeting the higher cost will not be pleasant, but it is necessary to put Social Security on a long-term basis. But the extension of mandatory coverage to government employees, even if set for 1982, is unwise at least until an analysis of the economic impact can be made, and in the case of Federal workers, a plan worked out and enacted to integrate Social Security with the existing Civil Service Retirement system without any loss or harm to government workers.

The tax increases and some other changes in the bill are intended and expected to keep the three Trust Funds from falling below 25 percent of annual payments. If the calculations are wrong and the reserves should be depleted below that level, then the bill would permit the Old Age and Survivors Insurance (OASI) and the Disability Insurance (DI) Trust Funds to borrow funds from the general treasury to replenish the reserves. No borrowing authority is provided for the Health Insurance Trust Fund which is in good condition anyway. To assure that the loans are repaid the committee also approved a temporary payroll tax increase to be triggered if the loans are made. Should that situation arise, I believe that the Subcommittee on Social Security should be expected immediately to develop a proposal to strengthen the system in order to eliminate the need to borrow, either by changing the tax rate, the wage base, benefits, or whatever is necessary. The standby loan authority may be a necessary psychological safeguard, but the Committee should never allow the system to become so weak that it has to be invoked.

The universal coverage provision is the most objectionable feature of the bill, not because coverage for all workers is inherently a bad policy, but because the consequences of extending mandatory coverage to the remaining 6 to 7 million workers not presently covered have not

been fully explored. Nearly half these workers are Federal employees and most of the remainder work for state and local governments. The revenue to the system expected to come from universal coverage in 1982 is \$13.5 billion. Because the tax is shared equally by employer and employee, half of this infusion of revenue will come from Federal, state, and local treasuries. The Committee may have rejected direct general revenue financing of Social Security but apparently it is willing to accept general revenues through the back door. The Federal employer share will have to be paid either from an increase in income taxes or in the deficit. The transfer of Federal general treasury funds to the Social Security Trust Fund will take place whether or not coordination is worked out between Civil Service Retirement and Social Security. Even more disturbing is the prospect that state and local governments will have to pay nearly \$4 billion more in 1982 to the Federal treasury as the employer share of Social Security taxes. Some 30 percent of state and local government employees are not now under Social Security. These jurisdictions will have to raise the funds for the employer share in some way. One way would be to reduce existing pension benefits, which may not be permissible under the law. Another way would be to hike the property tax and other regressive taxes which are the mainstay of local government finance.

Since 1950 State and local governments have been able voluntarily to bring their employees under Social Security. The proportion of employees so covered reached the 70 percent level in the early 1960's and has been stable at that point. Clearly, for various reasons, state and local governments have decided that it was not in their best interests to bring the remainder of their employees under this coverage. Without a thorough study of those reasons, this Committee should not arbitrarily attempt to override such local decisions.

The issue of coverage of Federal workers has been examined several times, with the usual conclusion that a way should be found to fill in gaps in coverage rather than requiring full Social Security coverage. A report due from the Social Security Administration in consultation with the Civil Service Commission in 1972 was never submitted, apparently because a workable plan could not be agreed on for coordinating the Social Security system with the Civil Service Retirement system. Prior to that, a 1969 report from the Secretary of HEW found that ". . . the liberalization and independent development of the civil service retirement and social security systems over a long period of time present formidable obstacles to the adoption of the (universal) coverage approach."

In the absence of a plan for coordinating the two systems for Federal employees, and in the absence of accurate cost estimates, I must conclude that the Committee has acted in haste in mandating universal coverage. The Committee did accept my amendment to delay the effective date of coverage and to require the preparation of a plan to make sure that no Federal employee would be worse off under the combined systems than he would have been under the Federal system alone. But this puts the cart before the horse. The plan should be presented and considered by the appropriate committees of Congress before universal coverage is required.

If there are "formidable obstacles" to coordinating Social Security and Federal staff retirement systems, over both of which Congress has control, there probably would be even greater difficulties in doing the same for state and local systems. Some of these systems are poorly financed. It is possible that the state and local governments will abandon or sharply curtail these pension plans once they are faced with the added costs of Social Security. What would be the consequences of this kind of action for employees who had counted on these pensions for their old age? Would Social Security be adequate in such cases? The answer truly is that we do not know. We should not act to require the coverage until we do know.

From the point of view of costs and consequences to the employer in terms of new tax obligations, and to the employee in terms of changed or possibly diminished benefits, and to all taxpayers in terms of yet more taxes—we simply do not have adequate information from which we can conclude that the extension of universal coverage is prudent and fair at this time.

For these reasons I intend to offer an amendment when the Social Security financing bill is before the House of Representatives to remove the provisions for universal coverage.

X. MINORITY VIEWS OF HON. BARBER B. CONABLE, JR.,
HON. JOHN J. DUNCAN, HON. BILL ARCHER, HON. GUY
VANDER JAGT, HON. WILLIAM A. STEIGER, HON. BILL
FRENZEL, HON. JAMES G. MARTIN, HON. L. A. (SKIP)
BAFALIS, HON. WILLIAM M. KETCHUM, HON. RICHARD
T. SCHULZE, AND HON. WILLIS D. GRADISON, JR.

Most Americans are genuinely worried about the future of their social security system. They have reason to be.

The system is severely deficient, both in money and equity. The people who benefit from it, those who support it, and the following generations of participants, deserve a sound and far-reaching solution to social security problems. But they will not get it through the Committee bill.

The bill raises taxes too high and too soon, serving to depress an already shaky economy and to dampen job prospects at a time when the unemployment rate is hovering around an unhealthy 7 percent. The additional payroll levies which are imposed tilt the entire national tax structure even more lopsidedly against the already overburdened middle class in our society.

The bill falls far short of solving the system's long-range financial deficit, dumping this problem in the lap of the next generation. It leaves a 75-year social security deficit of 1.69 percent of taxable payroll, which translates into about \$880 billion—a tidy sum our children will have to raise.

It fails to provide enough of the structural improvements which our changing society needs and wants, leaving the system with too many inequities and anomalies. Perhaps the most glaring example of the bill's inadequacies in this regard is its "tokenistic" handling of the earnings limitation on beneficiaries. Instead of removing the limit or increasing it substantially, the bill provides advances that are almost negligible.

The bill relies, for added revenue, on a rapidly accelerated taxable wage base—a ruse which: (1) victimizes middle-income Americans; (2) cuts sharply the money available for savings or for spending in the market place, and (3) deals a damaging blow to efforts toward greater capital formation, which is badly needed in our struggling economy today. Increases in the wage base provide revenue in the short-term, but do not help over the long run because the added funds must be paid out in higher benefits later.

It opens a door to general revenue financing by requiring the social security trust funds to borrow from the Treasury whenever year-end reserves drop below 25 percent of annual outgo. Although projections indicate this borrowing might not take place, the provision sets a potential precedent which is bad policy on two main counts:

- (1) If the system is supported by money other than that contributed by participants, then its insurance character is under-

mined and benefits eventually are likely to be paid on the basis of one's need, not one's earned right.

(2) The Treasury already has a huge deficit, therefore a transfer from general funds to the social security trust funds means Treasury will have to borrow more money, which increases the public debt and ultimately produces higher taxes and greater inflation for all.

The Committee bill has some sensible provisions, but because of the major flaws cited above, our opinion of it can be summed up in one short sentence: There has to be a better way.

We have developed what we believe to be a better way, in a comprehensive, 15-point "Proposal for Financial Restoration and Equity Strengthening of the Social Security System". We intend to offer this Proposal, which is described below, as a substitute for the Committee bill when it reaches the Floor of the House. We encourage our colleagues to compare and contrast the two.

We acknowledge that some elements of our Proposal are politically controversial. But we have had to face the fact that, when it comes to dealing squarely with social security problems, there is no "free lunch".

There also are no easy choices, yet choices must be made, because the problems will not go away.

We hope our colleagues will join us in making a difficult choice—now. A vote against both alternatives available would be a vote in favor of imminent bankruptcy for the social security system. Here are some comparisons for consideration:

The Committee bill takes care of the system's financial problems on a short-range basis only, it fails to address such equity issues as that of the working wife, it tends to weaken the system's insurance character, and it unwisely and unnecessarily calls for substantial tax increases, starting next year.

Our Proposal, which is designed to be considered as an indivisible unit, would put the system on a sound financial footing for at least the next 75 years; correct numerous inequities, particularly those related to the treatment of women; and strengthen the insurance character of social security. It would do all this with no new tax increase until 1981 and with less than a 1¼ percent tax increase over that scheduled under present law for the entire 75-year span.

The Committee bill raises the amount of money a retiree aged 65 or older can earn without having benefits reduced by a total of only \$1,020 more than present law over the next two years.

Our Proposal removes the earnings limitation entirely for those beneficiaries by 1980.

In terms of the actual burdens on those who pay social security taxes, these additional comparisons might be made:

The Committee bill requires much higher taxable wage bases than under present law (totaling \$6,000 by 1981) for employees, employers and the self-employed.

Our Proposal does not raise the taxable wage base above what would result under present law.

In terms of actual dollar outlays over the next five years, contributors at the maximum rate would have to pay an estimated \$1,475.25 more under the Committee bill than under our Proposal. That's a difference of nearly \$300 per taxpayer per year.

In summary, the Committee bill costs more than our Proposal, both in the near future and over the long run, while it offers less in terms of structural improvements.

For that reason, we think our Proposal is a bargain. There are prices to pay for the problems it solves. But the prices are reasonable, in view of alternatives, including the Committee bill.

Our "Proposal for Financial Restoration and Equity Strengthening of the Social Security System" has five general objectives. It would: (1) Make the social security system financially sound for at least the next 75 years; (2) Strengthen the insurance character of the system; (3) Improve the treatment of women under the system; (4) Make long-needed adjustments to reflect changes in living and working patterns of the American people; (5) Move toward universal coverage—appropriate for a nationwide, mandatory social insurance system.

The most important objective is restoration of the financial soundness of the system, which faces an estimated deficit of 8.2 percent of taxable payroll over the next 75 years. This proposal would virtually eliminate that long-term deficit. It also would solve the serious cash-flow problems facing the Social Security trust funds now and in the near future.

ANALYSIS OF THE PROPOSAL FOR FINANCIAL RESTORATION AND EQUITY STRENGTHENING OF THE SOCIAL SECURITY SYSTEM

SHORT-TERM FINANCING

The financial problems facing the system between now and 1981 would be taken care of through: (1) reallocation of Social Security taxes between the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds; and (2) a temporary reassignment of an increase in the tax rates for the Hospital Insurance (HI) Trust Fund, which already (under existing law) is scheduled to take place next year.

The current OASDI tax rate of 9.9 percent (on employers and employees combined) now is allocated: 1.15 percent for DI and 8.75 percent for OASI. It should be reallocated: 1.5 percent for DI and 8.4 percent for OASI. The increased allocation of 0.35 percent to the DI Trust Fund would be sufficient to prevent it from becoming exhausted by 1979 (as can be expected without a change in the law). Reallocation also would cause both Funds to remain viable at least until 1981.

In order to assure further the viability of these two Trust Funds, and to cover the cost of certain improvements in the system starting next year, part of the scheduled increase in the HI tax rate would be diverted temporarily to the OASDI Trust Funds. Present law calls for an increase in the HI tax rate, starting in 1978, from 0.9 percent to 1.1 percent for each employee, employer, and self-employed person. Three-fourths of this increase, or 0.15 percent per worker and employer, would be directed to the OASDI Trust Funds beginning January 1, 1978 and ending December 31, 1981. (This not only would bolster those two Funds, but also would permit a three year phase-out of the earnings limitation starting January 1, 1978.)

[In addition, one-fourth of the 1978 increase in the HI tax rate (i.e., 0.05 percent for both workers and employers) would be permanently directed to the OASDI Trust Funds after 1981. This would not adversely affect the operation of the HI Trust Fund, because the amount of money involved in the diversion is less than the savings to this fund as a result of providing for universal coverage.]

To guarantee the financial viability of all three Trust Funds over the next several years, each should be permitted to borrow from another, solely for the purpose of preventing exhaustion and with appropriate arrangements made in each case for repayment with interest.

(Following are tables showing the 10-year and the 75-year impact of this Proposal on the OASDI Trust Funds:)

PROGRESS OF OASDI TRUST FUNDS UNDER THE PROPOSAL FOR FINANCIAL RESTORATION AND EQUITY
STRENGTHENING OF THE SOCIAL SECURITY SYSTEM

[In billions of dollars]

Year:	Income	Outgo	Net income	Fund at end of year
1977	82.1	87.6	-5.5	35.6
1978	93.1	98.2	-5.1	30.4
1979	103.1	110.0	-6.9	23.5
1980	113.0	123.3	-10.3	13.2
1981	134.1	134.4	-.3	12.9
1982	153.9	145.2	+8.7	21.6
1983	166.8	157.1	+9.7	31.3
1984	178.5	169.7	+8.8	40.1
1985	204.8	182.9	+21.9	62.0
1986	220.3	196.9	+23.4	85.4
1987	236.6	211.6	+25.0	110.4

Long-range (75-yr) impact of proposal for financial restoration and equity strengthening of the social security system

[Impact on long-term OASDI trust funds' deficit loss or gain as percentage of taxable payroll]

Provision:

Decoupling and wage-indexing based on preautomatic adjustment flaw	+4.71
Freezing regular minimum benefit and updating special minimum benefit	+1.09
Increasing the retirement age after 2000	+1.35
Eliminating windfall for early retirees	+1.24
Limiting disability and survivor benefits to maximum retiree benefits	+1.02
Extending coverage	+1.34
Cutting marriage duration requirements for divorcees' eligibility from 20 to 5 yr.	-1.01
Removing benefit cutoff or reduction for marriage or remarriage	-1.08
Adding working spouse's benefit, with offset for other governmental pension	-1.65
Ending the earnings limitation for those aged 65 or older	-1.25
3-stage tax rate increase and HI tax diversion	+2.21
Total net effect	+7.97
Deficit under present law	8.20
Deficit under proposal	.23

NOTE.—The system is considered to be within safe actuarial bounds (sufficiently close to absolute balance) if the deficit is no greater than 0.87 percent of taxable payroll.

LONG-RANGE FINANCING

(1) The long-term deficit of the system would be reduced by slightly more than 50 percent through a process called "decoupling", plus wage indexing of the earnings record of the insured worker.

Decoupling was made necessary by what has been termed an inadvertent flaw in the 1972 law which adjusts benefits automatically according to annual increases in the Consumer Price Index. Under the present coupled system, the CPI increases are applied both to payments already being paid to those on the benefit rolls and to the benefit formula which is applicable to future beneficiaries. Decoupling would apply the cost-of-living percentage increases only to current beneficiaries.

The proposal parallels the decoupling-plus-wage-indexing provisions of the Committee bill. For future retirees it equitably stabilizes wage replacement ratios (the relationships between benefits and the earnings on which those benefits are based). To some extent, it would adjust the ultimate benefit level for the overexpansion that has occurred since the automatic-benefit-increase provision was enacted.

This does not mean that benefits would be reduced for those currently receiving benefits. They would be treated exactly as under existing law. Whenever the cost-of-living (as measured by the Consumer Price Index) advances in a year by 3 percent or more, benefits would continue to be increased commensurately.

Nor does it mean that dollar amounts of benefits paid in the future would be lower than present levels. To the contrary, dollar amounts—as well as the purchasing power of benefits—for future retirees would be higher than present levels.

It is important to note that, under this proposal, a 10-year savings clause—or guarantee—would be provided so that no retiree would receive less during that time than he or she would under the present-law formula as it was at the time of the change. In other words, retirees would have their choice. They could take the benefit available under present law at the point of changeover, or they could take the benefit provided under the new method, whichever is larger.

(2) The long-range deficit would be reduced further through a slow, gradual and distant advancement in the retirement age at which full benefits are payable. This proposal would move that age from 65 to 68, by degrees, not starting until the turn of the century and ending in 2011.

We recognize that this is an extremely sensitive issue, one that is conceptually difficult for very young workers to accept, and one that is politically difficult for our colleagues to embrace. But we believe it is an issue which the Congress will be forced to face eventually, for reasons outlined below, and we hope our colleagues will have the courage to confront it now.

The fairest thing to do would be to give the young workers and potential workers, who would be affected by such a change, as much advance notice as possible. The most unfair thing would be to wait until the change proved to be inevitable and to act without warning.

In considering this proposed change, which would affect only those workers aged 39 or younger and would have maximum impact only on

those young than 30, our colleagues are urged to take the following factors into account:

When the Social Security system was enacted, 42 years ago, American workers were not living as long as they are now, nor were they as productive for as long a period of time. In the next century, longevity for men will have increased by about three years, and for women, by about seven years. From time to time, the system has responded to other changes in the working and living habits of the people it serves, and it is reasonable for the system to adjust to these trends also.

It should be borne in mind that while longevity is expected to continue increasing in the foreseeable future, the birth rate has declined drastically and may well continue downward (or else remain at a low level) for years to come. This means there will be fewer workers making contributions, but more retirees receiving benefits. For example, there are now more than three workers contributing to the Social Security system for every beneficiary. But in the next century, that ratio will drop dramatically. There will be only two contributing workers for every one beneficiary.

In view of (1) these demographic projections, (2) the improvement in mortality as well as the physical conditions of older people, and (3) widespread dissatisfaction with mandatory retirement practices—which the Congress has recognized in recently passed legislation—this proposed change can have a salutary impact both on the Social Security system and on the social and economic lives of the American people.

Workers could continue to retire as early as 62, but with slightly greater actuarial reductions than at present, to take into account the longer period of time over which they could be expected to receive benefits.

Specifically, the standard retirement age of 65 would be increased by three months (or one-quarter year) each year starting in 2000. By the year 2011, the minimum retirement age for full benefits would have been increased to 68.

A gradual implementation of this change, with an effective date 33 years in the future, would give people sufficient time to plan for their retirement without severe disruption in any one year, and would permit management and labor to revise employment practices carefully and systematically.

The cost equivalent of not making this change would be an average tax rate increase on each social security contributor of 0.68 percent, starting next year and continuing through 2053.

(3) As noted earlier, the long-range deficit in the OASDI Trust Funds would be reduced additionally by a permanent reassignment, starting in 1982, of a small portion of the Hospital Insurance tax rate. This redirected rate would equal 0.05 percent for workers, employers, and the self-employed.

(4) To further strengthen the financing of the system in future years, contribution rates for employees, employers, and the self-employed would be increased by 0.50 percent in 1981, 0.45 percent in 1985, and 0.25 percent in 2000. Thus, the net addition to the presently-scheduled OASDI tax rates over the next 75 years would be 1.2 percent on employees, employers, and the self-employed.

TAX TREATMENT OF WOMEN AND SEX DISCRIMINATION

The proposal would make significant changes in the Social Security Act designed to improve the treatment of women and to remove remaining sex discrimination language.

First, the proposal would reduce from 20 years to 5 years the duration-of-marriage requirement for one spouse to receive a benefit based on the other's earnings record. Under present law, a divorced spouse retains auxiliary benefit rights only if the divorce occurs after 20 full years of marriage. Critics of the system long have contended that this requirement was unfair, arbitrary, and unrealistic in view of societal changes.

Second, the proposal would end the cutoff or reduction in benefits for those who remarry. Under present law, for example, a widow's remarriage will reduce or cut off entitlement to benefits unless the subsequent marriage ends. A number of persons, especially those living in retirement communities, have complained that current law requires them to "live in sin" in order not to lose Social Security benefits.)

Third, the proposal would amend the Social Security Act to remove remaining sexually discriminatory language.

(All three of the above changes have been incorporated in the Committee bill.)

Fourth, the proposal would provide a new "working spouse's benefit". Under present law a covered worker is always eligible for a benefit based on his or her own earnings record. But if the worker also becomes entitled to an auxiliary benefit, such as a spouse's benefit, he or she is entitled only to the higher of the two benefit amounts available. A number of working spouses (especially wives) have found that they would have been as well off financially, as far as Social Security benefits were concerned, if they had never left the home to enter the labor force. To alleviate this problem and to provide greater recognition of the employment record of a working spouse, the proposal would make the following changes:

1. A spouse who is eligible for an auxiliary or survivor benefit, who also worked under Social Security, could receive a new "working spouse's benefit", which would be equal to (A) the larger amount due either as a spouse or as a worker, plus (B) 25 percent of the smaller of the two benefits (but in no event greater than the maximum primary benefit). Only one spouse would be eligible for this new benefit.

2. Any pension or benefit based on governmental employment not covered under Social Security would be considered as a primary benefit in determining the amount of the Social Security auxiliary or survivor benefit payable. (This change is designed to remove what amounts to a "windfall" benefit in some cases under present law. For example, if a wife worked under Social Security for her entire career, she would be entitled to a primary benefit based on her own earnings record. If her husband had worked exclusively under a state employee's retirement system, he would be entitled to a pension under that system and also might be entitled to an auxiliary (spouse's) benefit based on his wife's Social Security record. Inasmuch as auxiliary and survivors benefits are based more on social adequacy (or need) than on individual equity, the "windfall" situation described above is not one which the Congress contemplated when it provided for survivors and auxiliary benefits in the first place.)

UNIVERSAL COVERAGE

Universal coverage is a natural and desirable goal of any nationwide, mandatory social insurance system. Although about nine of every 10 American workers now participate in the U.S. social security system, it is increasingly difficult to justify to the "nine" why the "one" is not covered. This is especially true in view of the impact of the Social Security payroll tax on the incomes of contributors.

Public discussion of universal coverage has taken place for many years. It has long appeared that a large majority of Americans favor it, but no action has been taken by the Congress. Many difficulties—legal and administrative—have stood in the way.

But the latest Advisory Council on Social Security stated that despite these difficulties, "it is of great importance from the standpoint of assuring good protection for all workers on an equitable basis that all jobs be compulsorily covered under social security". The Council urged the Congress to move promptly toward that goal.

We initially proposed extending coverage to Federal workers only, under a plan that would fully protect their current pension rights and assure them of equitable treatment under an integrated plan in the future. Since then, the Committee has called for extending coverage also (by January 1, 1982) to employees of states, localities and nonprofit organizations. Although we have some reservations about legal and administrative problems associated with covering these additional groups, we accept the Committee's decision in this matter and herewith modify our Proposal accordingly.

INSURANCE AND EQUITY STRENGTHENING

To strengthen the insurance character of the system and, at the same time, to provide greater equity, the proposal also would:

1. Remove the earnings limitation on those who have reached the eligibility age for full retirement benefits. More bills have been introduced to abolish the limitation than to make any other change in the system. During recent public hearings before the Ways and Means Committee's Subcommittee on Social Security, repeal of the limitation was the most widely discussed item. Witnesses pointed out that it enforces the under-utilization of experienced older people and also encourages retirees to adopt artificial work and pay practices. Under this proposal, the limitation as it applies to full-term retirees, would be phased out over a 3-year period, by increasing the annual exempt amount of earnings to \$5,000 for 1978 and to \$7,500 for 1979, and by removing it entirely for 1980 and thereafter.

2. Freeze the minimum primary benefit at its expected June, 1978 level of about \$120 per month, but at the same time increase, now and in the future, the special minimum benefit.

Freezing the minimum primary benefit follows a recommendation of the latest Advisory Council on Social Security, and is designed to lessen, and eventually eliminate, certain "windfalls" accruing to persons who work in covered employment for very short periods of time and thus acquire rights to the relatively large minimum, which has been weighted in favor of low-income workers.

In practice, a substantial number of Federal, state, and municipal government workers, outside the Social Security system, have either "moonlighted" or retired early from their regular jobs and worked under Social Security just long enough to obtain the minimum primary benefit.

Ironically, the minimum primary benefit was not established to help those short-term workers, but to assist other workers who had labored long under the system, at low wages. Recognizing that the minimum primary benefit was not serving its basic purpose, the Congress in 1972 added a "special minimum benefit" to better take care of the workers with many years of covered service at relatively low wages.

In so doing, the Congress did not change the minimum primary benefit, which continues to be of greatest value to those who need it least. This proposal would correct that anomaly by freezing the minimum primary benefit while improving the special minimum benefit.

The special minimum is now \$180 per month for workers with at least 30 years of coverage. When the \$180 figure was adopted in the 1973 Social Security Amendments (effective for March 1974), it was not made subject to the automatic adjustments for changes in prices; if it had been, it would now be \$219.

Under this proposal, the special minimum would be increased to \$219 in January 1978 and would be subject to automatic adjustment thereafter (as are all other benefits).

(These changes also parallel provisions of the Committee bill.)

3. Provide that disability and survivorship benefits would be based on a primary benefit not in excess of the maximum primary benefit for a worker reaching minimal retirement age of 62 in the year of death or disability.

Under current law, benefits to younger beneficiaries often are considerably larger than those awarded to older disabled persons or retirees with much longer earning records (and therefore with greater contribution payments). This disparity in benefit levels, which has long been considered inequitable, would end with this proposal.

BARBER B. CONABLE, Jr.
 JOHN J. DUNCAN.
 BILL ARCHER.
 GUY VANDER JAGT.
 WILLIAM A. STEIGER.
 BILL FRENZEL.
 JAMES G. MARTIN.
 L. A. BAFALIS.
 WILLIAM M. KETCHUM.
 RICHARD T. SCHULZE.
 BILL GRADISON, Jr.

XI. ADDITIONAL MINORITY VIEWS OF HON. WILLIAM M. KETCHUM

The restoration of our social security system to financial stability is of major consequence not only to individual participants in the program but also to the citizenry as a whole. It represents society's back-up system to ease the hardships caused by an abrupt cessation of earned income. While the Ways and Means Committee's recommendations, as contained in H.R. 9346, parallel my views in several areas, the bill fails to put the social security system on a sound financial footing for the next 75 years.

The Committee bill would increase sharply the wage base on which employers and employees pay taxes. For instance, an individual earning \$25,000/year would contribute \$1,203.95 in 1978, \$1,612.50 in 1981, and \$1,687.50 in 1985, and an individual earning \$10,000/year would contribute \$605 in 1978, \$645 in 1981, and \$675 in 1985. I strongly cautioned against these proposed sudden and large increases in the wage base beyond what is presently scheduled. While almost everyone agrees that there should be some rise in the wage base, current law already provides for an annual inflation adjustment which is projected to increase the wage base sufficiently from \$16,500 to \$17,700 in 1978, and by increments of \$1,500 each year after that. In the long run, increasing the wage base with respect to employees and the self-employed does *not* provide any significant revenues for the system because the additional taxes collected are very closely offset by the additional benefits created.

In addition, the Committee bill would impose an unnecessary, harsh increase in the tax rate over and above the scheduled rise, too soon in the wake of high rates of inflation and unemployment. Furthermore, H.R. 9346 will leave us with a minimum deficit of *\$800 billion over the next 75 years.*

The Committee did have alternatives which it could have taken and chose not to. A number of my colleagues and I advised that the bulk of new funding for the social security system should come from the existing payroll tax method. Most of the burdensome taxes could have been eliminated by a consolidation of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) and the Hospital Insurance (HI) trust funds to insure the financial viability of all three trust funds over the next few years. The adoption of our alternative plan would virtually eliminate the short-run deficit, thus obviating the need for such steep wage base and tax rate increases. Small tax rate and wage base increases would then be sufficient to eliminate a good portion of the deficit.

Although the Committee bill does address a number of long-standing inequities, the long and short term financing components of the bill will severely impact the working populace and further depress

the economy without insuring a financially sound social security trust fund. Those of us who believe that our social security system should be restored to financial stability on a long-range basis without 1) adding heavily to tax burdens in the future; or 2) requiring any tax increases over the next several years, in light of an uncertain economy and current payroll levies on both employers and employees, will make every effort to have our alternative proposals adopted in lieu of the committee bill when social security reform legislation comes before the House floor.

BILL KETCHUM.

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H. R. 9346

[Report No. 95-702, Part I]

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 27, 1977

Mr. ULLMAN introduced the following bill; which was referred to the Committee on Ways and Means

OCTOBER 12, 1977

Reported with an amendment, referred to the Committee on Post Office and Civil Service for a period ending not later than October 17, 1977, for consideration of section 301 of the bill and amendment as reported by the Committee on Ways and Means, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

A BILL

To amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide coverage under the system for officers and employees of the United States, of the State and local governments, and of nonprofit organizations, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 ~~That this Act, with the following table of contents, may be~~
- 4 ~~cited as the "Social Security Financing Amendments of~~
- 5 ~~1977²².~~

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1 ~~TITLE I PROVISIONS TO IMPROVE THE FINANC-~~
2 ~~ING OF THE OLD AGE, SURVIVORS, AND DIS-~~
3 ~~ABILITY INSURANCE PROGRAM~~

4 ~~ADJUSTMENTS IN TAX RATES~~

5 ~~SEC. 101. (a) (1) Section 3101(a) of the Internal~~
6 ~~Revenue Code of 1954 (relating to rate of tax on employees~~
7 ~~for purposes of old age, survivors, and disability insurance)~~
8 ~~is amended by striking out paragraphs (1) and (2) and~~
9 ~~inserting in lieu thereof the following:~~

10 ~~“(1) with respect to wages received during the~~
11 ~~calendar years 1974 through 1977, the rate shall be~~
12 ~~4.95 percent;~~

13 ~~“(2) with respect to wages received during the~~
14 ~~calendar years 1978 through 1980, the rate shall be~~
15 ~~5.10 percent;~~

16 ~~“(3) with respect to wages received during the~~
17 ~~calendar years 1981 through 1984, the rate shall be~~
18 ~~5.25 percent;~~

19 ~~“(4) with respect to wages received during the~~
20 ~~calendar years 1985 through 1989, the rate shall be~~
21 ~~5.55 percent; and~~

22 ~~“(5) with respect to wages received after Decem-~~
23 ~~ber 31, 1989, the rate shall be 6.15 percent.”.~~

24 ~~(2) Section 3111(a) of such Code (relating to rate~~
25 ~~of tax on employers for purposes of old age, survivors, and~~

1 ~~disability insurance) is amended by striking out paragraphs~~
2 ~~(1) and (2) and inserting in lieu thereof the following:~~

3 ~~“(1) with respect to wages paid during the cal-~~
4 ~~endar years 1974 through 1977, the rate shall be 4.95~~
5 ~~percent;~~

6 ~~“(2) with respect to wages paid during the cal-~~
7 ~~endar years 1978 through 1980, the rate shall be 5.10~~
8 ~~percent;~~

9 ~~“(3) with respect to wages paid during the calendar~~
10 ~~years 1981 through 1984, the rate shall be 5.25 percent;~~

11 ~~“(4) with respect to wages received during the~~
12 ~~calendar years 1985 through 1989, the rate shall be~~
13 ~~5.55 percent; and~~

14 ~~“(5) with respect to wages paid after December 31,~~
15 ~~1989, the rate shall be 6.15 percent.”.~~

16 ~~(3) Section 1401 (a) of such Code (relating to rate of~~
17 ~~tax on self-employment income for purposes of old age,~~
18 ~~survivors, and disability insurance) is amended by striking~~
19 ~~out “a tax” and all that follows and inserting in lieu thereof~~
20 ~~the following: “a tax as follows:~~

21 ~~“(1) in the case of any taxable year beginning~~
22 ~~before January 1, 1978, the tax shall be equal to 7.0~~
23 ~~percent of the amount of the self-employment income~~
24 ~~for such taxable year;~~

25 ~~“(2) in the case of any taxable year beginning~~

1 ~~after December 31, 1977, and before January 1, 1981,~~
2 ~~the tax shall be equal to 7.15 percent of the amount of~~
3 ~~the self-employment income for such taxable year;~~

4 ~~“(3) in the case of any taxable year beginning~~
5 ~~after December 31, 1980, and before January 1, 1985,~~
6 ~~the tax shall be equal to 7.85 percent of the amount of~~
7 ~~the self-employment income for such taxable year;~~

8 ~~“(4) in the case of any taxable year beginning after~~
9 ~~December 31, 1984, and before January 1, 1990, the~~
10 ~~tax shall be equal to 8.35 percent of the amount of the~~
11 ~~self-employment income for such taxable year; and~~

12 ~~“(5) in the case of any taxable year beginning~~
13 ~~after December 31, 1989, the tax shall be equal to 9.20~~
14 ~~percent of the amount of the self-employment income~~
15 ~~for such taxable year.”~~

16 ~~(b) (1) Section 3101 (b) of such Code (relating to rate~~
17 ~~of tax on employees for purposes of hospital insurance) is~~
18 ~~amended by striking out paragraphs (1) through (4) and~~
19 ~~inserting in lieu thereof the following:~~

20 ~~“(1) with respect to wages received during the~~
21 ~~calendar years 1974 through 1977, the rate shall be~~
22 ~~0.90 percent;~~

23 ~~“(2) with respect to wages received during the~~
24 ~~calendar years 1978 through 1980, the rate shall be~~
25 ~~0.95 percent;~~

1 ~~“(3) with respect to wages received during the~~
2 ~~calendar years 1981 through 1985, the rate shall be~~
3 ~~1.15 percent; and~~

4 ~~“(4) with respect to wages received after Decem-~~
5 ~~ber 31, 1985, the rate shall be 1.30 percent.”.~~

6 ~~(2) Section 3111(b) of such Code (relating to rate of~~
7 ~~tax on employers for purposes of hospital insurance) is~~
8 ~~amended by striking out paragraphs (1) through (4) and~~
9 ~~inserting in lieu thereof the following:~~

10 ~~“(1) with respect to wages paid during the cal-~~
11 ~~endar years 1974 through 1977, the rate shall be 0.90~~
12 ~~percent;~~

13 ~~“(2) with respect to wages paid during the cal-~~
14 ~~endar years 1978 through 1980, the rate shall be 0.95-~~
15 ~~percent;~~

16 ~~“(3) with respect to wages paid during the cal-~~
17 ~~endar years 1981 through 1985, the rate shall be 1.15~~
18 ~~percent; and~~

19 ~~“(4) with respect to wages paid after December 31,~~
20 ~~1985, the rate shall be 1.30 percent.”.~~

21 ~~(3) Section 1401(b) of such Code (relating to tax on~~
22 ~~self-employment income for purposes of hospital insurance)~~
23 ~~is amended by striking out paragraphs (1) through (4) and~~
24 ~~inserting in lieu thereof the following:~~

25 ~~“(1) in the case of any taxable year beginning after~~

1 ~~December 31, 1973, and before January 1, 1978, the~~
2 ~~tax shall be equal to 0.90 percent of the amount of the~~
3 ~~self-employment income for such taxable year;~~

4 ~~“(2) in the case of any taxable year beginning after~~
5 ~~December 31, 1977, and before January 1, 1981, the~~
6 ~~tax shall be equal to 0.95 percent of the amount of the~~
7 ~~self-employment income for such taxable year;~~

8 ~~“(3) in the case of any taxable year beginning after~~
9 ~~December 31, 1980, and before January 1, 1986, the~~
10 ~~tax shall be equal to 1.15 percent of the amount of the~~
11 ~~self-employment income for such taxable year; and~~

12 ~~“(4) in the case of any taxable year beginning after~~
13 ~~December 31, 1985, the tax shall be equal to 1.30 per-~~
14 ~~cent of the amount of the self-employment income for~~
15 ~~such taxable year.”.~~

16 ~~ALLOCATIONS TO DISABILITY INSURANCE TRUST FUND~~

17 ~~SEC. 102. (a) (1) Section 201(b) (1) of the Social~~
18 ~~Security Act is amended by striking out clauses (G)~~
19 ~~through (J) and inserting in lieu thereof the following:~~
20 ~~“(G) 1.55 per centum of the wages (as so defined) paid~~
21 ~~after December 31, 1977, and before January 1, 1981, and~~
22 ~~so reported, (H) 1.65 per centum of the wages (as so de-~~
23 ~~finied) paid after December 31, 1980, and before Janu-~~
24 ~~ary 1, 1985, and so reported, (I) 1.84 per centum of the~~

1 ~~wages (as so defined) paid after December 31, 1984, and~~
2 ~~before January 1, 1990, and so reported, and (J) 2.30~~
3 ~~per centum of the wages (as so defined) paid after Decem-~~
4 ~~ber 31, 1989, and so reported.”~~

5 ~~(2) Section 201(b)(2) of such Act is amended by~~
6 ~~striking out clauses (G) through (J) and inserting in lieu~~
7 ~~thereof the following: “(G) 1.0865 per centum of the~~
8 ~~amount of self-employment income (as so defined) so re-~~
9 ~~ported for any taxable year beginning after December 31,~~
10 ~~1977, and before January 1, 1981, (H) 1.2375 per centum~~
11 ~~of the amount of self-employment income (as so defined) so~~
12 ~~reported for any taxable year beginning after December 31,~~
13 ~~1980, and before January 1, 1985, (I) 1.3800 per centum~~
14 ~~of the amount of self-employment income (as so defined) so~~
15 ~~reported for any taxable year beginning after December 31,~~
16 ~~1984, and before January 1, 1990, and (J) 1.7250 per~~
17 ~~centum of the amount of self-employment income (as so~~
18 ~~defined) so reported for any taxable year beginning after~~
19 ~~December 31, 1989.”~~

20 ~~INCREASES IN EARNINGS BASE~~

21 ~~SEC. 103. (a) Section 230(b) of the Social Security~~
22 ~~Act is amended by striking out “shall be” in the matter~~
23 ~~preceding paragraph (1) and inserting in lieu thereof “shall~~
24 ~~(subject to subsection (c)) be”.~~

1 ~~(b) Section 230 (e) of such Act is amended—~~

2 ~~(1) by inserting “(1)” immediately before “the~~

3 ~~‘contribution and benefit base’”; and~~

4 ~~(2) by striking out “section.” and inserting in lieu~~

5 ~~thereof the following:~~

6 ~~“section, and (2) the ‘contribution and benefit base’ with~~

7 ~~respect to remuneration paid (and taxable years beginning) —~~

8 ~~“(A) in 1978 shall be \$17,700,~~

9 ~~“(B) in 1979 shall be \$20,000,~~

10 ~~“(C) in 1980 shall be \$24,400, and~~

11 ~~“(D) in 1981 shall be \$27,900.~~

12 ~~For purposes of determining under subsection (b) the ‘con-~~

13 ~~tribution and benefit base’ with respect to remuneration paid~~

14 ~~(and taxable years beginning) in 1982 and subsequent years,~~

15 ~~the dollar amounts specified in clause (2) of the preceding~~

16 ~~sentence shall be considered to have resulted from the applica-~~

17 ~~tion of such subsection (b) and to be the amount determined~~

18 ~~(with respect to the years involved) under that subsection.”.~~

19 ~~(c) (1) The second sentence of section 215 (i) (2) (D)~~

20 ~~(v) of such Act is amended by striking out “is equal to~~

21 ~~one-twelfth of the new contribution and benefit base” and~~

22 ~~inserting in lieu thereof “is equal to, or exceeds by less than~~

23 ~~\$5, one-twelfth of the new contribution and benefit base”.~~

24 ~~(2) The third sentence of section 215 (i) (2) (D) (v)~~

25 ~~of such Act is amended by striking out all that follows~~

1 ~~“clause (iv)” and inserting in lieu thereof “plus 20 per-~~
2 ~~cent of the excess of the second figure in the last line of~~
3 ~~column III as extended under the preceding sentence over~~
4 ~~such second figure for the calendar year in which the table~~
5 ~~of benefits is revised.”.~~

6 ~~STANDBY GUARANTEE OF TRUST FUND LEVELS~~

7 ~~SEC. 104. (a) Section 201 of the Social Security Act is~~
8 ~~amended by adding at the end thereof the following new~~
9 ~~subsection:~~

10 ~~“(j) If at the close of any calendar year after 1976~~
11 ~~the balance remaining in the Federal Old Age and Survi-~~
12 ~~vers Insurance Trust Fund or the Federal Disability Insur-~~
13 ~~ance Trust Fund (as determined by the Secretary of the~~
14 ~~Treasury in the following February) is less than 25 percent~~
15 ~~of the total amount of the payments made from such fund~~
16 ~~under this title during that calendar year, there is hereby~~
17 ~~appropriated to such fund as of the following July 1 an~~
18 ~~amount equal to the difference between (1) such balance,~~
19 ~~and (2) 30 percent of the total amount of such payments.~~
20 ~~Any amount appropriated to either trust fund under the~~
21 ~~preceding sentence shall constitute and be treated as a loan~~
22 ~~to such fund from the general fund of the Treasury, and~~
23 ~~shall be repaid (by transfer from such fund to the general~~
24 ~~fund of the Treasury), with accrued interest, in whole or in~~
25 ~~such part as will not reduce the balance in such fund to less~~

~~1 than 25 percent of the total amount of the payments made
2 from such fund under this title during the calendar year
3 involved, on July 1 next succeeding the first subsequent
4 calendar year at the close of which (as determined by the
5 Secretary of the Treasury in the month of February next
6 succeeding that calendar year) the balance remaining in
7 such fund equals or exceeds 40 percent of the total amount
8 of the payments made from such fund under this title during
9 that calendar year. For purposes of the preceding sentence,
10 accrued interest shall be computed on each such loan as if it
11 were an obligation described in the next to last sentence of
12 subsection (d)."~~

~~13 (b) Section 1817 of such Act is amended by adding at
14 the end thereof the following new subsection:~~

~~15 "(i) If at the close of any calendar year after 1976
16 the balance remaining in the Federal Hospital Insurance
17 Trust Fund (as determined by the Secretary of the Treasury
18 in the following February) is less than 25 percent of the
19 total amount of the payments made from such fund under
20 this title during that calendar year, there is hereby appro-
21 priated to such fund as of the following July 1 an amount
22 equal to the difference between (1) such balance and (2)
23 20 percent of the total amount of such payments. Any
24 amount appropriated to such trust fund under the preceding
25 sentence shall constitute and be treated as a loan to such
26 fund from the general fund of the Treasury, and shall be~~

~~1 repaid (by transfer from such fund to the general fund of~~
~~2 the Treasury), with accrued interest, in whole or in such~~
~~3 part as will not reduce the balance in such fund to less than~~
~~4 25 percent of the total amount of the payments made from~~
~~5 such fund under this title during the calendar year in-~~
~~6 volved, on July 1 next succeeding the first subsequent~~
~~7 calendar year at the close of which (as determined~~
~~8 by the Secretary of the Treasury in the month of February~~
~~9 next succeeding that calendar year) the balance remaining~~
~~10 in such fund equals or exceeds 40 percent of the total~~
~~11 amount of the payments made from such fund under this~~
~~12 title during that calendar year. For purposes of the preced-~~
~~13 ing sentence, accrued interest shall be computed on each such~~
~~14 loan as if it were an obligation described in the next to last~~
~~15 sentence of subsection (c).”.~~

EFFECTIVE DATE

~~16~~
~~17 SEC. 105. The amendments made by sections 101, 102,~~
~~18 and 103 shall apply with respect to remuneration paid or~~
~~19 received, and taxable years beginning, after 1977.~~

~~20 TITLE II STABILIZATION OF REPLACEMENT~~ ~~21 RATES IN THE OLD AGE, SURVIVORS, AND~~ ~~22 DISABILITY INSURANCE PROGRAM~~

~~23 COMPUTATION OF PRIMARY INSURANCE AMOUNT~~

~~24 SEC. 201. (a) Section 215(a) of the Social Security~~
~~25 Act is amended to read as follows:~~

1 ~~“(a) (1) (A) The primary insurance amount of an~~
2 ~~insured individual shall (except as otherwise provided in this~~
3 ~~section) be equal to the sum of—~~

4 ~~“(i) 90 percent of the individual’s average indexed~~
5 ~~monthly earnings (determined under subsection (b))~~
6 ~~up to the amount established for purposes of this clause~~
7 ~~by subparagraph (B),~~

8 ~~“(ii) 32 percent of the portion of the individual’s~~
9 ~~average indexed monthly earnings which exceeds the~~
10 ~~amount established for purposes of clause (i) but does~~
11 ~~not exceed the amount established for purposes of this~~
12 ~~clause by subparagraph (B), and~~

13 ~~“(iii) 15 percent of the individual’s average~~
14 ~~indexed monthly earnings to the extent that they exceed~~
15 ~~the amount established for purposes of clause (ii),~~
16 ~~rounded in accordance with subsection (g), and thereafter~~
17 ~~increased as provided in subsection (i).~~

18 ~~“(B) (i) For individuals who initially become eligible~~
19 ~~for old age or disability insurance benefits or die in the cal-~~
20 ~~endar year 1970, the amounts established for purposes of~~
21 ~~clauses (i) and (ii) of subparagraph (A) shall be \$180~~
22 ~~and \$1,085, respectively.~~

23 ~~“(ii) For individuals who initially become eligible for~~
24 ~~old age or disability insurance benefits or die in any calendar~~
25 ~~year after 1970, each of the amounts so established shall~~

1 ~~equal the product of the corresponding amount established~~
2 ~~with respect to the calendar year 1979 under clause (i) of~~
3 ~~this subparagraph and the quotient obtained by dividing~~

4 ~~“(I) the average of the total wages (as defined~~
5 ~~in regulations of the Secretary and computed without~~
6 ~~regard to the limitations specified in section 209 (a))~~
7 ~~reported to the Secretary of the Treasury or his delegate~~
8 ~~for the second calendar year preceding the calendar~~
9 ~~year for which the determination is made, by~~

10 ~~“(II) the average of the total wages (as so de-~~
11 ~~fin ed and computed) reported to the Secretary of the~~
12 ~~Treasury or his delegate for the calendar year 1977.~~

13 ~~“(iii) Each amount established under clause (ii) for~~
14 ~~any calendar year shall be rounded to the nearest \$1, except~~
15 ~~that any portion so determined which is a multiple of \$0.50~~
16 ~~but not of \$1 shall be rounded to the next higher \$1.~~

17 ~~“(C) (i) No primary insurance amount computed under~~
18 ~~subparagraph (A) may be less than~~

19 ~~“(I) the dollar amount set forth on the first line of~~
20 ~~column IV in the table of benefits contained in this~~
21 ~~subsection as in effect in December 1978, rounded (if~~
22 ~~not a multiple of \$1) to the next higher multiple of \$1,~~

23 ~~or~~

24 ~~“(II) an amount equal to \$11.50 multiplied by the~~
25 ~~individual's years of coverage in excess of 10, or the~~

1 ~~increased amount determined for purposes of this sub-~~
2 ~~division under subsection (i),~~
3 ~~whichever is greater. No increase under subsection (i) shall~~
4 ~~apply to the dollar amount specified in subdivision (I) of~~
5 ~~this clause.~~

6 ~~“(ii) For purposes of clause (i) (II), the term ‘years~~
7 ~~of coverage’ with respect to any individual means the number~~
8 ~~(not exceeding 30) equal to the sum of (I) the number~~
9 ~~(not exceeding 14 and disregarding any fraction) deter-~~
10 ~~mined by dividing (a) the total of the wages credited to~~
11 ~~such individual (including wages deemed to be paid prior~~
12 ~~to 1951 to such individual under section 217, compensation~~
13 ~~under the Railroad Retirement Act of 1937 prior to 1951~~
14 ~~which is creditable to such individual pursuant to this title,~~
15 ~~and wages deemed to be paid prior to 1951 to such individual~~
16 ~~under section 231) for years after 1936 and before 1951~~
17 ~~by (b) \$900, plus (II) the number equal to the number of~~
18 ~~years after 1950 each of which is a computation base year~~
19 ~~(within the meaning of subsection (b) (2) (B) (ii)) and in~~
20 ~~each of which he is credited with wages (including wages~~
21 ~~deemed to be paid to such individual under section 217,~~
22 ~~compensation under the Railroad Retirement Act of 1937 or~~
23 ~~1974 which is creditable to such individual pursuant to this~~
24 ~~title, and wages deemed to be paid prior to 1951 to such~~
25 ~~individual under section 229) and self-employment income~~

1 ~~of not less than 25 percent of the maximum amount which,~~
2 ~~pursuant to subsection (e), may be counted for such year.~~

3 ~~“(D) In each calendar year after 1978 the Secretary~~
4 ~~shall publish in the Federal Register, on or before Novem-~~
5 ~~ber 1, the formula for computing benefits under this para-~~
6 ~~graph and for adjusting wages and self-employment income~~
7 ~~under subsection (b) (3) in the case of an individual who~~
8 ~~becomes eligible for an old age insurance benefit, or (if~~
9 ~~earlier) becomes eligible for a disability insurance benefit~~
10 ~~or dies, in the following year, and the average of the total~~
11 ~~wages (as described in subparagraph (B) (ii) (I)) on~~
12 ~~which that formula is based. With the initial publication re-~~
13 ~~quired by this subparagraph, the Secretary shall also publish~~
14 ~~in the Federal Register the average of the total wages (as~~
15 ~~so described) for each calendar year after 1950.~~

16 ~~“(2) (A) In the case of an individual who was entitled~~
17 ~~to a disability insurance benefit for any of the 12 months~~
18 ~~before the month in which he became entitled to an old age~~
19 ~~insurance benefit, became reentitled to a disability insurance~~
20 ~~benefit, or died, the primary insurance amount for determin-~~
21 ~~ing any benefit attributable to that entitlement, reentitlement,~~
22 ~~or death is the greater of—~~

23 ~~“(i) the primary insurance amount upon which such~~
24 ~~disability insurance benefit was based, increased by the~~
25 ~~amount of each general benefit increase (as defined in~~

1 ~~subsection (i) (3)), and each increase provided under~~
2 ~~subsection (i) (2), that would have applied to such~~
3 ~~primary insurance amount had the individual remained~~
4 ~~entitled to such disability insurance benefit until the~~
5 ~~month in which he became so entitled or reentitled or~~
6 ~~died, or~~

7 ~~“(ii) the amount computed under paragraph (1)~~
8 ~~(C).~~

9 ~~“(B) In the case of an individual who was entitled to~~
10 ~~a disability insurance benefit for any month, and with respect~~
11 ~~to whom a primary insurance amount is required to be com-~~
12 ~~puted at any time after the close of the period of the indi-~~
13 ~~vidual's disability (whether because of such individual's~~
14 ~~subsequent entitlement to old age insurance benefits or to a~~
15 ~~disability insurance benefit based upon a subsequent period~~
16 ~~of disability, or because of such individual's death), the~~
17 ~~primary insurance amount so computed may in no case be~~
18 ~~less than the primary insurance amount with respect to~~
19 ~~which such former disability insurance benefit was most re-~~
20 ~~cently determined.~~

21 ~~“(3) (A) Paragraph (1) applies only to an individual~~
22 ~~who was not eligible for an old age insurance benefit prior~~
23 ~~to January 1979 and who in that or any succeeding month~~

24 ~~“(i) becomes eligible for such a benefit,~~

1 ~~“(ii) becomes eligible for a disability insurance~~
2 ~~benefit, or~~

3 ~~“(iii) dies,~~
4 ~~and (except for subparagraph (C) (i) (II) thereof) it ap-~~
5 ~~plies to every such individual except to the extent otherwise~~
6 ~~provided by paragraph (4).~~

7 ~~“(B) For purposes of this title, an individual is deemed~~
8 ~~to be eligible—~~

9 ~~“(i) for old-age insurance benefits, for months~~
10 ~~beginning with the month in which he attains age 62, or~~

11 ~~“(ii) for disability insurance benefits, for months~~
12 ~~beginning with the month in which his period of dis-~~
13 ~~ability began as described in section 216 (i) (2) (C),~~
14 ~~unless fewer than 12 months have elapsed since the termi-~~
15 ~~nation of a prior period of disability.~~

16 ~~“(4) Paragraph (1) (except for subparagraph (C) (i)~~
17 ~~(II) thereof) does not apply to the computation or re-~~
18 ~~computation of a primary insurance amount for—~~

19 ~~“(A) an individual who was eligible for a disability~~
20 ~~insurance benefit for a month prior to January 1970~~
21 ~~unless, prior to the month in which occurs the event~~
22 ~~described in clause (i), (ii), or (iii) of paragraph (3)~~
23 ~~(A), there occurs a period of at least 12 consecutive~~

1 ~~months for which he was not entitled to a disability~~
2 ~~insurance benefit, or~~

3 ~~“(B) an individual who had wages or self employ-~~
4 ~~ment income credited for one or more years prior to~~
5 ~~1970, and who was not eligible for an old age or disa-~~
6 ~~bility insurance benefit, and did not die, prior to January~~
7 ~~1970, if in the year for which the computation or re-~~
8 ~~computation would be made the individual’s primary~~
9 ~~insurance amount would be greater if computed or~~
10 ~~recomputed—~~

11 ~~“(i) under section 215(a) as in effect in~~
12 ~~December 1978, for purposes of old age insurance~~
13 ~~benefits in the case of an individual who becomes~~
14 ~~eligible for such benefits prior to 1980, or~~

15 ~~“(ii) as provided by section 215(d), in the~~
16 ~~case of an individual to whom such section applies.~~

17 ~~In determining whether an individual’s primary insurance~~
18 ~~amount would be greater if computed or recomputed as pro-~~
19 ~~vided in subparagraph (B), (I) the table of benefits in~~
20 ~~effect in December 1978 shall be applied without regard~~
21 ~~to any increases in that table which may become effective~~
22 ~~(in accordance with subsection (i) (4)) for years after~~
23 ~~1978 and prior to the year in which such individual became~~
24 ~~eligible for an old age or disability insurance benefit or died,~~

1 ~~and (II) such individual's average monthly wage shall be~~
 2 ~~computed as provided by subsection (b) (4).~~

3 ~~"(5) For purposes of computing the primary insurance~~
 4 ~~amount (after December 1978) of an individual to whom~~
 5 ~~paragraph (1) does not apply (other than an individual~~
 6 ~~described in paragraph (4) (B)), this section as in effect~~
 7 ~~in December 1978 shall remain in effect, except that, effec-~~
 8 ~~tive for January 1979, the dollar amount specified in para-~~
 9 ~~graph (3) of subsection (a) shall be increased to \$11.50.~~
 10 ~~The table for determining primary insurance amounts and~~
 11 ~~maximum family benefits contained in this section in Decem-~~
 12 ~~ber 1978 shall be revised as provided by subsection (i) for~~
 13 ~~each year after 1978."~~

14 ~~(b) Section 215 (b) of such Act is amended to read as~~
 15 ~~follows:~~

16 ~~"Average Indexed Monthly Earnings; Average Monthly~~
 17 ~~Wage~~

18 ~~"(b) (1) An individual's average indexed monthly~~
 19 ~~earnings shall be equal to the quotient obtained by dividing~~

20 ~~"(A) the total (after adjustment under paragraph~~
 21 ~~(3)) of his wages paid in and self-employment income~~
 22 ~~credited to his benefit computation years (determined~~
 23 ~~under paragraph (2)), by~~

24 ~~"(B) the number of months in those years.~~

1 ~~“(2) (A) The number of an individual’s benefit com-~~
2 ~~putation years equals the number of elapsed years, reduced~~
3 ~~by five, except that the number of an individual’s benefit~~
4 ~~computation years may not be less than two.~~

5 ~~“(B) For purposes of this subsection with respect to~~
6 ~~any individual—~~

7 ~~“(i) the term ‘benefit computation years’ means~~
8 ~~those computation base years, equal in number to the~~
9 ~~number determined under subparagraph (A), for which~~
10 ~~the total of such individual’s wages and self employment~~
11 ~~income, after adjustment under paragraph (3), is the~~
12 ~~largest;~~

13 ~~“(ii) the term ‘computation base years’ means the~~
14 ~~calendar years after 1950 and before—~~

15 ~~“(I) in the case of an individual entitled to old-~~
16 ~~age insurance benefits, the year in which occurred~~
17 ~~(whether by reason of section 202 (j) (1) or other-~~
18 ~~wise) the first month of that entitlement; or~~

19 ~~“(II) in the case of an individual who has~~
20 ~~died, the year succeeding the year of his death;~~
21 ~~except that such term excludes any calendar year en-~~
22 ~~tirely included in a period of disability; and~~

23 ~~“(iii) the term ‘number of elapsed years’ means~~
24 ~~(except as otherwise provided by section 104 (j) (2)~~
25 ~~of the Social Security Amendments of 1972) the num-~~

1 ~~ber of calendar years after 1950 (or, if later, the year~~
2 ~~in which the individual attained age 21) and before the~~
3 ~~year in which the individual died, or, if it occurred~~
4 ~~after 1960, the year in which he attained age 62; except~~
5 ~~that such term excludes any calendar year any part of~~
6 ~~which is included in a period of disability.~~

7 ~~“(3) (A) Except as provided by subparagraph (B),~~
8 ~~the wages paid in and self employment income credited to~~
9 ~~each of an individual’s computation base years for purposes~~
10 ~~of the selection therefrom of benefit computation years under~~
11 ~~paragraph (2) shall be deemed to be equal to the product~~
12 ~~of—~~

13 ~~“(i) the wages and self employment income actually~~
14 ~~paid in or credited to such year, and~~

15 ~~“(ii) the quotient obtained by dividing—~~

16 ~~“(I) the average of the total wages (as defined~~
17 ~~in regulations of the Secretary and computed with-~~
18 ~~out regard to the limitations specified in section 200~~
19 ~~(a)) reported to the Secretary of the Treasury or~~
20 ~~his delegate for the second calendar year preceding~~
21 ~~the year of the individual’s death or initial eligibility~~
22 ~~for an old age or disability insurance benefit, which~~
23 ~~ever is earliest (not counting any year as the year~~
24 ~~of the individual’s death or eligibility if the indi-~~
25 ~~vidual was entitled to a disability insurance benefit~~

1 ~~for any of the 12 months immediately preceding~~
2 ~~such year), by~~

3 ~~“(II) the average of the total wages (as so~~
4 ~~defined and computed) reported to the Secretary~~
5 ~~of the Treasury or his delegate for the computation~~
6 ~~base year for which the determination is made.~~

7 ~~“(B) Wages paid in or self-employment income~~
8 ~~credited to an individual's computation base year which~~

9 ~~“(i) occurs after the second calendar year specified~~
10 ~~in subparagraph (A) (ii) (I), or~~

11 ~~“(ii) is a year treated under subsection (f) (2) (C)~~
12 ~~as though it were the last year of the period specified in~~
13 ~~subsection (b) (2) (B) (ii),~~

14 ~~shall be available for use in determining an individual's bene-~~
15 ~~fit computation years, but without applying subparagraph~~
16 ~~(A) of this paragraph.~~

17 ~~“(4) For purposes of determining the average monthly~~
18 ~~wage of an individual whose primary insurance amount is~~
19 ~~computed (after 1978) under section 215 (a) or 215 (d)~~
20 ~~as in effect (except with respect to the tables contained~~
21 ~~therein) in December 1978, by reason of subsection~~
22 ~~(a) (4) (B), this subsection as in effect in December 1978~~
23 ~~shall remain in effect, except that paragraph (2) (C) (as~~
24 ~~then in effect) shall be deemed to provide that 'computation~~
25 ~~base years' include only calendar years in the period after~~

1 ~~1950 (or 1936, if applicable) and prior to the year in~~
2 ~~which occurred the first month for which the individual was~~
3 ~~eligible (as defined in subsection (a) (3) (B) as in effect~~
4 ~~in January 1979) for an old age or disability insurance~~
5 ~~benefit, or died. Any calendar year all of which is included~~
6 ~~in a period of disability shall not be included as a computa-~~
7 ~~tion base year for such purposes."~~

8 ~~(e) Section 215 (e) of such Act is amended to read~~
9 ~~as follows:~~

10 ~~"Application of Prior Provisions in Certain Cases~~

11 ~~"(e) This subsection as in effect in December 1978~~
12 ~~shall remain in effect with respect to an individual to whom~~
13 ~~subsection (a) (1) does not apply by reason of the indi-~~
14 ~~vidual's eligibility for an old age or disability insurance bene-~~
15 ~~fit, or the individual's death, prior to 1979."~~

16 ~~(d) (1) The matter in the text of section 215 (d) of~~
17 ~~such Act which precedes paragraph (1) (C) is amended to~~
18 ~~read as follows:~~

19 ~~"(d) (1) For purposes of column I of the table appear-~~
20 ~~ing in subsection (a), as that subsection was in effect in~~
21 ~~December 1977, an individual's primary insurance benefit~~
22 ~~shall be computed as follows:~~

23 ~~"(A) The individual's average monthly wage shall be~~
24 ~~determined as provided in subsection (b), as in effect in~~
25 ~~December 1977 (but without regard to paragraph (4)~~

1 ~~thereof), except that for purposes of paragraphs (2) (C)~~
2 ~~and (3) of that subsection (as so in effect) 1936 shall be~~
3 ~~used instead of 1950.~~

4 ~~“(B) For purposes of subparagraphs (B) and (C)~~
5 ~~of subsection (b) (2) (as so in effect), the total wages~~
6 ~~prior to 1951 (as defined in subparagraph (C) of this~~
7 ~~paragraph) of an individual who attained age 21 after 1936~~
8 ~~and prior to 1951 shall be divided by the number of years~~
9 ~~(hereinafter in this subparagraph referred to as the ‘divisor’)~~
10 ~~elapsing after the year in which the individual attained age~~
11 ~~21 and prior to the earlier of 1951 or the year of the in-~~
12 ~~dividual’s death. The quotient so obtained shall be deemed~~
13 ~~to be the individual’s wages credited to each of the years~~
14 ~~included in the divisor, except that—~~

15 ~~“(i) if the quotient exceeds \$3,000, only \$3,000~~
16 ~~shall be deemed to be the individual’s wages for each~~
17 ~~of years included in the divisor, and the remainder of~~
18 ~~the individual’s total wages prior to 1951 (I) if less~~
19 ~~than \$3,000, shall be deemed credited to the year in~~
20 ~~which the individual attained age 21, or (II) if \$3,000~~
21 ~~or more, shall be deemed credited, in \$3,000 incre-~~
22 ~~ments, to the year in which the individual attained age~~
23 ~~21 and to each year consecutively preceding that year,~~
24 ~~with any remainder less than \$3,000 being credited to~~

1 ~~the year immediately preceding the earliest year to~~
2 ~~which a full \$3,000 increment was credited; and~~

3 ~~“(ii) no more than \$12,000 may be taken into~~
4 ~~account, for purposes of this subparagraph, as total~~
5 ~~wages after 1936 and prior to 1951.”.~~

6 ~~(2) Section 215 (d) (1) (D) of such Act is amended~~
7 ~~to read as follows:~~

8 ~~“(D) The individual’s primary insurance benefit~~
9 ~~shall be 40 percent of the first \$50 of his average~~
10 ~~monthly wage as computed under this subsection, plus~~
11 ~~10 percent of the next \$200 of his average monthly~~
12 ~~wage, increased by 1 percent for each increment year.~~
13 ~~The number of increment years is the number, not more~~
14 ~~than 14 nor less than 4, that is equal to the individual’s~~
15 ~~total wages prior to 1951 divided by \$1,650 (disre-~~
16 ~~garding any fraction).”.~~

17 ~~(3) Section 215 (d) (3) of such Act is amended (A)~~
18 ~~by striking out “in the case of an individual” and all that~~
19 ~~follows and inserting in lieu thereof the following: “in the~~
20 ~~case of an individual who had a period of disability which~~
21 ~~began prior to 1951, but only if the primary insurance~~
22 ~~amount resulting therefrom is higher than the primary in-~~
23 ~~surance amount resulting from the application of this section~~

1 ~~(as amended by the Social Security Amendments of 1967)~~
2 ~~and section 220."~~

3 ~~(4) Section 215 (d) of such Act is further amended by~~
4 ~~adding at the end thereof the following new paragraph:~~

5 ~~"(4) The provisions of this subsection as in effect in~~
6 ~~December 1977 shall be applicable to individuals who be-~~
7 ~~come eligible for old age or disability insurance benefits or~~
8 ~~die prior to 1978."~~

9 ~~(e) Section 215 (e) of such Act is amended—~~

10 ~~(1) by striking out "average monthly wage" each~~
11 ~~place it appears and inserting in lieu thereof "average~~
12 ~~indexed monthly earnings or, in the case of an individual~~
13 ~~whose primary insurance amount is computed under~~
14 ~~section 215 (a) as in effect prior to January 1979,~~
15 ~~average monthly wage," and~~

16 ~~(2) by inserting immediately before "of (A)" in~~
17 ~~paragraph (1) the following: "(before the application,~~
18 ~~in the case of average indexed monthly earnings, of sub-~~
19 ~~section (b) (3) (A))"~~

20 ~~(f) (1) Section 215 (f) (2) of this Act is amended to~~
21 ~~read as follows:~~

22 ~~"(2) (A) If an individual has wages or self employ-~~
23 ~~ment income for a year after 1978 for any part of which he~~
24 ~~is entitled to old age or disability insurance benefits, the~~

1 ~~Secretary shall, at such time or times and within such period~~
2 ~~as he may by regulation prescribe, recompute the individual's~~
3 ~~primary insurance amount for that year.~~

4 ~~“(B) For the purpose of applying subparagraph (A)~~
5 ~~of subsection (a) (1) to the average indexed monthly earn-~~
6 ~~ings of an individual to whom that subsection applies and~~
7 ~~who receives a recomputation under this paragraph, there~~
8 ~~shall be used, in lieu of the portions of those earnings taken~~
9 ~~into account for purposes of clauses (i) and (ii) of subpara-~~
10 ~~graph (B) of subsection (a) (1), the portions that were~~
11 ~~(or, in the case of an individual described in subsection (a)~~
12 ~~(4) (B), would have been) used in the computation of~~
13 ~~such individual's primary insurance amount prior to the~~
14 ~~application of this subsection.~~

15 ~~“(C) A recomputation of any individual's primary in-~~
16 ~~surance amount under this paragraph shall be made as pro-~~
17 ~~vided in subsection (a) (1) as though the year with respect~~
18 ~~to which it is made is the last year of the period specified in~~
19 ~~subsection (b) (2) (B) (ii); and subsection (b) (3) (A)~~
20 ~~shall apply with respect to any such recomputation as it~~
21 ~~applied in the computation of such individual's primary in-~~
22 ~~surance amount prior to the application of this subsection.~~

23 ~~“(D) A recomputation under this paragraph with re-~~
24 ~~spect to any year shall be effective—~~

1 ~~“(i) in the case of an individual who did not die~~
2 ~~in that year, for monthly benefits beginning with bene-~~
3 ~~fits for January of the following year; or~~

4 ~~“(ii) in the case of an individual who died in~~
5 ~~that year, for monthly benefits beginning with benefits~~
6 ~~for the month in which he died.”.~~

7 ~~(2) Section 215 (f) (3) of such Act is repealed.~~

8 ~~(3) Section 215 (f) (4) of such Act is amended to read~~
9 ~~as follows:~~

10 ~~“(4) A recomputation shall be effective under this sub-~~
11 ~~section only if it increases the primary insurance amount~~
12 ~~by at least \$1.”.~~

13 ~~(4) Section 215 (f) of such Act is further amended by~~
14 ~~adding at the end thereof the following new paragraphs:~~

15 ~~“(7) This subsection as in effect in December 1978~~
16 ~~shall continue to apply to the recomputation of a primary~~
17 ~~insurance amount computed under subsection (a) or (d)~~
18 ~~as in effect (without regard to the table in subsection (a))~~
19 ~~in that month, and, where appropriate, under subsection (d)~~
20 ~~as in effect in December 1977. For purposes of recomputing~~
21 ~~a primary insurance amount determined under subsection~~
22 ~~(a) or (d) (as so in effect) in the case of an individual to~~
23 ~~whom those subsections apply by reason of subsection~~
24 ~~(a) (1) (B) as in effect after December 1978, no remun-~~
25 ~~eration shall be taken into account for the year in which the~~

1 ~~individual initially became eligible for an old age or dis-~~
2 ~~ability insurance benefit or any year thereafter.~~

3 ~~“(8) The Secretary shall recompute the primary in-~~
4 ~~surance amounts applicable to beneficiaries whose benefits~~
5 ~~are based on a primary insurance amount which was com-~~
6 ~~puted under section 215 (a) (3) effective prior to Janu-~~
7 ~~ary 1979, or would have been so computed if the dollar~~
8 ~~amount specified therein were \$11.50. Such recomputation~~
9 ~~shall be effective January 1979, and shall include the effect~~
10 ~~of the increase in the dollar amount provided by section 215~~
11 ~~(a) (1) (C) (i) (II). Such primary insurance amount shall~~
12 ~~be deemed to be provided under such section for purposes of~~
13 ~~section 215 (i).”.~~

14 ~~(g) (1) Section 215 (i) (2) (A) (ii) of such Act is~~
15 ~~amended to read as follows:~~

16 ~~“(ii) If the Secretary determines that the base quarter~~
17 ~~in any year is a cost-of-living computation quarter, he shall,~~
18 ~~effective with the month of June of that year as provided in~~
19 ~~subparagraph (B), increase—~~

20 ~~“(I) the benefit amount to which individuals are~~
21 ~~entitled for that month under section 227 or 228,~~

22 ~~“(II) the primary insurance amount of each other~~
23 ~~individual on which benefit entitlement is based under~~
24 ~~this title (including a primary insurance amount deter-~~
25 ~~mined under subsection (a) (1) (C) (i)), and~~

1 ~~“(III) the amount of total monthly benefits based~~
2 ~~on any primary insurance amount which is permitted~~
3 ~~under section 203 (and such total shall be increased,~~
4 ~~unless otherwise so increased under another provision of~~
5 ~~this title, at the same time as such primary insurance~~
6 ~~amount) or, in the case of a primary insurance amount~~
7 ~~computed under subsection (a) as in effect (without~~
8 ~~regard to the table contained therein) prior to January~~
9 ~~1979, the amount to which the beneficiaries may be~~
10 ~~entitled under section 203 as in effect in December 1978,~~
11 ~~except as provided by section 203 (a) (6) and (7) as~~
12 ~~in effect after December 1978.~~

13 ~~The increase shall be derived by multiplying each of the~~
14 ~~amounts described in subdivisions (I), (II), and (III)~~
15 ~~(including each of those amounts as previously increased~~
16 ~~under this subparagraph) by the same percentage (rounded~~
17 ~~to the nearest one-tenth of 1 percent) as the percentage by~~
18 ~~which the Consumer Price Index for that cost-of-living com-~~
19 ~~putation quarter exceeds such index for the most recent prior~~
20 ~~calendar quarter which was a base quarter under paragraph~~
21 ~~(1) (A) (ii) or, if later, the most recent cost-of-living~~
22 ~~computation quarter under paragraph (1) (B); and any~~
23 ~~amount so increased that is not a multiple of \$0.10 shall be~~
24 ~~increased to the next higher multiple of \$0.10. Any increase~~
25 ~~under this subsection in a primary insurance amount deter-~~

1 ~~mined under subparagraph (C) (i) (II) of subsection (a)~~
2 ~~(1) shall be applied after the initial determination of such~~
3 ~~primary insurance amount under that subparagraph.”~~

4 ~~(2) Section 215 (i) (2) (A) of such Act is amended by~~
5 ~~adding at the end thereof the following new clause:~~

6 ~~“(iii) In the case of an individual who becomes eligible~~
7 ~~for an old-age or disability insurance benefit, or who dies prior~~
8 ~~to becoming so eligible, in a year in which there occurs an~~
9 ~~increase provided under clause (ii), the individual’s primary~~
10 ~~insurance amount (without regard to the time of entitlement~~
11 ~~to that benefit) shall be increased (unless otherwise so in-~~
12 ~~creased under another provision of this title) by the amount~~
13 ~~of that increase, but only with respect to benefits payable~~
14 ~~for months after May of that year.”~~

15 ~~(3) Section 215 (i) (2) (D) of such Act (as amended~~
16 ~~by section 103 of this Act) is amended by striking out all~~
17 ~~that follows the first sentence and inserting in lieu thereof~~
18 ~~the following: “He shall also publish in the Federal Register~~
19 ~~at that time (i) a revision of the range of the primary~~
20 ~~insurance amounts which are possible after the application~~
21 ~~of this subsection based on the dollar amount specified in~~
22 ~~subparagraph (C) (i) (II) of subsection (a) (1) (with~~
23 ~~such revised primary insurance amounts constituting the~~
24 ~~increased amounts determined for purposes of such subpara-~~
25 ~~graph (C) (i) (II) under this subsection), or specified in~~

1 ~~section 215 (a) (3) as in effect prior to 1979, and (ii) a~~
2 ~~revision of the range of family maximum benefits which cor-~~
3 ~~respond to such primary insurance amounts (with such~~
4 ~~maximum benefits being effective notwithstanding section~~
5 ~~203 (a) except for paragraph (3) (B) thereof (or para-~~
6 ~~graph (2) thereof as in effect prior to 1979)).”.~~

7 ~~(4) Section 215 (i) of such Act is further amended by~~
8 ~~adding at the end thereof the following new paragraph:~~

9 ~~“(4) This subsection as in effect in December 1978 shall~~
10 ~~continue to apply to subsections (a) and (d), as then in~~
11 ~~effect, for purposes of computing the primary insurance~~
12 ~~amount of an individual to whom subsection (a), as in effect~~
13 ~~after December 1978, does not apply (including an individ-~~
14 ~~ual to whom subsection (a) does not apply in any year by~~
15 ~~reason of paragraph (4) (B) of that subsection (but the~~
16 ~~application of this subsection in such cases shall be modified~~
17 ~~by the application of clause (I) in the last sentence of para-~~
18 ~~graph (4) of that subsection)). For purposes of computing~~
19 ~~primary insurance amounts and maximum family benefits~~
20 ~~(other than primary insurance amounts and maximum~~
21 ~~family benefits for individuals to whom such paragraph (4)~~
22 ~~(B) applies), the Secretary shall publish in the Federal~~
23 ~~Register revisions of the table of benefits contained in sub-~~
24 ~~section (a), as in effect in December 1978, as required by~~
25 ~~paragraph (2) (D) of this subsection as then in effect.”.~~

MAXIMUM BENEFITS

1

2 ~~SEC. 202. Section 203 (a) of the Social Security Act is~~
3 ~~amended to read as follows:~~

4

~~“Maximum Benefits~~

5 ~~“(a) (1) In the case of an individual whose primary~~
6 ~~insurance amount has been computed or recomputed under~~
7 ~~section 215 (a) (1) or (4), or section 215 (d), as in effect~~
8 ~~after December 1978, the total monthly benefits to which~~
9 ~~beneficiaries may be entitled under section 202 or 223 for a~~
10 ~~month on the basis of the wages and self-employment in-~~
11 ~~come of such individual shall, except as provided by para-~~
12 ~~graph (3) (but prior to any increases resulting from its ap-~~
13 ~~plication of paragraph (2) (A) (ii) (III) of section 215~~
14 ~~(i)), be reduced as necessary so as not to exceed—~~

15

16 ~~“(A) 150 percent of such individual’s primary in-~~
17 ~~surance amount up to the amount established with re-~~
18 ~~spect to this subparagraph by paragraph (2),~~

19

20 ~~“(B) 272 percent of the portion of such individual’s~~
21 ~~primary insurance amount which exceeds the amount~~
22 ~~established with respect to subparagraph (A) but does~~
23 ~~not exceed the amount established with respect to this~~
24 ~~subparagraph by paragraph (2),~~

25

25 ~~“(C) 134 percent of the portion of such individ-~~
~~ual’s primary insurance amount which exceeds the~~

1 ~~amount established with respect to subparagraph (B) but~~
2 ~~does not exceed the amount established with respect to~~
3 ~~this subparagraph by paragraph (2), and~~

4 ~~“(D) 175 percent of such individual’s primary~~
5 ~~insurance amount to the extent that it exceeds the amount~~
6 ~~established with respect to subparagraph (C).~~

7 ~~Any such amount that is not a multiple of \$0.10 shall be~~
8 ~~increased to the next higher multiple of \$0.10.~~

9 ~~“(2) (A) For individuals who initially become eligible~~
10 ~~for old age or disability insurance benefits or die in the calen-~~
11 ~~dar year 1979, the amounts established with respect to sub-~~
12 ~~paragraphs (A), (B), and (C) of paragraph (1) shall be~~
13 ~~\$230, \$332, and \$433, respectively.~~

14 ~~“(B) For individuals who initially become eligible for~~
15 ~~old age or disability insurance benefits or die in any calendar~~
16 ~~year after 1979, each of the amounts so established shall~~
17 ~~equal the product of the corresponding amount established~~
18 ~~for the calendar year 1979 by subparagraph (A) of this~~
19 ~~paragraph and the quotient obtained under subparagraph~~
20 ~~(B) (ii) of section 215(a) (1), with such product being~~
21 ~~rounded in the manner prescribed by section 215(a) (1)-~~
22 ~~(B) (iii).~~

23 ~~“(C) In each calendar year after 1978 the Sec-~~
24 ~~retary shall publish in the Federal Register, on or before~~
25 ~~November 1, the formula which (except as provided in see-~~

1 ~~tion 215 (i) (2) (D)) is to be applicable under this para-~~
2 ~~graph to individuals who become eligible for old age or~~
3 ~~disability insurance benefits, or die, in the following calendar~~
4 ~~year.~~

5 ~~“(D) A year shall not be counted as the year of an~~
6 ~~individual’s death or eligibility for purposes of this para-~~
7 ~~graph in any case where such individual was entitled to a~~
8 ~~disability insurance benefit for any of the 12 months imme-~~
9 ~~diately preceding such year (but there shall be counted~~
10 ~~instead the year of the individual’s eligibility for the dis-~~
11 ~~ability insurance benefits to which he was entitled during~~
12 ~~such 12 months).~~

13 ~~“(3) (A) When an individual who is entitled to bene-~~
14 ~~fits on the basis of the wages and self employment income~~
15 ~~of any insured individual and to whom this subsection~~
16 ~~applies would (but for the provisions of section 202 (k) (2)~~
17 ~~(A)) be entitled to child’s insurance benefits for a month~~
18 ~~on the basis of the wages and self employment income of~~
19 ~~one or more other insured individuals, the total monthly~~
20 ~~benefits to which all beneficiaries are entitled on the basis~~
21 ~~of such wages and self employment income shall not be~~
22 ~~reduced under this subsection to less than the smaller of—~~

23 ~~“(i) the sum of the maximum amounts of bene-~~
24 ~~fits payable on the basis of the wages and self employ-~~
25 ~~ment income of all such insured individuals, or~~

1 ~~“(ii) an amount equal to the product of 1.75 and~~
2 ~~the primary insurance amount that would be computed~~
3 ~~under section 215 (a) (1) for that month with respect~~
4 ~~to average indexed monthly earnings equal to one-~~
5 ~~twelfth of the contribution and benefit base determined~~
6 ~~for that year under section 230.~~

7 ~~“(B) When two or more persons were entitled (with-~~
8 ~~out the application of section 202 (j) (1) and section 223~~
9 ~~(b)) to monthly benefits under section 202 or 223 for~~
10 ~~January 1971 or any prior month on the basis of the wages~~
11 ~~and self-employment income of such insured individual and~~
12 ~~the provisions of this subsection as in effect for any such~~
13 ~~month were applicable in determining the benefit amount~~
14 ~~of any persons on the basis of such wages and self-em-~~
15 ~~ployment income, the total of benefits for any month after~~
16 ~~January 1971 shall not be reduced to less than the largest~~
17 ~~of—~~

18 ~~“(i) the amount determined under this subsection~~
19 ~~without regard to this paragraph,~~

20 ~~“(ii) the largest amount which has been deter-~~
21 ~~mined for any month under this subsection for persons~~
22 ~~entitled to monthly benefits on the basis of such insured~~
23 ~~individual's wages and self employment income, or~~

24 ~~“(iii) if any persons are entitled to benefits on the~~
25 ~~basis of such wages and self-employment income for~~

1 ~~the month before the effective month (after September~~
2 ~~1972) of a general benefit increase under this title (as~~
3 ~~defined in section 215 (i) (3)) or a benefit increase~~
4 ~~under the provisions of section 215 (i), an amount equal~~
5 ~~to the sum of amounts derived by multiplying the benefit~~
6 ~~amount determined under this title (excluding any part~~
7 ~~thereof determined under section 202 (w)) for the~~
8 ~~month before such effective month (including this sub-~~
9 ~~section, but without the application of section 222 (b),~~
10 ~~section 202 (q), and subsections (b), (c), and (d) of~~
11 ~~this section), for each such person for such month, by~~
12 ~~a percentage equal to the percentage of the increase~~
13 ~~provided under such benefit increase (with any such~~
14 ~~increased amount which is not a multiple of \$0.10 being~~
15 ~~rounded to the next higher multiple of \$0.10);~~
16 ~~but in any such case (I) paragraph (1) of this subsection~~
17 ~~shall not be applied to such total of benefits after the appli-~~
18 ~~cation of clause (ii) or (iii), and (II) if section 202 (k)~~
19 ~~(2) (A) was applicable in the case of any such benefits~~
20 ~~for a month, and ceases to apply for a month after such~~
21 ~~month, the provisions of clause (ii) or (iii) shall be applied,~~
22 ~~for and after the month in which section 202 (k) (2) (A)~~
23 ~~ceases to apply, as though paragraph (1) had not been~~
24 ~~applicable to such total of benefits for the last month for~~
25 ~~which clause (ii) or (iii) was applicable.~~

1 ~~“(C) When any of such individuals is entitled to~~
2 ~~monthly benefits as a divorced spouse under section 202~~
3 ~~(b) or (c) or as a surviving divorced spouse under section~~
4 ~~202 (e) or (f) for any month, the benefit to which he or she~~
5 ~~is entitled on the basis of the wages and self employment~~
6 ~~income of such insured individual for such month shall be~~
7 ~~determined without regard to this subsection, and the bene-~~
8 ~~fits of all other individuals who are entitled for such month~~
9 ~~to monthly benefits under section 202 on the wages and~~
10 ~~self employment income of such insured individual shall be~~
11 ~~determined as if no such divorced spouse or surviving di-~~
12 ~~vorced spouse were entitled to benefits for such month.~~

13 ~~“(4) In any case in which benefits are reduced pursu-~~
14 ~~ant to the preceding provisions of this subsection, the reduc-~~
15 ~~tion shall be made after any deductions under this section~~
16 ~~and after any deductions under section 222 (b). Whenever~~
17 ~~a reduction is made under this subsection in the total of~~
18 ~~monthly benefits to which individuals are entitled for any~~
19 ~~month on the basis of the wages and self employment in-~~
20 ~~come of an insured individual, each such benefit other than~~
21 ~~the old age or disability insurance benefit shall be propor-~~
22 ~~tionately decreased.~~

23 ~~“(5) Notwithstanding any other provision of law,~~
24 ~~when—~~

25 ~~“(A) two or more persons are entitled to monthly~~

1 ~~benefits for a particular month on the basis of the wages~~
2 ~~and self-employment income of an insured individual~~
3 ~~and (for such particular month) the provisions of this~~
4 ~~subsection are applicable to such monthly benefits, and~~
5 ~~“(B) such individual’s primary insurance amount~~
6 ~~is increased for the following month under any provision~~
7 ~~of this title,~~

8 ~~then the total of monthly benefits for all persons on the basis~~
9 ~~of such wages and self-employment income for such particular~~
10 ~~month, as determined under the provisions of this subsection,~~
11 ~~shall for purposes of determining the total monthly benefits~~
12 ~~for all persons on the basis of such wages and self-employ-~~
13 ~~ment income for months subsequent to such particular month~~
14 ~~to be considered to have been increased by the smallest~~
15 ~~amount that would have been required in order to assure that~~
16 ~~the total of monthly benefits payable on the basis of such~~
17 ~~wages self-employment income for any such subsequent~~
18 ~~month will not be less (after the application of the other pro-~~
19 ~~visions of this subsection and section 202 (q)) than the total~~
20 ~~of monthly benefits (after the application of the other pro-~~
21 ~~visions of this subsection and section 202 (q)) payable on~~
22 ~~the basis of such wages and self-employment income for such~~
23 ~~particular month.~~

24 ~~“(6) In the case of any individual who is entitled for~~
25 ~~any month to benefits based upon the primary insurance~~

1 ~~amounts of two or more insured individuals, one or more of~~
2 ~~which primary insurance amounts were determined under~~
3 ~~section 215 (a) or 215 (d) as in effect (without regard to~~
4 ~~the table contained therein) prior to January 1979 and one~~
5 ~~or more of which primary insurance amounts were deter-~~
6 ~~mined under section 215 (a) (1) or (4), or section 215 (d),~~
7 ~~as in effect after December 1978, the total benefits payable~~
8 ~~to that individual and all other individuals entitled to benefits~~
9 ~~for that month based upon those primary insurance amounts~~
10 ~~shall be reduced to an amount equal to the product of 1.75~~
11 ~~and the primary insurance amount that would be computed~~
12 ~~under section 215 (a) (1) for that month with respect to~~
13 ~~average indexed monthly earnings equal to one-twelfth of~~
14 ~~the contribution and benefits base determined for the year~~
15 ~~in which that month occurs under section 230.~~

16 ~~“(7) Subject to paragraph (6), this subsection as in~~
17 ~~effect in December 1978 shall remain in effect with respect~~
18 ~~to a primary insurance amount computed under section~~
19 ~~215 (a) or (d), as in effect (without regard to the table~~
20 ~~contained therein) in December 1978, except that a primary~~
21 ~~insurance amount so computed with respect to an individual~~
22 ~~who first becomes eligible for an old-age or disability insur-~~
23 ~~ance benefit, or dies, after December 1978, shall instead be~~
24 ~~governed by this section as in effect after December 1978.”.~~

1 ~~INCREASE IN OLD AGE BENEFIT AMOUNTS~~
2 ~~FOR DELAYED RETIREMENT~~

3 ~~SEC. 203. Section 202 (w) (1) (A) of the Social Secu-~~
4 ~~rity Act is amended by inserting after "such amount," the~~
5 ~~following: "or, in the case of an individual who first becomes~~
6 ~~eligible for an old age insurance benefit after December~~
7 ~~1978, one quarter of 1 percent of such amount,"~~

8 ~~CONFORMING AMENDMENTS~~

9 ~~SEC. 204. (a) Section 202 (m) (1) of the Social Secu-~~
10 ~~rity Act is amended to read as follows:~~

11 ~~"(1) In any case in which an individual is entitled to~~
12 ~~a monthly benefit under this section on the basis of a pri-~~
13 ~~mary insurance amount computed under section 215 (a) or~~
14 ~~(d), as in effect after December 1978, on the basis of the~~
15 ~~wages and self-employment income of a deceased individual~~
16 ~~for any month and no other person is (without the applica-~~
17 ~~tion of subsection (j) (1)) entitled to a monthly benefit~~
18 ~~under this section for that month on the basis of such wages~~
19 ~~and self-employment income, the individual's benefit amount~~
20 ~~for that month, prior to reduction under subsection (k) (2),~~
21 ~~shall not be less than that provided by subparagraph (C)~~
22 ~~(i) (I) of section 215 (a) (1) and increased under section~~
23 ~~215 (i) for months after the month of initial entitlement as~~
24 ~~though such benefit were a primary insurance amount."~~

1 ~~(b) Section 202 (w) of such Act is amended—~~
 2 ~~(1) by inserting after “section 215 (a) (3)” in~~
 3 ~~paragraph (1) (in the matter preceding subparagraph~~
 4 ~~(A)) the following: “as in effect in December 1978~~
 5 ~~or section 215 (a) (1) (C) (II) as in effect thereafter”;~~
 6 ~~(2) by inserting “as in effect in December 1978,~~
 7 ~~or section 215 (a) (1) (C) (II) as in effect thereafter,”~~
 8 ~~after “paragraph (3) of section 215 (a)” in paragraph~~
 9 ~~(5); and~~

10 ~~(3) by inserting “(whether before, in, or after~~
 11 ~~December 1978)” after “determined under section 215~~
 12 ~~(a)” in paragraph (5).~~

13 ~~(c) Section 217 (b) (1) of such Act is amended by~~
 14 ~~inserting “as in effect in December 1978” after “section 215~~
 15 ~~(c)” each place it appears, and after “section 215 (d)”.~~

16 ~~(d) Section 224 (a) of such Act is amended by insert-~~
 17 ~~ing “(determined under section 215 (b) as in effect prior to~~
 18 ~~January 1979)” after “(A) the average monthly wage”~~
 19 ~~in the matter following paragraph (8).~~

20 ~~(e) Section 1839 (c) (3) (B) of such Act is amended~~
 21 ~~to read as follows:~~

22 ~~“(B) the monthly premium rate most recently~~
 23 ~~promulgated by the Secretary under this paragraph,~~
 24 ~~increased by a percentage determined as follows: The~~

1 ~~Secretary shall ascertain the primary insurance amount~~
2 ~~computed under section 215 (a) (1), based upon aver-~~
3 ~~age indexed monthly earnings of \$900, that applied to~~
4 ~~individuals who became eligible for and entitled to old-~~
5 ~~age insurance benefits on May 1 of the year of the~~
6 ~~promulgation. He shall increase the monthly premium~~
7 ~~rate by the same percentage by which that primary~~
8 ~~insurance amount is increased when, by reason of the~~
9 ~~law in effect at the time the promulgation is made, it~~
10 ~~is so computed to apply to those individuals on the~~
11 ~~following May 1."~~

12 ~~(f) Section 104 (j) (2) of the Social Security Amend-~~
13 ~~ments of 1972 is amended by striking out, "215 (b) (3)"~~
14 ~~and inserting in lieu thereof "215 (b) (2) (B) (iii)".~~

15 ~~EFFECTIVE DATE~~

16 ~~SEC. 205. The amendments made by the provisions of~~
17 ~~this title other than section 201 (d) shall be effective with~~
18 ~~respect to monthly benefits and lump sum death payments~~
19 ~~under title II of the Social Security Act payable for months~~
20 ~~after December 1978. The amendments made by section 201~~
21 ~~(d) shall be effective with respect to monthly benefits of an~~
22 ~~individual who becomes eligible for an old age or disability~~
23 ~~insurance benefit, or dies, after December 1977.~~

1 ~~TITLE III COVERAGE UNDER THE OLD AGE,~~
2 ~~SURVIVORS, AND DISABILITY INSURANCE~~
3 ~~PROGRAM~~

4 ~~COVERAGE OF FEDERAL EMPLOYEES~~

5 ~~SEC. 301. (a) (1) Section 210 (a) of the Social Secu-~~
6 ~~rity Act is amended by striking out paragraphs (5) and~~
7 ~~(6).~~

8 ~~(2) (A) Section 210 (1) (1) of such Act is amended to~~
9 ~~read as follows:~~

10 ~~“(1) Except as provided in paragraph (4), the term~~
11 ~~‘employment’ shall include service (other than service per-~~
12 ~~formed while on leave without pay) which is performed by~~
13 ~~an individual as a member of a uniformed service on active~~
14 ~~duty after December 1956, whether performed before, on, or~~
15 ~~after the effective date of the repeal of paragraphs (5) and~~
16 ~~(6) of subsection (a) by section 301 of the Social Security~~
17 ~~Financing Amendments of 1977, notwithstanding the provi-~~
18 ~~sions of subsection (a) as in effect before the repeal of such~~
19 ~~paragraphs. For purposes of sections 202 (i), 205 (p) (1),~~
20 ~~209, 215 (h), and 229 (a), service described in the preced-~~
21 ~~ing sentence shall be considered service to which the provi-~~
22 ~~sions of this paragraph are applicable.”~~

23 ~~(B) Section 210 (c) of such Act is amended by striking~~
24 ~~out “, notwithstanding the provisions of subsection (a),”~~

1 ~~(C) Section 229 (a) of such Act is amended by striking~~
2 ~~out “service as a member of a uniformed service (as defined~~
3 ~~in section 210 (m)) which was included in the term ‘employ-~~
4 ~~ment’ as defined in section 210 (a) as a result of the provi-~~
5 ~~sions of section 210 (l) ” and inserting in lieu thereof “service,~~
6 ~~as a member of a uniformed service, to which the provisions~~
7 ~~of section 210 (l) (1) are applicable”.~~

8 ~~(b) (1) Section 3121 (b) of the Internal Revenue~~
9 ~~Code of 1954 (relating to definition of employment) is~~
10 ~~amended by striking out paragraphs (5) and (6).~~

11 ~~(2) (A) Section 3121 (m) (1) of such Code (relating~~
12 ~~to service in the uniformed services) is amended to read as~~
13 ~~follows:~~

14 ~~“(1) INCLUSION OF SERVICE. The term ‘employ-~~
15 ~~ment’ shall include service (other than service per-~~
16 ~~formed while on leave without pay) which is performed~~
17 ~~by an individual as a member of a uniformed service~~
18 ~~on active duty after December 1956, whether performed~~
19 ~~before, on, or after the effective date of the repeal of~~
20 ~~paragraphs (5) and (6) of subsection (b) by section~~
21 ~~301 of the Social Security Financing Amendments of~~
22 ~~1977, notwithstanding the provisions of subsection (b)~~
23 ~~as in effect before the repeal of such paragraphs. For~~
24 ~~purposes of section 3122 and subsection (i) (2) of this~~

1 ~~section, service described in the preceding sentence~~
2 ~~shall be considered service to which the provisions of~~
3 ~~this paragraph are applicable.”~~

4 ~~(B) Section 3121 (p) of such Code (relating to Peace~~
5 ~~Corps volunteer service) is amended by striking out “, not~~
6 ~~withstanding the provisions of subsection (b) of this sec-~~
7 ~~tion,”~~

8 ~~(c) The amendments made by this section shall apply~~
9 ~~with respect to service performed after December 1979.~~

10 ~~COVERAGE OF STATE AND LOCAL EMPLOYEES~~

11 ~~SEC. 302. (a) Section 218 (g) of the Social Security~~
12 ~~Act is amended—~~

13 ~~(1) by striking out “Upon” in paragraph (1) and~~
14 ~~“If” in paragraph (2), and by inserting in lieu thereof~~
15 ~~“Subject to paragraph (1), upon” and “Subject to~~
16 ~~paragraph (4), if”, respectively; and~~

17 ~~(2) by adding at the end thereof the following~~
18 ~~new paragraph:~~

19 ~~“(4) No agreement under this section may be termi-~~
20 ~~nated under paragraph (1) or paragraph (2) (either in~~
21 ~~its entirety or with respect to any coverage group) unless~~
22 ~~the applicable notice referred to in such paragraph is given~~
23 ~~on or before September 13, 1977.”~~

24 ~~(b) Effective with respect to service performed after~~
25 ~~December 1979—~~

1 ~~(B) The table of sections for chapter 21 of such Code~~
 2 ~~is amended by striking out the last two items and inserting~~
 3 ~~in lieu thereof the following:~~

~~"Sec. 3125. Returns in the case of State and local govern-
 -mental employees.~~

~~"Sec. 3126. Returns in the case of governmental employees
 in Guam, American Samoa, and the District
 of Columbia.~~

~~"Sec. 3127. Short title."~~

4 ~~(2) (A) Section 6205 (a) of such Code (relating to~~
 5 ~~adjustment of tax) is amended—~~

6 ~~(i) by striking out "3125" in paragraphs (3) and~~
 7 ~~(4) and inserting in lieu thereof "3126";~~

8 ~~(ii) by redesignating paragraphs (3) and (4) as~~
 9 ~~paragraphs (4) and (5), respectively; and~~

10 ~~(iii) by inserting after paragraph (2) the follow-~~
 11 ~~ing new paragraph:~~

12 ~~"(3) STATE AS EMPLOYER. For purposes of this~~
 13 ~~subsection, in the case of remuneration received during~~
 14 ~~any calendar year from a State or political subdivision~~
 15 ~~thereof or any instrumentality which is wholly owned~~
 16 ~~thereby, the Governor of the State and each agent des-~~
 17 ~~ignated by him who makes a return pursuant to sec-~~
 18 ~~tion 3125 shall be deemed a separate employer."~~

19 ~~(B) Section 6413 (a) of such Code (relating to ad-~~
 20 ~~justment of tax) is amended—~~

21 ~~(i) by striking out "3125" in paragraphs (3) and~~

1 ~~(4) and inserting in lieu thereof "3126";~~

2 ~~(ii) by redesignating paragraphs (3) and (4) as~~
3 ~~paragraphs (4) and (5), respectively; and~~

4 ~~(iii) by inserting after paragraph (2) the follow-~~
5 ~~ing new paragraph:~~

6 ~~"(3) STATE AS EMPLOYER. For purposes of this~~
7 ~~subsection, in the case of remuneration received during~~
8 ~~any calendar year from a State or political subdivision~~
9 ~~thereof or any instrumentality which is wholly owned~~
10 ~~thereby, the Governor of the State and each agent des-~~
11 ~~ignated by him who makes a return pursuant to sec-~~
12 ~~tion 3125 shall be deemed a separate employer."~~

13 ~~(C) Section 6413 (c) (2) of such Code (relating to~~
14 ~~applicability in case of certain governmental employees) is~~
15 ~~amended—~~

16 ~~(i) by striking out subparagraph (B) and inserting~~
17 ~~in lieu thereof the following new subparagraph:~~

18 ~~"(B) STATE EMPLOYEES. For purposes of~~
19 ~~this subsection, in the case of remuneration received~~
20 ~~during any calendar year from a State or political~~
21 ~~subdivision thereof or any instrumentality which is~~
22 ~~wholly owned thereby, the Governor of the State~~
23 ~~and each agent designated by him who makes a~~
24 ~~return pursuant to section 3125 shall be deemed a~~
25 ~~separate employer."; and~~

1 ~~(ii) by striking out "3125 (a)", "3125 (b)", and~~
2 ~~"3125 (c)" in subparagraphs (D), (E), and (F) and~~
3 ~~inserting in lieu thereof "3126 (a)", "3126 (b)", and~~
4 ~~"3126 (c)", respectively.~~

5 ~~(3) Section 230 (c) of the Social Security Act is~~
6 ~~amended by inserting "3126", after "3125".~~

7 ~~(d) (1) Section 205 (c) (5) (F) (iii) of such Act is~~
8 ~~amended by striking out "are made" and inserting in lieu~~
9 ~~thereof "were made".~~

10 ~~(2) Section 209 (i) of such Act is amended by striking~~
11 ~~out "(as defined in section 218 (b) (2))".~~

12 ~~(3) Section 210 (a) (10) (B) (ii) of such Act is~~
13 ~~amended by striking out ", unless" and all that follows and~~
14 ~~inserting in lieu thereof a semicolon.~~

15 ~~(4) Section 210 (k) of such Act is repealed.~~

16 ~~(5) Section 211 (c) (1) of such Act is amended by~~
17 ~~striking out "and in which" and all that follows and insert-~~
18 ~~ing in lieu thereof a semicolon.~~

19 ~~(6) Section 211 (c) (2) (E) of such Act is amended~~
20 ~~by striking out "with respect to fees" and all that follows~~
21 ~~and inserting in lieu thereof ", and".~~

22 ~~(c) (1) Clause (A) in the second sentence of section~~
23 ~~1402 (b) of the Internal Revenue Code of 1954 is amended~~
24 ~~by striking out "under an agreement" where it first appears~~

1 ~~and all that follows down through "employees), or", and~~
2 ~~by striking out the comma before "as would be wages".~~

3 ~~(2) Section 1402 (e) (1) of such Code is amended by~~
4 ~~striking out "and in which" and all that follows and insert-~~
5 ~~ing in lieu thereof a semicolon.~~

6 ~~(3) Section 1402 (e) (2) (E) of such Code is amended~~
7 ~~by striking out "with respect to fees" and all that follows~~
8 ~~and inserting in lieu thereof ", and".~~

9 ~~(4) Section 3121 (b) (10) (B) (ii) of such Code~~
10 ~~amended by striking out ", unless" and all that follows ar~~
11 ~~inserting in lieu thereof a semicolon.~~

12 ~~(5) Section 3121 (j) of such Code is repealed.~~

13 ~~(6) Section 6511 (d) (5) of such Code is repealed.~~

14 ~~(f) The amendments and repeals made by subsections~~
15 ~~(b), (c), (d), and (e) (1) through (5) of this section~~
16 ~~shall apply with respect to services performed after Decem-~~
17 ~~ber 1979. Subsection (e) (6) shall apply with respect to~~
18 ~~claims accruing after December 1979.~~

19 ~~COVERAGE OF EMPLOYEES OF NONPROFIT ORGANIZATIONS~~

20 ~~SEC. 303. (a) (1) Section 3121 (k) (1) of the Internal~~
21 ~~Revenue Code of 1954 (relating to waiver of exemption by~~
22 ~~organization) is amended—~~

23 ~~(A) by striking out "The period" in the first sen-~~
24 ~~tence of subparagraph (D) and inserting in lieu thereof~~
25 ~~"Subject to subparagraph (G), the period"; and~~

1 ~~(B) by adding at the end thereof the following new~~
 2 ~~subparagraph:~~

3 ~~“(G) No period for which a certificate is effec-~~
 4 ~~tive may be terminated under subparagraph (D) or~~
 5 ~~paragraph (2) unless the applicable advance notice~~
 6 ~~referred to in such subparagraph or paragraph is~~
 7 ~~given on or before September 13, 1977.”~~

8 ~~(2) Section 3121(k)(2) of such Code (relating to~~
 9 ~~termination of waiver period by Secretary) is amended by~~
 10 ~~striking out “If” and inserting in lieu thereof “Subject to~~
 11 ~~paragraph (1)(G), if”~~.

12 ~~(b) Effective with respect to service performed after~~
 13 ~~December 1979~~

14 ~~(1) section 210(a)(8) of the Social Security Act~~
 15 ~~is amended~~

16 ~~(A) by striking out “(A)” immediately after~~
 17 ~~“(8)”~~,

18 ~~(B) by striking out “this subparagraph” where~~
 19 ~~it first appears and inserting in lieu thereof “this~~
 20 ~~paragraph”, and~~

21 ~~(C) by striking out subparagraph (B);~~

22 ~~(2) section 3121(b)(8) of the Internal Revenue~~
 23 ~~Code of 1954 is amended~~

24 ~~(A) by striking out “(A)” immediately after~~
 25 ~~“(8)”~~,

1 ~~-(B) by striking out "this subparagraph" where~~
2 ~~it first appears and inserting in lieu thereof "this~~
3 ~~paragraph", and~~

4 ~~(C) by striking out subparagraph (B); and~~
5 ~~(3) section 3121(k) of such Code (relating to~~
6 ~~exemption of religious, charitable, and certain other or-~~
7 ~~ganizations) is repealed.~~

8 ~~CREDITING OF CERTAIN FEDERAL, STATE, AND LOCAL SERV-~~
9 ~~ICE, AND CERTAIN SERVICE FOR NONPROFIT ORGANIZA-~~
10 ~~TIONS, PERFORMED PRIOR TO THE EFFECTIVE DATE OF~~
11 ~~COVERAGE~~

12 ~~SEC. 304. Section 213 of the Social Security Act is~~
13 ~~amended by adding at the end thereof the following new sub-~~
14 ~~section:~~

15 ~~"Crediting of Certain Federal, State, and Local Service,~~
16 ~~and Certain Service for Nonprofit Organizations, Per-~~
17 ~~formed Prior to Effective Date of Coverage~~

18 ~~"(d) In the case of any individual who~~

19 ~~"(1) (A) performs service in the employ of the~~
20 ~~United States or any instrumentality thereof (and de-~~
21 ~~rives at least six quarters of coverage therefrom) on or~~
22 ~~after the effective date of the repeal of section 210 (a)~~
23 ~~(5) and (6) by section 301 of the Social Security Fi-~~
24 ~~nancing Amendments of 1977, and~~

25 ~~"(B) also performed service in the employ of the~~

1 ~~United States or any instrumentality thereof prior to~~
2 ~~such date, or~~

3 ~~“(2) (A) performs service in the employ of a State~~
4 ~~or political subdivision or any instrumentality of any~~
5 ~~one or more of the foregoing which is wholly owned~~
6 ~~thereby (and derives at least six quarters of coverage~~
7 ~~therefrom) on or after the effective date of the repeal of~~
8 ~~section 210 (a) (7) by section 302 of the Social Security~~
9 ~~Financing Amendments of 1977, and~~

10 ~~“(B) also performed service in the employ of a~~
11 ~~State or political subdivision or any such instrumentality~~
12 ~~prior to such date, or~~

13 ~~“(3) (A) performs service in the employ of a~~
14 ~~religious, charitable, educational, or other organization~~
15 ~~described in section 501 (c) (3) of the Internal Revenue~~
16 ~~Code of 1954 which is exempt from income tax under~~
17 ~~section 501 (a) of such Code (and derives at least six~~
18 ~~quarters of coverage therefrom) on or after the effective~~
19 ~~date of the repeal of section 210 (a) (8) (B) by section~~
20 ~~303 of the Social Security Financing Amendments of~~
21 ~~1977, and~~

22 ~~“(B) also performed service in the employ of such~~
23 ~~an organization prior to such date,~~

24 ~~each calendar quarter in which such individual performed~~
25 ~~service described in subparagraph (B) of paragraph (1),~~

1 ~~(2), or (3) (whichever is applicable) shall, if it is not~~
 2 ~~otherwise a quarter of coverage, be treated as a quarter of~~
 3 ~~coverage for all the purposes of this title if (as determined~~
 4 ~~under regulations prescribed by the Secretary) it would have~~
 5 ~~constituted a quarter of coverage for such purposes had the~~
 6 ~~repeal referred to in subparagraph (A) of such paragraph~~
 7 ~~been effective on the first day of such calendar quarter.”.~~

8 ~~EXCLUSION FROM COVERAGE OF CERTAIN LIMITED~~

9 ~~PARTNERSHIP INCOME~~

10 ~~SEC. 305. (a) Section 211 (a) of the Social Security~~
 11 ~~Act is amended—~~

12 ~~(1) by striking out “and” at the end of paragraph~~
 13 ~~(9);~~

14 ~~(2) by striking out the period at the end of para-~~
 15 ~~graph (10) and inserting in lieu thereof “; and”; and~~

16 ~~(3) by inserting after paragraph (10) the following~~
 17 ~~new paragraph:~~

18 ~~“(11) There shall be excluded the distributive~~
 19 ~~share of any item of income or loss of a limited~~
 20 ~~partner, as such, other than guaranteed payments de-~~
 21 ~~scribed in section 707 (e) of the Internal Revenue Code~~
 22 ~~of 1954 to that partner for services actually rendered~~
 23 ~~to or on behalf of the partnership to the extent that those~~
 24 ~~payments are established to be in the nature of remunera-~~
 25 ~~tion for those services.”.~~

1 ~~(b) Section 1402(a) of the Internal Revenue Code of~~
2 ~~1954 (relating to definition of net earnings from self em-~~
3 ~~ployment) is amended—~~

4 ~~(1) by striking out “and” at the end of paragraph~~
5 ~~(10);~~

6 ~~(2) by striking out the period at the end of para-~~
7 ~~graph (11) and inserting in lieu thereof “; and”; and~~

8 ~~(3) by inserting after paragraph (11) the follow-~~
9 ~~ing new paragraph:~~

10 ~~“(12) there shall be excluded the distributive share~~
11 ~~of any item of income or loss of a limited partner, as~~
12 ~~such, other than guaranteed payments described in~~
13 ~~section 707(c) to that partner for services actually~~
14 ~~rendered to or on behalf of the partnership to the extent~~
15 ~~that those payments are established to be in the na-~~
16 ~~ture of remuneration for those services.”.~~

17 ~~(c) The amendments made by this section shall apply~~
18 ~~with respect to taxable years beginning after December 31,~~
19 ~~1977.~~

20 ~~TAX ON EMPLOYERS OF INDIVIDUALS WHO RECEIVE~~
21 ~~INCOME FROM TIPS~~

22 ~~SEC. 306. (a) Section 3121 of the Internal Revenue~~
23 ~~Code of 1954 (definitions under Federal Insurance Con-~~

1 ~~and by section 601) is further amended by redesignating~~
2 ~~paragraphs (8) through (20) as paragraphs (5) through~~
3 ~~(17), respectively.~~

4 ~~(2) (A) Section 205 (e) of such Act is amended by~~
5 ~~striking out "section 210 (a) (9)" and inserting in lieu~~
6 ~~thereof "section 210 (a) (6)".~~

7 ~~(B) Section 210 (b) of such Act is amended by striking~~
8 ~~out "paragraph (9) of subsection (a)" and inserting in lieu~~
9 ~~thereof "paragraph (6) of subsection (a)".~~

10 ~~(C) Section 211 (e) (2) of such Act is amended~~

11 ~~(i) by striking out "section 210 (a) (14) (B)" in~~
12 ~~subparagraph (A) and inserting in lieu thereof "section~~
13 ~~210 (a) (11) (B)";~~

14 ~~(ii) by striking out "section 210 (a) (16)" in sub-~~
15 ~~paragraph (B) and inserting in lieu thereof "section~~
16 ~~210 (a) (13)";~~

17 ~~(iii) by striking out "section 210 (a) (11), (12),~~
18 ~~or (15)" in subparagraph (C) and inserting in lieu~~
19 ~~thereof "section 210 (a) (8), (9), or (12)"; and~~

20 ~~(iv) by striking out "section 210 (a) (20)" in sub-~~
21 ~~paragraph (F) and inserting in lieu thereof "section~~
22 ~~210 (a) (17)".~~

23 ~~(b) (1) Section 3121 (b) of the Internal Revenue~~

1 ~~Code of 1954 (relating to definition of employment), as~~
2 ~~amended by the preceding provisions of this title and by~~
3 ~~section 612, is further amended by redesignating paragraphs~~
4 ~~(8) through (20) as paragraphs (5) through (17),~~
5 ~~respectively.~~

6 ~~(2) (A) Section 1402 (e) (2) of such Code (relating~~
7 ~~to definition of trade or business) is amended—~~

8 ~~(i) by striking out “section 3121 (b) (14) (B)”~~
9 ~~in subparagraph (A) and inserting in lieu thereof “sec-~~
10 ~~tion 3121 (b) (11) (B)”;~~

11 ~~(ii) by striking out “section 3121 (b) (16)” in~~
12 ~~subparagraph (B) and inserting in lieu thereof “section~~
13 ~~3121 (b) (13)”;~~

14 ~~(iii) by striking out “section 3121 (b) (11), (12),~~
15 ~~or (15)” in subparagraph (C) and inserting in lieu~~
16 ~~thereof “section 3121 (b) (8), (9), or (12)”;~~ and

17 ~~(iv) by striking out “section 3121 (b) (20)” in~~
18 ~~subparagraph (F) and inserting in lieu thereof “section~~
19 ~~3121 (b) (17)”.~~

20 ~~(B) Section 1402 (g) of such Code (relating to treat-~~
21 ~~ment of certain remuneration erroneously reported as net~~
22 ~~earnings from self employment) is amended by striking out~~
23 ~~“section 3121 (b) (8)”, “section 3121 (b) (8) (A)”, and~~

1 ~~“section 3121 (b) (8) (B) (ii) and (iii)” and inserting in~~
2 ~~lieu thereof “section 3121 (b) (5)”, “section 3121 (b) (5)~~
3 ~~(A)”, and “section 3121 (b) (5) (B) (ii) and (iii)”, re-~~
4 ~~spectively.~~

5 ~~(C) Section 3121 (c) of such Code (relating to in-~~
6 ~~cluded and excluded service) is amended by striking out “by~~
7 ~~subsection (b) (9)” and inserting in lieu thereof “by sub-~~
8 ~~section (b) (6)”.~~

9 ~~(D) Section 3121 (r) (3) of such Code (relating to~~
10 ~~election of coverage by religious orders) is amended by~~
11 ~~striking out “subsection (b) (8) (A)” and “section 210 (a)~~
12 ~~(8) (A)” and inserting in lieu thereof “subsection (b)~~
13 ~~(5)” and “section 210 (a) (5)”, respectively.~~

14 ~~(E) Section 3124 of such Code (relating to estimate~~
15 ~~of revenue reduction) is amended by striking out “section~~
16 ~~3121 (b) (9)” and inserting in lieu thereof “section 3121 (b)~~
17 ~~(6)”.~~

18 ~~(c) Section 18 (2) of the Railroad Retirement Act of~~
19 ~~1974 is amended by striking out “section 210 (a) (9) of the~~
20 ~~Social Security Act” and inserting in lieu thereof “section~~
21 ~~210 (a) (6) of the Social Security Act”.~~

22 ~~(d) The amendments made by this section shall apply~~
23 ~~with respect to service performed after December 1979.~~

1 ~~TITLE IV ELIMINATION OF GENDER-BASED~~
2 ~~DISTINCTIONS UNDER THE OLD AGE, SUR-~~
3 ~~VIVORS, AND DISABILITY INSURANCE PRO-~~
4 ~~GRAM~~

5 ~~PART A EQUALIZATION OF TREATMENT OF MEN AND~~
6 ~~WOMEN UNDER THE PROGRAM~~
7 ~~DIVORCED HUSBANDS~~

8 ~~SEC. 401. (a) (1) Section 202 (e) (1) of the Social~~
9 ~~Security Act is amended, in the matter preceding subpara-~~
10 ~~graph (A), by inserting "and every divorced husband (as~~
11 ~~defined in section 216 (d))" before "of an individual" and~~
12 ~~inserting "or such divorced husband" after "if such hus-~~
13 ~~band".~~

14 ~~(2) Section 202 (e) (1) of such Act is further~~
15 ~~amended—~~

16 ~~(A) by redesignating subparagraphs (C) and (D)~~
17 ~~as subparagraphs (D) and (E), and by inserting after~~
18 ~~subparagraph (B) the following new subparagraph:~~
19 ~~"(C) in the case of a divorced husband, is not~~
20 ~~married,";~~

21 ~~(B) by striking out "after August 1950" in the~~
22 ~~matter following subparagraph (E) (as so redesi-~~
23 ~~gnated); and~~

1 ~~(C) by striking out "the month in which any of~~
2 ~~the following occurs:" and all that follows and insert-~~
3 ~~ing in lieu thereof the following:~~

4 ~~"the first month in which any of the following occurs:~~

5 ~~"(F) he dies,~~

6 ~~"(G) such individual dies,~~

7 ~~"(H) in the case of a husband, they are divorced~~
8 ~~and either (i) he has not attained age 62, or (ii) he~~
9 ~~has attained age 62 but has not been married to such~~
10 ~~individual for a period of 20 years immediately before~~
11 ~~the divorce became effective,~~

12 ~~"(I) in the case of a divorced husband, he marries~~
13 ~~a person other than such individual,~~

14 ~~"(J) he becomes entitled to an old age or dis-~~
15 ~~ability insurance benefit based on a primary insurance~~
16 ~~amount which is equal to or exceeds one half of the~~
17 ~~primary insurance amount of such individual, or~~

18 ~~"(K) such individual is not entitled to disability~~
19 ~~insurance benefits and is not entitled to old age insur-~~
20 ~~ance benefits."~~

21 ~~(3) Section 202(c)(3) of such Act is amended by~~
22 ~~inserting "(or, in the case of a divorced husband, his former~~
23 ~~wife)" before "for such month".~~

24 ~~(4) Section 202(c) of such Act is amended by adding~~
25 ~~after paragraph (3) the following new paragraph:~~

1 ~~“(4) In the case of any divorced husband who~~
2 ~~marries—~~

3 ~~“(A) an individual entitled to benefits under~~
4 ~~subsection (b), (c), (g), or (h) of this section, or~~

5 ~~“(B) an individual who has attained the age~~
6 ~~of 18 and is entitled to benefits under subsection~~
7 ~~(d),~~

8 ~~such divorced husband’s entitlement to benefits under~~
9 ~~this subsection shall, notwithstanding the provisions of~~
10 ~~paragraph (1) (but subject to subsection (s)), not~~
11 ~~be terminated by reason of such marriage.”—~~

12 ~~(5) Section 202 (c) (2) of such Act is amended by~~
13 ~~striking out “(C)” in the matter immediately preceding~~
14 ~~subparagraph (A) and inserting in lieu thereof “(D)”.~~

15 ~~(6) Section 202 (b) (3) (A) of such Act is amended~~
16 ~~by striking out “(f)” and inserting in lieu thereof “(e),~~
17 ~~(f),”.~~

18 ~~(7) Section 202 (c) (1) (E) of such Act (as re-~~
19 ~~designated by paragraph (2) of this subsection) is amended~~
20 ~~by striking out “his wife” and inserting in lieu thereof~~
21 ~~“such individual”.~~

22 ~~(b) (1) Section 202 (f) (1) of such Act is amended,~~
23 ~~in the matter preceding subparagraph (A), by inserting~~
24 ~~“and every surviving divorced husband (as defined in section-~~

1 ~~216(d))” before “of an individual” and inserting “or~~
2 ~~such surviving divorced husband” after “if such widower”.~~

3 ~~(2) Section 202(f)(1) of such Act is further amended~~
4 ~~by striking out “his deceased wife” in subparagraph (E)~~
5 ~~and in the matter following subparagraph (G) and insert-~~
6 ~~ing in lieu thereof “such deceased individual”.~~

7 ~~(3) Paragraphs (3), (4), (6), and (7) of section 202~~
8 ~~(f) of such Act are each amended by inserting “or surviving~~
9 ~~divorced husband” after “widower” wherever it appears.~~

10 ~~(4) Paragraph (3) of section 202(f) of such Act is~~
11 ~~further amended by striking out “his deceased wife” wherever~~
12 ~~it appears and by inserting in lieu thereof “such deceased~~
13 ~~individual”, and by striking out “wife” wherever it appears~~
14 ~~and inserting in lieu thereof “individual”.~~

15 ~~(5) Section 202(f)(4) of such Act is further amended~~
16 ~~by striking out “remarries” and inserting in lieu thereof~~
17 ~~“marries”, and by inserting “or surviving divorced hus-~~
18 ~~band’s” after “widower’s”.~~

19 ~~(6) Section 202(e)(3)(A) of such Act is amended by~~
20 ~~striking out “(f)” and inserting in lieu thereof “(e), (f)”.~~

21 ~~(7) Section 202(g)(3)(A) of such Act is amended by~~
22 ~~inserting “(e),” before “(f)”.~~

23 ~~(8) Section 202(h)(4)(A) of such Act is amended by~~
24 ~~inserting “(e),” before “(e)”.~~

1 ~~(c) (1) Section 216 (d) of such Act is amended by re-~~
2 ~~designating paragraph (4) as paragraph (6), and by insert-~~
3 ~~ing after paragraph (3) the following new paragraphs:—~~

4 ~~“(4) The term ‘divorced husband’ means a man di-~~
5 ~~vorced from an individual, but only if he has been married to~~
6 ~~such individual for a period of 20 years immediately before~~
7 ~~the date the divorce became effective.~~

8 ~~“(5) The term ‘surviving divorced husband’ means a~~
9 ~~man divorced from an individual who has died, but only if he~~
10 ~~has been married to the individual for a period of 20 years~~
11 ~~immediately before the divorce became effective.”.~~

12 ~~(2) The heading of section 216 (d) of such Act is~~
13 ~~amended to read as follows:~~

14 ~~“Divorced Spouses; Divorce”.~~

15 ~~(d) (1) Section 205 (b) of such Act is amended by~~
16 ~~inserting “divorced husband,” after “husband,” and “surviv-~~
17 ~~ing divorced husband,” after “widower,”.~~

18 ~~(2) Section 205 (c) (1) (C) of such Act is amended~~
19 ~~by inserting “surviving divorced husband,” after “wife,”.~~

20 ~~REMARriage OF SURVIVING SPOUSE BEFORE AGE 60~~

21 ~~SEC. 402. Section 202 (f) (1) (A) of the Social Security~~
22 ~~Act is amended by striking out “has not remarried” and~~
23 ~~inserting in lieu thereof “is not married”.~~

~~ILLEGITIMATE CHILDREN~~

1
2 ~~SEC. 403. (a) Section 216 (h) (3) of the Social Secu-~~
3 ~~rity Act is amended by inserting "mother or" before "father"~~
4 ~~wherever it appears.~~

5 ~~(b) Section 216 (h) (3) (A) (i) of such Act is~~
6 ~~amended by striking out "daughter," at the end of clause~~
7 ~~(III) and all that follows and inserting in lieu thereof~~
8 ~~"daughter; or".~~

9 ~~(c) Section 216 (h) (3) (A) (ii) of such Act is~~
10 ~~amended by striking out everything after "time" and in-~~
11 ~~serting in lieu thereof "such applicant's application for~~
12 ~~benefits was filed;".~~

13 ~~(d) Section 216 (h) (3) (B) (i) of such Act is amend-~~
14 ~~ed by striking out "daughter," at the end of clause (III)~~
15 ~~and all that follows and inserting in lieu thereof "daughter;~~
16 ~~or".~~

17 ~~(e) Section 216 (h) (3) (B) (ii) of such Act is amend-~~
18 ~~ed by striking out "such period of disability began" and~~
19 ~~inserting in lieu thereof "such applicant's application for~~
20 ~~benefits was filed".~~

~~TRANSITIONAL INSURED STATUS~~

21
22 ~~SEC. 404. (a) Section 227 (a) of the Social Security~~
23 ~~Act is amended—~~

24 ~~(1) by striking out "wife" wherever it appears and~~
25 ~~inserting in lieu thereof "spouse";~~

1 ~~(2) by striking out "wife's" wherever it appears~~
2 ~~and inserting in lieu thereof "spouse's";~~

3 ~~(3) by striking out "she" wherever it appears and~~
4 ~~inserting in lieu thereof "he"; and~~

5 ~~(4) by inserting "or section 202 (e)" after "sec-~~
6 ~~tion 202 (b)" wherever it appears.~~

7 ~~(b) Section 227 (b) and section 227 (c) of such Act~~
8 ~~are amended—~~

9 ~~(1) by striking out "widow" wherever it appears~~
10 ~~and inserting in lieu thereof "surviving spouse";~~

11 ~~(2) by striking out "widow's" wherever it appears~~
12 ~~and inserting in lieu thereof "surviving spouse's";~~

13 ~~(3) by striking out "her" wherever it appears and~~
14 ~~inserting in lieu thereof "the"; and~~

15 ~~(4) by inserting "or section 202 (f)" after "section~~
16 ~~202 (e)" wherever it appears.~~

17 ~~(c) Section 216 of such Act (as amended by the~~
18 ~~preceding provisions of the Act) is further amended by in-~~
19 ~~serting before subsection (b) the following new subsection:~~

20 ~~"Spouse; Surviving Spouse~~

21 ~~"(a) (1) The term 'spouse' means a wife as defined~~
22 ~~in subsection (b) or a husband as defined in subsection (f).~~

23 ~~"(2) The term 'surviving spouse' means a widow as~~
24 ~~defined in subsection (c) or a widower as defined in sub-~~
25 ~~section (g)."~~

1 ~~EQUALIZATION OF BENEFITS UNDER SECTION 228~~

2 ~~SEC. 405. (a) Section 228 (b) (2) of the Social Secu-~~
3 ~~rity Act is amended—~~

4 ~~(1) by striking out “the husband’s benefit” and~~
5 ~~inserting in lieu thereof “each of their benefits”;~~

6 ~~(2) by striking out “\$64.40” and inserting in lieu~~
7 ~~thereof “\$48.30”; and~~

8 ~~(3) by striking out everything after “section~~
9 ~~215 (i)” the first time it appears and inserting in lieu~~
10 ~~thereof a period.~~

11 ~~(b) Section 228 (c) (3) of such Act is amended to~~
12 ~~read as follows:~~

13 ~~“(3) In the case of a husband or wife, both of whom~~
14 ~~are entitled to benefits under this section for any month, the~~
15 ~~benefit amount of each, after any reduction under paragraph~~
16 ~~(1), shall be further reduced (but not below zero) by the~~
17 ~~excess (if any) of (A) the total amount of any periodic~~
18 ~~benefits under governmental pension systems for which the~~
19 ~~other is eligible for such month, over (B) the larger of~~
20 ~~\$48.30 or the amount most recently established in lieu~~
21 ~~thereof under section 215 (i).”~~

22 ~~(c) The Secretary shall increase the amounts specified~~
23 ~~in section 228 of the Social Security Act, as amended by~~
24 ~~this section, to take account of any general benefit increases~~
25 ~~(as referred to in section 215 (i) (3) of such Act), and~~

1 ~~any increases under section 215 (i) of such Act, which~~
 2 ~~occur after June 1974.~~

3 ~~FATHER'S INSURANCE BENEFITS~~

4 ~~SEC. 406. (a) Section 202 (g) of the Social Security~~
 5 ~~Act is amended—~~

6 ~~(1) by striking out "widow" wherever it appears~~
 7 ~~and inserting in lieu thereof "surviving spouse";~~

8 ~~(2) by striking out "widow's" wherever it appears~~
 9 ~~and inserting in lieu thereof "surviving spouse's";~~

10 ~~(3) by striking out "wife's insurance benefits" in~~
 11 ~~paragraph (1) (D) and inserting in lieu thereof "a~~
 12 ~~spouse's insurance benefit";~~

13 ~~(4) by striking out "her" wherever it appears and~~
 14 ~~inserting in lieu thereof "his";~~

15 ~~(5) by striking out "she" wherever it appears and~~
 16 ~~inserting in lieu thereof "he";~~

17 ~~(6) by striking out "mother" wherever it appears~~
 18 ~~and inserting in lieu thereof "parent";~~

19 ~~(7) by inserting "or father's" after "mother's"~~
 20 ~~wherever it appears;~~

21 ~~(8) by striking out "after August 1950"; and~~

22 ~~(9) by inserting "this subsection or" before "sub-~~
 23 ~~section (a)" in paragraph (3) (A).~~

24 ~~(b) The heading of section 202 (g) of such Act is~~
 25 ~~amended by inserting "and Father's" after "Mother's".~~

1 ~~(c) Section 216 (d) of such Act (as amended by section~~
2 ~~401 (c) (1) of this Act) is further amended by redesignating~~
3 ~~paragraph (6) as paragraph (8), and by inserting after~~
4 ~~paragraph (5) the following new paragraphs:~~

5 ~~“(6) The term ‘surviving divorced father’ means a man~~
6 ~~divorced from an individual who has died, but only if (A)~~
7 ~~he is the father of her son or daughter, (B) he legally~~
8 ~~adopted her son or daughter while he was married to her~~
9 ~~and while such son or daughter was under the age of 18,~~
10 ~~(C) she legally adopted his son or daughter while he was~~
11 ~~married to her and while such son or daughter was under the~~
12 ~~age of 18, or (D) he was married to her at the time both of~~
13 ~~them legally adopted a child under the age of 18.~~

14 ~~“(7) The term ‘surviving divorced parent’ means a sur-~~
15 ~~viving divorced mother as defined in paragraph (3) of this~~
16 ~~subsection or a surviving divorced father as defined in para-~~
17 ~~graph (6).”.~~

18 ~~(d) Section 202 (e) (1) of such Act (as amended by~~
19 ~~section 401 (a) (2) of this Act) is further amended by in-~~
20 ~~serting “(subject to subsection (s))” before “be entitled~~
21 ~~to” in the matter following subparagraph (E) and pre-~~
22 ~~ceding subparagraph (F).~~

23 ~~(e) Section 202 (e) (1) (B) of such Act is amended by~~
24 ~~inserting after “62” the following: “or (in the case of a~~

1 ~~husband) has in his care (individually or jointly with such~~
2 ~~individual) at the time of filing such application a child en-~~
3 ~~titled to child's insurance benefits on the basis of the wages~~
4 ~~and self-employment income of such individual".~~

5 ~~(f) Section 202 (e) (1) of such Act (as amended by~~
6 ~~section 401 (a) (2) (B) of this Act) is further amended by~~
7 ~~redesignating the new subparagraphs (J) and (K) as sub-~~
8 ~~paragraphs (K) and (L), respectively, and by adding after~~
9 ~~subparagraph (I) the following new subparagraph:~~

10 ~~"(J) in the case of a husband who has not attained~~
11 ~~age 62, no child of such individual is entitled to a child's~~
12 ~~insurance benefit,".~~

13 ~~(g) Section 202 (f) (1) (C) of such Act is amended by~~
14 ~~inserting "(i)" after "(C)", by adding "or" after "223,"~~
15 ~~and by inserting at the end thereof the following new clause:~~

16 ~~"(ii) was entitled, on the basis of such wages and~~
17 ~~self-employment income, to father's insurance benefits~~
18 ~~for the month preceding the month in which he attained~~
19 ~~age 65,".~~

20 ~~(h) Section 202 (f) (6) of such Act is amended by~~
21 ~~striking out "or" at the end of subparagraph (A), by adding~~
22 ~~"or" after the comma at the end of subparagraph (B), and~~
23 ~~by adding after and below subparagraph (B) the following~~
24 ~~new subparagraph:~~

1 ~~subsection (d) unless she ceases to be so entitled by reason~~
2 ~~of her death”.~~

3 ~~(b) Section 202 (f) (4) of such Act is amended by in-~~
4 ~~serting before the period at the end thereof the following:~~
5 ~~“; except that, in the case of such a marriage to an individual~~
6 ~~entitled to benefits under subsection (d), the preceding pro-~~
7 ~~visions of this paragraph shall not apply with respect to~~
8 ~~benefits for months after the last month for which such in-~~
9 ~~dividual is entitled to such benefits under subsection (d)~~
10 ~~unless she ceases to be so entitled by reason of her death”.~~

11 ~~(c) Section 202 (h) (4) of such Act is amended by~~
12 ~~striking out “a male individual” in the matter following~~
13 ~~clause (B) and inserting in lieu thereof “an individual”.~~

14 ~~(d) The amendments made by this section shall be~~
15 ~~effective with respect to benefits under title II of the Social~~
16 ~~Security Act for months after December 1977, but only in~~
17 ~~cases where the “last month” referred to in section 202 (e)~~
18 ~~(4), 202 (f) (4), 202 (g) (3), or 202 (h) (4) is a month~~
19 ~~after December 1977.~~

20 ~~TREATMENT OF SELF EMPLOYMENT INCOME IN~~

21 ~~COMMUNITY PROPERTY STATES~~

22 ~~SEC. 409. (a) Section 211 (a) (5) (A) of the Social~~
23 ~~Security Act and section 1402 (a) (5) (A) of the Internal~~
24 ~~Revenue Code of 1954 are each amended by striking out~~
25 ~~“husband unless the wife exercises substantially all of the~~

1 ~~management and control of such trade or business, in which~~
2 ~~case all of such gross income and deductions shall be treated~~
3 ~~as the gross income and deductions of the wife” and inserting~~
4 ~~in lieu thereof “spouse who exercises the greater manage-~~
5 ~~ment and control over the trade or business”.~~

6 ~~(b) The amendments made by subsection (a) shall be~~
7 ~~effective with respect to taxable years beginning after De-~~
8 ~~cember 1977.~~

9 ~~CREDIT FOR CERTAIN MILITARY SERVICE~~

10 ~~SEC. 410. Section 217 (f) of the Social Security Act~~
11 ~~is amended by striking out “widow” each place it appears~~
12 ~~and inserting in lieu thereof “surviving spouse”, and by~~
13 ~~striking out “her” each place it appears in paragraph (2)~~
14 ~~and inserting in lieu thereof “his”.~~

15 ~~CONFORMING AMENDMENTS~~

16 ~~SEC. 411. (a) Section 202 (b) (3) (A) of the Social~~
17 ~~Security Act (as amended by section 401 (a) (6) of this~~
18 ~~Act) is further amended by inserting “(g),” after “(f),”.~~

19 ~~(b) Section 202 (p) (1) of such Act is amended by~~
20 ~~striking out “subparagraph (C) of subsection (e) (1)”~~
21 ~~and inserting in lieu thereof “subparagraph (D) of sub-~~
22 ~~section (e) (1)”.~~

23 ~~(c) Section 202 (q) (3) of such Act is amended by~~
24 ~~inserting “or surviving divorced husband” after “widower”~~
25 ~~in subparagraphs (E), (F), and (G).~~

1 ~~(d) Section 202 (q) (5) of such Act is amended—~~

2 ~~(1) by inserting “husband’s or” before “wife’s”~~
3 ~~each place it appears;~~

4 ~~(2) by inserting “he or” before “she” each place~~
5 ~~it appears;~~

6 ~~(3) by inserting “his or” before “her” each place~~
7 ~~it appears;~~

8 ~~(4) by striking out “woman” each place it ap-~~
9 ~~pears and inserting in lieu thereof “individual”; and~~

10 ~~(5) in subparagraph (D), by inserting “widower’s~~
11 ~~or” before “widow’s”; by inserting “wife or” before~~
12 ~~“husband” each place it appears; by inserting “wife’s~~
13 ~~or” before “husband’s” each place it appears; and by~~
14 ~~inserting “father’s or” before “mother’s”.~~

15 ~~(e) (1) Section 202 (q) (6) (A) (i) of such Act is~~
16 ~~amended by striking out “or husband’s insurance” in sub-~~
17 ~~division (I), and by inserting “or husband’s” after “wife’s”~~
18 ~~in subdivision (II).~~

19 ~~(2) Section 202 (q) (7) of such Act is amended, in~~
20 ~~subparagraph (B), by inserting “husband’s or” before~~
21 ~~“wife’s”, by inserting “he or” before “she”, and by insert-~~
22 ~~ing “his or” before “her”, and in subparagraph (D) by~~
23 ~~inserting “or widower’s” after “widow’s”.~~

24 ~~(f) (1) Section 202 (s) (1) of such Act is amended~~
25 ~~by inserting “(c) (1),” after “(b) (1),”.~~

1 ~~(2) Section 202 (s) (2) of such Act is amended by~~
 2 ~~inserting “(e) (4),” after “(b) (3),”.~~

3 ~~(3) Section 202 (s) (3) of such Act is amended by~~
 4 ~~inserting “(e) (4),” after “(b) (3),” and by inserting~~
 5 ~~“ (f) (4),” after “(e) (3),”.~~

6 ~~(g) Section 203 (a) (3) of such Act is amended by~~
 7 ~~inserting “, or as a divorced husband under section 202 (e)~~
 8 ~~or as a surviving divorced husband under section 202 (f),”~~
 9 ~~after “section 202 (e)”, by striking out “she” and inserting~~
 10 ~~in lieu thereof “he or she”, and by inserting “or divorced~~
 11 ~~husband or surviving divorced husband” after “such divorced~~
 12 ~~wife or surviving divorced wife”.~~

13 ~~(h) The third sentence of section 203 (b) of such Act~~
 14 ~~is amended by inserting “or father’s” after “mother’s”.~~

15 ~~(i) The text of section 203 (c) of such Act is amended~~
 16 ~~to read as follows —~~

17 ~~“(c) Deductions, in such amounts and at such time or~~
 18 ~~times as the Secretary shall determine, shall be made from~~
 19 ~~any payment or payments under this title to which an indi-~~
 20 ~~vidual is entitled, until the total of such deductions equals~~
 21 ~~such individual’s benefits or benefit under section 202 for~~
 22 ~~any month —~~

23 ~~“(1) in which such individual is under the age of~~
 24 ~~seventy two and on seven or more different calendar~~

1 ~~days of which such individual engaged in noncovered re-~~
2 ~~munerative activity outside the United States; or~~

3 ~~“(2) in which such individual, if a wife or husband~~
4 ~~under age sixty five entitled to a wife’s or husband’s~~
5 ~~insurance benefit, did not have in his or her care (in-~~
6 ~~dividually or jointly with his or her spouse) a child of~~
7 ~~such spouse entitled to a child’s insurance benefit and~~
8 ~~such wife’s or husband’s insurance benefit for such~~
9 ~~month was not reduced under the provisions of section~~
10 ~~202 (q); or~~

11 ~~“(3) in which such individual, if a widow or wid-~~
12 ~~ower entitled to a mother’s or father’s insurance benefit,~~
13 ~~did not have in his or her care a child of his or her de-~~
14 ~~ceased spouse entitled to a child’s insurance benefit; or~~

15 ~~“(4) in which such an individual, if a surviving~~
16 ~~divorced mother or father entitled to a mother’s or~~
17 ~~father’s insurance benefit, did not have in his or her~~
18 ~~care a child of his deceased former spouse who (A) is~~
19 ~~his or her son, daughter, or legally adopted child and~~
20 ~~(B) is entitled to a child’s insurance benefit on the basis~~
21 ~~of the wages and self-employment income of such de-~~
22 ~~ceased former spouse.~~

23 ~~For purposes of paragraphs (2), (3), and (4), of this sub-~~
24 ~~section, a child shall not be considered to be entitled to a~~

1 ~~child's insurance benefit for any month in which paragraph~~
2 ~~(1) of section 202 (s) applies or an event specified in sec-~~
3 ~~tion 222 (b) occurs with respect to such child. Subject to~~
4 ~~paragraph (3) of such section 202 (s), no deductions shall~~
5 ~~be made under this subsection from any child's insurance~~
6 ~~benefit for the month in which the child entitled to such~~
7 ~~benefit attained the age of eighteen or any subsequent month;~~
8 ~~nor shall any deduction be made under this subsection from~~
9 ~~any widow's insurance benefits for any month in which the~~
10 ~~widow or surviving divorced wife is entitled and has not~~
11 ~~attained age sixty five (but only if she became so entitled~~
12 ~~prior to attaining age sixty), or from any widower's insur-~~
13 ~~ance benefit for any month in which the widower or surviv-~~
14 ~~ing divorced husband is entitled and has not attained age~~
15 ~~sixty five (but only if he became so entitled prior to attain-~~
16 ~~ing age sixty)."~~

17 ~~(j) Section 203 (d) of such Act is amended by inserting~~
18 ~~"divorced husband," after "husband," in paragraph (1),~~
19 ~~and by inserting "or father's" after "mother's" each place it~~
20 ~~appears in paragraph (2).~~

21 ~~(k) (1) Section 205 (b) of such Act (as amended by~~
22 ~~section 401 (d) (1) of this Act) is further amended by~~
23 ~~inserting "surviving divorced father," after "mother,".~~

24 ~~(2) Section 205 (c) (1) (C) of such Act (as amended~~
25 ~~by section 401 (d) (2) of this Act) is further amended by~~

1 ~~inserting "surviving divorced father," after "surviving~~
2 ~~divorced mother,".~~

3 ~~(l) Section 216 (f) of such Act is amended by inserting~~
4 ~~"(e)," before "(f)" in clause (3) (A).~~

5 ~~(m) Section 216 (g) of such Act is amended by insert-~~
6 ~~ing "(e)", before "(f)" in clause (6) (A).~~

7 ~~(n) Section 222 (b) (1) of such Act is amended by~~
8 ~~striking out "or surviving divorced wife" and inserting in~~
9 ~~lieu thereof "surviving divorced wife, or surviving divorced~~
10 ~~husband".~~

11 ~~(o) Section 222 (b) (2) of such Act is amended by~~
12 ~~inserting "divorced husband," after "husband,".~~

13 ~~(p) Section 222 (b) (2) of such Act is amended by~~
14 ~~inserting "or father's" after "mother's" each place it appears.~~

15 ~~(q) Section 222 (d) (1) of such Act is amended by~~
16 ~~inserting "and surviving divorced husbands" after "for~~
17 ~~widowers" in the matter following clause (iii).~~

18 ~~(r) Section 222 (d) (2) of such Act is amended by~~
19 ~~striking out "or widower" where that term appears in sub-~~
20 ~~paragraphs (A) and (B) and inserting in lieu thereof~~
21 ~~"widower, or surviving divorced husband".~~

22 ~~(s) Section 225 of such Act is amended by inserting "or~~
23 ~~surviving divorced husband" after "widower".~~

24 ~~(t) (1) Section 226 (h) (3) of such Act is amended to~~
25 ~~read as follows:~~

1 ~~“(3) For purposes of determining entitlement to hos-~~
2 ~~pital insurance benefits under subsection (b), any disabled~~
3 ~~widow age 50 or older who is entitled to mother’s insurance~~
4 ~~benefits (and who would have been entitled to widow’s~~
5 ~~insurance benefits by reason of disability if she had filed~~
6 ~~for such widow’s benefits), and any disabled widower who~~
7 ~~is entitled to father’s insurance benefits (and who would~~
8 ~~have been entitled to widower’s insurance benefits by reason~~
9 ~~of disability if he had filed for such widower’s benefits),~~
10 ~~shall, upon application for hospital insurance bene-~~
11 ~~fits be deemed to have filed for such widow’s or widower’s~~
12 ~~benefits.”~~

13 ~~(2) For purposes of determining entitlement to hospital~~
14 ~~insurance benefits under section 226 (h) (3) of the Social~~
15 ~~Security Act, as amended by paragraph (1) of this subsec-~~
16 ~~tion, an individual becoming entitled to such hospital insur-~~
17 ~~ance benefits as a result of the amendment made by such~~
18 ~~paragraph shall, upon furnishing proof of such disability~~
19 ~~within twelve months after the month of enactment of this~~
20 ~~Act, under such procedures as the Secretary may prescribe,~~
21 ~~be deemed to have been entitled to the widow’s or widower’s~~
22 ~~benefits referred to in such section 226 (h) (3), as so~~
23 ~~amended, as of the time such individual would have been~~
24 ~~entitled to such widow’s or widower’s benefits if he or she~~
25 ~~had filed a timely application therefor.~~

1 ~~EFFECTIVE DATE~~

2 ~~SEC. 412. Except as otherwise specifically provided in~~
 3 ~~this part, the amendments made by this part shall apply only~~
 4 ~~with respect to monthly benefits payable under title II of the~~
 5 ~~Social Security Act for months after December 1977.~~

6 ~~PART B EFFECT OF MARRIAGE, REMARRIAGE, AND~~
 7 ~~DIVORCE ON BENEFIT ELIGIBILITY~~

8 ~~ELIMINATION OF MARRIAGE OR REMARRIAGE AS FACTOR~~
 9 ~~TERMINATING OR REDUCING BENEFITS~~

10 ~~SEC. 415. (a) (1) Section 202(b) (1) of the Social~~
 11 ~~Security Act is amended—~~

12 ~~(A) by adding “and” at the end of subparagraph~~

13 ~~(B),~~

14 ~~(B) by striking out subparagraph (C),~~

15 ~~(C) by striking out subparagraph (H), and~~

16 ~~(D) by redesignating subparagraphs (D), (E),~~

17 ~~(F), (G), (I), (J), and (K) as subparagraphs (C),~~

18 ~~(D), (E), (F), (G), (H), and (I), respectively.~~

19 ~~(2) Section 202(b) of such Act is further amended by~~
 20 ~~striking out paragraph (3).~~

21 ~~(b) (1) Section 202(e) (1) of such Act (as amended~~
 22 ~~by sections 401(a) (2) and 406(f) of this Act) is~~
 23 ~~amended—~~

24 ~~(A) by striking out subparagraph (C),~~

25 ~~(B) by striking out subparagraph (I), and~~

1 ~~(C) by redesignating subparagraphs (D), (E),~~
2 ~~(F), (G), (H), (J), (K), and (L) as subparagraphs~~
3 ~~(C), (D), (E), (F), (G), (H), (I), and (J),~~
4 ~~respectively.~~

5 ~~(2) Section 202 (c) of such Act is further amended by~~
6 ~~striking out paragraph (4) (as added by section 401 (a)~~
7 ~~(4) of this Act and amended by section 408 (a)).~~

8 ~~(3) Section 202 (c) (2) of such Act (as amended by~~
9 ~~section 401 (a) (5) of this Act) is further amended by~~
10 ~~striking out “(D)” in the matter immediately preceding~~
11 ~~subparagraph (A) and inserting in lieu thereof “(C)”.~~

12 ~~(c) (1) Section 202 (d) (1) of such Act is amended—~~
13 ~~(A) by striking out “was unmarried and” in sub-~~
14 ~~paragraph (B), and~~

15 ~~(B) by striking out “or marries,” in subparagraph~~
16 ~~(D).~~

17 ~~(2) Section 202 (d) of such Act is further amended by~~
18 ~~striking out paragraph (5), and by redesignating paragraphs~~
19 ~~(6) through (9) as paragraphs (5) through (8),~~
20 ~~respectively.~~

21 ~~(d) (1) Section 202 (c) (1) of such Act is amended—~~
22 ~~(A) by striking out subparagraph (A),~~

23 ~~(B) by striking out “paragraph (5)” in subpara-~~
24 ~~graph (B) and inserting in lieu thereof “paragraph~~
25 ~~(3)”;~~

1 ~~(C) by striking out “subparagraph (B)” in sub-~~
2 ~~paragraph (E) and inserting in lieu thereof “subpara-~~
3 ~~graph (A)”~~,

4 ~~(D) by striking out “subparagraph (B)”, “para-~~
5 ~~graph (6)”, and “paragraph (5)” in subparagraph (F)~~
6 ~~and inserting in lieu thereof “subparagraph (A)”~~,
7 ~~“paragraph (1)”, and “paragraph (3)”, respectively,~~

8 ~~(E) by striking out “remarries, dies,” in the matter~~
9 ~~following subparagraph (F) and inserting in lieu there-~~
10 ~~of “dies, or”, and~~

11 ~~(F) by redesignating subparagraphs (B) through~~
12 ~~(F) as subparagraphs (A) through (E), respectively.~~

13 ~~(2) Section 202 (e) (2) (A) of such Act is amended by~~
14 ~~striking out “, paragraph (4) of this subsection,”.~~

15 ~~(3) Section 202 (e) of such Act is further amended by~~
16 ~~striking out paragraphs (3) and (4), and by redesignating~~
17 ~~paragraphs (5), (6), and (7) as paragraphs (3), (4), and~~
18 ~~(5), respectively.~~

19 ~~(4) The paragraph of section 202 (e) of such Act re-~~
20 ~~designated as paragraph (3) by paragraph (3) of this sub-~~
21 ~~section is amended by striking out “(1) (B) (ii)” and in-~~
22 ~~serting in lieu thereof “(1) (A) (ii)”.~~

23 ~~(5) The paragraph of section 202 (e) of such Act re-~~
24 ~~designated as paragraph (4) by paragraph (3) of this sub-~~
25 ~~section is amended—~~

1 ~~(A) by striking out “paragraph (1) (F)” and in-~~
2 ~~serting in lieu thereof “paragraph (1) (E)” and~~

3 ~~(B) by striking out “paragraph (5)” and inserting~~
4 ~~in lieu thereof “paragraph (3)”.~~

5 ~~(c) (1) Section 202 (f) (1) of such Act (as amended~~
6 ~~by the preceding provisions of this title) is further~~
7 ~~amended—~~

8 ~~(A) by striking out subparagraph (A),~~

9 ~~(B) by striking out “paragraph (6)” in subpara-~~
10 ~~graph (B) and inserting in lieu thereof “paragraph~~
11 ~~(4)”;~~

12 ~~(C) by striking out “subparagraph (B)” in sub-~~
13 ~~paragraph (F) and inserting in lieu thereof “subpara-~~
14 ~~graph (A)”;~~

15 ~~(D) by striking out “subparagraph (B)”, “para-~~
16 ~~graph (7)”, and “paragraph (6)” in subparagraph~~
17 ~~(G) and inserting in lieu thereof “subparagraph (A)”,~~
18 ~~“paragraph (5)” and “paragraph (4)”, respectively,~~

19 ~~(E) by striking out “remarries,” in the matter fol-~~
20 ~~lowing subparagraph (G), and~~

21 ~~(F) by redesignating subparagraphs (B) through~~
22 ~~(G) as subparagraphs (A) through (F); respectively.~~

23 ~~(2) Section 202 (f) (2) of such Act is amended by~~
24 ~~striking out “subparagraph (D)” and inserting in lieu~~
25 ~~thereof “subparagraph (C)”.~~

1 ~~(3) Section 202 (f) (3) (A) of such Act is amended~~
2 ~~by striking out “, paragraph (5) of this subsection,”.~~

3 ~~(4) Section 202 (f) of such Act is further amended by~~
4 ~~striking out paragraphs (4) and (5), and by redesignating~~
5 ~~paragraphs (6), (7), and (8) as paragraphs (1), (5),~~
6 ~~and (6), respectively.~~

7 ~~(5) The paragraph of section 202 (f) of such Act re-~~
8 ~~designated as paragraph (4) by paragraph (4) of this sub-~~
9 ~~section is amended by striking out “(1) (B) (ii)” and in-~~
10 ~~serting in lieu thereof “(1) (A) (ii)”.~~

11 ~~(6) The paragraph of section 202 (f) of such Act re-~~
12 ~~designated as paragraph (5) by paragraph (4) of this sub-~~
13 ~~section is amended by striking out “paragraph (1) (G)”~~
14 ~~and “paragraph (6)” and inserting in lieu thereof “para-~~
15 ~~graph (1) (F)” and “paragraph (4)”, respectively.~~

16 ~~(f) (1) Section 202 (g) (1) of such Act (as amended~~
17 ~~by section 406 (a) of this Act) is further amended by—~~

18 ~~(A) by striking out subparagraph (A),~~

19 ~~(B) by striking out “subparagraph (E)” in sub-~~
20 ~~paragraph (F) (i) and inserting in lieu thereof “sub-~~
21 ~~paragraph (D)”;~~

22 ~~(C) by striking out “he remarries,” in the matter~~
23 ~~following subparagraph (F), and~~

24 ~~(D) by redesignating subparagraphs (B) through~~
25 ~~(F) as subparagraphs (A) through (E), respectively.~~

1 ~~(2) Section 202 (g) of such Act is further amended by~~
2 ~~striking out paragraph (3).~~

3 ~~(g) (1) Section 202 (h) (1) of such Act is amended—~~
4 ~~(A) by striking out such paragraph (C),~~
5 ~~(B) by striking out “marries,” in the matter fol-~~
6 ~~lowing subparagraph (E), and~~
7 ~~(C) by redesignating subparagraphs (D) and (E)~~
8 ~~as subparagraphs (C) and (D) respectively.~~

9 ~~(2) Section 202 (h) of such Act is further amended by~~
10 ~~striking out paragraph (4).~~

11 ~~(h) Section 202 (p) (1) of such Act (as amended by~~
12 ~~section 411 (a) (4) of this Act) is further amended by~~
13 ~~striking out “subparagraph (D) of subsection (e) (1), clause~~
14 ~~(i) or (ii) of subparagraph (D) of subsection (f) (1)”~~
15 ~~and inserting in lieu thereof “subparagraph (C) of sub-~~
16 ~~section (e) (1), clause (i) or (ii) of subparagraph (C)~~
17 ~~of subsection (f) (1)”.~~

18 ~~(i) (1) Section 202 (s) (2) of such Act is repealed.~~

19 ~~(2) Section 202 (s) (3) of such Act (as amended by~~
20 ~~section 411 (a) (2) of this Act) is further amended by~~
21 ~~striking out “so much of subsections (b) (3), (c) (4),~~
22 ~~(d) (5), (e) (3), (f) (4), (g) (3), and (h) (4) of this~~
23 ~~section as follows the semicolon,”.~~

1 ~~DURATION OF MARRIAGE REQUIREMENT FOR DIVORCED~~
2 ~~SPOUSES AND SURVIVING DIVORCED SPOUSES~~

3 ~~SEC. 416. (a) Section 216 (d) of the Social Security~~
4 ~~Act is amended by striking out "20 years" in paragraphs~~
5 ~~(1) and (2), and in paragraphs (4) and (5) (as added by~~
6 ~~section 401 (c) (1) of this Act), and inserting in lieu thereof~~
7 ~~in each instance "5 years".~~

8 ~~(b) Section 202 (b) (1) (F) of such Act (as redesign-~~
9 ~~ated by section 415 (a) (1) (D) of this Act) is amended~~
10 ~~by striking out "20 years" and inserting in lieu thereof~~
11 ~~"5 years".~~

12 ~~(c) Section 202 (c) (1) (G) of such Act (as added by~~
13 ~~section 401 (a) (2) (C) of this Act and redesignated by~~
14 ~~section 415 (b) (1) (C)) is amended by striking out "20~~
15 ~~years" and inserting in lieu thereof "5 years".~~

16 ~~EFFECTIVE DATE~~

17 ~~SEC. 417. (a) The amendments made by this part shall~~
18 ~~apply only with respect to monthly benefits payable under~~
19 ~~title II of the Social Security Act for months after December~~
20 ~~1978, and, in the case of individuals who are not entitled~~
21 ~~to benefits of the type involved under such title for December~~
22 ~~1978, only on the basis of applications filed on or after~~
23 ~~January 1, 1979.~~

1 ~~(b) An individual whose entitlement to monthly in-~~
2 ~~surance benefits under subsection (b), (c), (d), (e), (f),~~
3 ~~(g), or (h) of section 202 of the Social Security Act~~
4 ~~terminated on account of such individual's marriage or re-~~
5 ~~marriage prior to January 1979 may again become entitled~~
6 ~~to such benefits (provided no event which would otherwise~~
7 ~~terminate such entitlement has since occurred) beginning~~
8 ~~with January 1979 or, if later, with the first month (after~~
9 ~~January 1979) in which he files application for such reen-~~
10 ~~titlement. The reentitlement of such individual to benefits~~
11 ~~under such subsection (and the entitlement to other persons~~
12 ~~to benefits under title II of the Social Security Act to the~~
13 ~~extent related to such individual or his entitlement) shall~~
14 ~~be treated for all the purposes of title II of the Social Security~~
15 ~~Act as though such reentitlement were the individual's initial~~
16 ~~entitlement.~~

17 ~~PART C STUDY~~

18 ~~STUDY OF PROPOSALS TO ELIMINATE DEPENDENCY AND SEX~~
19 ~~DISCRIMINATION UNDER THE SOCIAL SECURITY~~
20 ~~PROGRAM~~

21 ~~SEC. 421. (a) The Secretary of Health, Education, and~~
22 ~~Welfare, in consultation with the Task Force on Sex Dis-~~
23 ~~crimination in the Department of Justice, shall undertake~~
24 ~~and carry out, within the Department of Health, Education,~~
25 ~~and Welfare and the Social Security Administration, a de-~~
26 ~~tailed study of proposals to eliminate dependency as a factor~~

1 ~~in the determination of entitlement to spouse's benefits under~~
2 ~~the social security program, and of proposals to bring about~~
3 ~~equal treatment of men and women in any and all respects~~
4 ~~under such program, taking into account the practical effects~~
5 ~~(particularly the effect upon women's entitlement to such~~
6 ~~benefits) of such things as—~~

- 7 ~~(1) changes in the nature and extent of women's~~
8 ~~participation in the labor force,~~
9 ~~(2) the increasing divorce rate, and~~
10 ~~(3) the economic value of women's work in the~~
11 ~~home.~~

12 ~~The study shall include appropriate cost analyses.~~

13 ~~(b) The Secretary shall submit to the Congress within~~
14 ~~six months after the date of the enactment of this Act a full~~
15 ~~and complete report on the study carried out under sub-~~
16 ~~section (a).~~

17 ~~TITLE V—CHANGES IN EARNINGS TEST UNDER~~
18 ~~THE OLD AGE, SURVIVORS, AND DISABILITY~~
19 ~~INSURANCE PROGRAM~~

20 ~~LIBERALIZATION OF EARNINGS TEST~~

21 ~~SEC. 501. (a) Section 203 (f) (8) (B) of the Social~~
22 ~~Security Act is amended by striking out "The exempt~~
23 ~~amount" in the matter preceding clause (i) and inserting~~
24 ~~in lieu thereof "Except as provided in subparagraph (D),~~
25 ~~the exempt amount".~~

1 ~~(b) Section 203 (f) (8) of such Act is further amended~~
2 ~~by adding at the end thereof the following new sub-~~
3 ~~paragraph:~~

4 ~~“(D) Notwithstanding any other provision of this~~
5 ~~subsection, the exempt amount—~~

6 ~~“(i) shall be \$375 for each month of any tax-~~
7 ~~able year ending after 1977 and before 1979, and~~

8 ~~“(ii) shall be \$500 for each month of any~~
9 ~~taxable year ending after 1978 and before 1980.”.~~

10 ~~(e) No determination or publication of a new exempt~~
11 ~~amount shall be required to be made under section 203 (f)~~
12 ~~(8) (A) of the Social Security Act, and no notification with~~
13 ~~respect to an increased exempt amount shall be required to~~
14 ~~be given under the last sentence of section 203 (f) (8) (B)~~
15 ~~of such Act, in the calendar year 1978 (and section 203 (f)~~
16 ~~(8) (C) of such Act shall apply with respect to any exempt~~
17 ~~amount determined and published under such section 203~~
18 ~~(f) (8) (A) in 1977); but such a determination, publica-~~
19 ~~tion, and notification shall be required in calendar years~~
20 ~~after 1978 and shall be made or given as though the dollar~~
21 ~~amounts specified in clauses (i) and (ii) of section 203 (f)~~
22 ~~(8) (D) of such Act (as added by subsection (b) of this~~
23 ~~section) had been determined (for the taxable years in-~~
24 ~~volved) under such section 203 (f) (8) (B).~~

1 ~~(d) Subsections (f) (1), (f) (3), (f) (4) (B), and~~
2 ~~(h) (1) (A) of section 203 of such Act are amended by~~
3 ~~striking out "\$200 or".~~

4 ~~(e) The amendments made by this section shall apply~~
5 ~~with respect to taxable years ending after December 1977.~~

6 ~~ELIMINATION OF MONTHLY EARNINGS TEST~~

7 ~~SEC. 502. (a) (1) The last sentence of section 203 (f)~~
8 ~~(1) of the Social Security Act is amended by inserting~~
9 ~~"or" before (D), and by striking out ", or (E)" and all~~
10 ~~that follows and inserting in lieu thereof a period.~~

11 ~~(2) Section 203 (f) (3) of such Act is amended by~~
12 ~~striking out "except that, in determining" and inserting in~~
13 ~~lieu thereof the following: "except that (A) in determining~~
14 ~~an individual's excess earnings for any taxable year in which~~
15 ~~he first becomes entitled to a monthly benefit under sub-~~
16 ~~section (a), (b), (c), (d), (e), (f), (g), or (h) of~~
17 ~~section 202 (and in which he was not entitled to a monthly~~
18 ~~benefit under any other such subsection for a month prior~~
19 ~~to the first month of such entitlement), there shall be ex-~~
20 ~~cluded any earnings of such individual for any month prior~~
21 ~~to the first month of such entitlement (with any net earn-~~
22 ~~ings or net loss from self-employment in such year being~~
23 ~~prorated in an equitable manner under regulations of the~~
24 ~~Secretary), and (B) in determining".~~

1 ~~(b) (1) Section 203 (f) (2) of such Act is amended~~
 2 ~~by striking out “(D), and (E)” and inserting in lieu~~
 3 ~~thereof “and (D)”.~~

4 ~~(2) Section 203 (f) (4) of such Act is repealed.~~

5 ~~(c) The amendments made by this section shall apply~~
 6 ~~only with respect to monthly benefits payable for months~~
 7 ~~after December 1977.~~

8 ~~TITLE VI COMBINED SOCIAL SECURITY AND~~
 9 ~~INCOME TAX ANNUAL REPORTING~~

10 ~~PART A AMENDMENTS TO TITLE II OF THE SOCIAL~~
 11 ~~SECURITY ACT~~

12 ~~ANNUAL CREDITING OF QUARTERS OF COVERAGE~~

13 ~~SEC. 601. (a) (1) Sections 209 (g) (3), 209 (j), 210~~
 14 ~~(a) (17) (A), and 210 (f) (4) (B) of the Social Security~~
 15 ~~Act are each amended by striking out “quarter” wherever~~
 16 ~~it appears and inserting in lieu thereof “year”.~~

17 ~~(2) Sections 209 (g) (3) and 209 (j) of such Act are~~
 18 ~~each further amended by striking out “\$50” and inserting~~
 19 ~~in lieu thereof “\$100”.~~

20 ~~(3) (A) Section 209 of such Act is amended by strik-~~
 21 ~~ing out “or” at the end of subsection (n), by striking out the~~
 22 ~~period at the end of subsection (o) and inserting in lieu~~
 23 ~~thereof “; or”, and by inserting after subsection (o) the fol-~~
 24 ~~lowing new subsection:~~

1 ~~“(p) Remuneration paid by an organization exempt~~
 2 ~~from income tax under section 501 of the Internal Revenue~~
 3 ~~Code of 1954 in any calendar year to an employee for~~
 4 ~~service rendered in the employ of such organization, if the~~
 5 ~~remuneration paid in such year by the organization to the~~
 6 ~~employee for such service is less than \$100.”.~~

7 ~~(B) Section 210 (a) (10) of such Act is amended by~~
 8 ~~striking out “(10) (A)” and all that follows down through~~
 9 ~~“(B) Service” and inserting in lieu thereof “(10) Service”,~~
 10 ~~and by redesignating clauses (i) and (ii) as subparagraphs~~
 11 ~~(A) and (B), respectively.~~

12 ~~(b) Section 212 of such Act is amended to read as~~
 13 ~~follows:~~

14 ~~“CREDITING OF SELF-EMPLOYMENT INCOME TO~~
 15 ~~CALENDAR YEARS~~

16 ~~“SEC. 212. (a) For the purposes of determining aver-~~
 17 ~~age monthly wage and quarters of coverage the amount of~~
 18 ~~self-employment income derived during any taxable year~~
 19 ~~which begins before 1978 shall—~~

20 ~~“(1) in the case of a taxable year which is a calen-~~
 21 ~~dar year, be credited equally to each quarter of such~~
 22 ~~calendar year; and~~

23 ~~“(2) in the case of any other taxable year, be~~
 24 ~~credited equally to the calendar quarter in which such~~

1 ~~taxable year ends and to each of the next three or fewer~~
2 ~~preceding quarters any part of which is in such taxable~~
3 ~~year.~~

4 ~~“(b) For the purposes of determining average indexed~~
5 ~~monthly earnings, average monthly wage, and quarters of~~
6 ~~coverage the amount of self-employment income derived dur-~~
7 ~~ing any taxable year which begins after 1977 shall—~~

8 ~~“(1) in the case of a taxable year which is a~~
9 ~~calendar year or which begins with or during a calendar~~
10 ~~year and ends with or during such year, be credited to~~
11 ~~such calendar year; and~~

12 ~~“(2) in the case of any other taxable year, be~~
13 ~~allocated proportionately to the two calendar years,~~
14 ~~portions of which are included within such taxable year,~~
15 ~~on the basis of the number of months in each such~~
16 ~~calendar year which are included completely within the~~
17 ~~taxable year.~~

18 ~~For purposes of clause (2), the calendar month in which a~~
19 ~~taxable year ends shall be treated as included completely~~
20 ~~within that taxable year.”~~

21 ~~(c) Section 213 (a) (2) of such Act is amended to read~~
22 ~~as follows:~~

23 ~~“(2) (A) The term ‘quarter of coverage’ means—~~

24 ~~“(i) for calendar years before 1978, and subject to~~

1 ~~the provisions of subparagraph (B), a quarter in which~~
2 ~~an individual has been paid \$50 or more in wages~~
3 ~~(except wages for agricultural labor paid after 1954)~~
4 ~~or for which he has been credited (as determined~~
5 ~~under section 212) with \$100 or more of self-employ-~~
6 ~~ment income; and~~

7 ~~“(ii) for calendar years after 1977, and subject~~
8 ~~to the provisions of subparagraph (B), each portion of~~
9 ~~the total of the wages paid and the self-employment~~
10 ~~income credited (pursuant to section 212) to an individ-~~
11 ~~ual in a calendar year which equals \$250, with such~~
12 ~~quarter of coverage being assigned to a specific calendar~~
13 ~~quarter in such calendar year only if necessary in the~~
14 ~~case of any individual who has attained age 62 or died~~
15 ~~or is under a disability and the requirements for insured~~
16 ~~status in subsection (a) or (b) of section 214, the~~
17 ~~requirements for entitlement to a computation or re-~~
18 ~~computation of his primary insurance amount, or the~~
19 ~~requirements of paragraph (3) of section 216(i) would~~
20 ~~not otherwise be met.~~

21 ~~“(B) Notwithstanding the provisions of subparagraph~~
22 ~~(A)—~~

23 ~~“(i) no quarter after the quarter in which an~~
24 ~~individual dies shall be a quarter of coverage, and no~~

1 ~~quarter any part of which is included in a period of~~
2 ~~disability (other than the initial quarter and the last~~
3 ~~quarter of such period) shall be a quarter of coverage;~~

4 ~~“(ii) if the wages paid to an individual in any~~
5 ~~calendar year equal to \$3,000 in the case of a calendar~~
6 ~~year before 1951, or \$3,600 in the case of a calendar~~
7 ~~year after 1950 and before 1955, or \$4,200 in the case~~
8 ~~of a calendar year after 1954 and before 1959, or \$4,800~~
9 ~~in the case of a calendar year after 1958 and before 1966,~~
10 ~~or \$6,600 in the case of a calendar year after 1965 and~~
11 ~~before 1968, or \$7,800 in the case of a calendar year~~
12 ~~after 1967 and before 1972, or \$9,000 in the case of the~~
13 ~~calendar year 1972, or \$10,800 in the case of the calen-~~
14 ~~dar year 1973, or \$13,200 in the case of the calendar~~
15 ~~year 1974, or an amount equal to the contribution and~~
16 ~~benefit base (as determined under section 230) in the~~
17 ~~case of any calendar year after 1974 with respect to~~
18 ~~which contribution and benefit base is effective, each~~
19 ~~quarter of such year shall (subject to clauses (i) and~~
20 ~~(v)) be a quarter of coverage;~~

21 ~~“(iii) if an individual has self-employment income~~
22 ~~for a taxable year, and if the sum of such income and~~
23 ~~the wages paid to him during such year equals \$3,600~~
24 ~~in the case of a taxable year beginning after 1950 and~~
25 ~~ending before 1955, or \$4,200 in the case of a taxable~~

1 ~~year ending after 1954 and before 1959, or \$4,800 in~~
2 ~~the case of a taxable year ending after 1958 and before~~
3 ~~1966, or \$6,600 in the case of a taxable year ending~~
4 ~~after 1965 and before 1968, or \$7,800 in the case of~~
5 ~~a taxable year ending after 1967 and before 1972, or~~
6 ~~\$9,000 in the case of a taxable year beginning after~~
7 ~~1971 and before 1973, or \$10,800 in the case of a tax-~~
8 ~~able year beginning after 1972 and before 1974, or~~
9 ~~\$13,200 in the case of a taxable year beginning after~~
10 ~~1973 and before 1975, or an amount equal to the con-~~
11 ~~tribution and benefit base (as determined under section~~
12 ~~230) which is effective for the calendar year in the case~~
13 ~~of any taxable year beginning in any calendar year after~~
14 ~~1974, each quarter any part of which falls in such year~~
15 ~~shall (subject to clauses (i) and (v)) be a quarter of~~
16 ~~coverage;~~

17 ~~“(iv) if an individual is paid wages for agricultural~~
18 ~~labor in a calendar year after 1954 and before 1978,~~
19 ~~then, subject to clauses (i) and (v), (I) the last quar-~~
20 ~~ter of such year which can be but is not otherwise a~~
21 ~~quarter of coverage shall be a quarter of coverage if such~~
22 ~~wages equal or exceed \$100 but are less than \$200;~~
23 ~~(II) the last two quarters of such year which can be~~
24 ~~but are not otherwise quarters of coverage shall be~~
25 ~~quarters of coverage if such wages equal or exceed \$200~~

1 but are less than \$300; (III) the last three quarters of
2 such year which can be but are not otherwise quarters
3 of coverage shall be quarters of coverage if such wages
4 equal or exceed \$300 but are less than \$400; and (IV)
5 each quarter of such year which is not otherwise a quar-
6 ter of coverage shall be a quarter of coverage if such
7 wages are \$400 or more;

8 “(v) no quarter shall be counted as a quarter of
9 coverage prior to the beginning of such quarter;

10 “(vi) not more than one quarter of coverage may
11 be credited to a calendar quarter; and

12 “(vii) no more than four quarters of coverage may
13 be credited to any calendar year after 1977.

14 If in the case of an individual who has attained age 62 or
15 died or is under a disability and who has been paid wages
16 for agricultural labor in a calendar year after 1954 and
17 before 1978, the requirements for insured status in subsec-
18 tion (a) or (b) of section 214, the requirements for entitle-
19 ment to a computation or recomputation of his primary
20 insurance amount, or the requirements of paragraph (3)
21 of section 216 (i) are not met after assignment of quarters
22 of coverage to quarters in such year as provided in clause
23 (iv) of the preceding sentence, but would be met if such
24 quarters of coverage were assigned to different quarters in

1 ~~such year, then such quarters of coverage shall instead be~~
2 ~~assigned, for purposes only of determining compliance with,~~
3 ~~such requirements, to such different quarters. If, in the case~~
4 ~~of an individual who did not die prior to January 1, 1955,~~
5 ~~and who attained age 62 (if a woman) or age 65 (if a man)~~
6 ~~or died before July 1, 1957, the requirements for insured~~
7 ~~status in section 214(a)(3) are not met because of his~~
8 ~~having too few quarters of coverage but would be met if his~~
9 ~~quarters of coverage in the first calendar year in which he~~
10 ~~had any covered employment had been determined on the~~
11 ~~basis of the period during which wages were earned rather~~
12 ~~than on the basis of the period during which wages were paid~~
13 ~~(any such wages paid that are reallocated on an earned basis~~
14 ~~shall not be used in determining quarters of coverage for sub-~~
15 ~~sequent calendar years), then upon application filed by the~~
16 ~~individual or his survivors and satisfactory proof of his record~~
17 ~~of wages earned being furnished by such individual or his~~
18 ~~survivors, the quarters of coverage in such calendar year may~~
19 ~~be determined on the basis of the periods during which wages~~
20 ~~were earned.”.~~

21 ~~(d) The amendments made by subsection (a) shall~~
22 ~~apply with respect to remuneration paid and services ren-~~
23 ~~dered after December 31, 1977. The amendments made by~~
24 ~~subsections (b) and (c) shall be effective January 1, 1978.~~

1 ~~ADJUSTMENT IN AMOUNT REQUIRED FOR A QUARTER OF~~
2 ~~COVERAGE~~

3 ~~SEC. 602. (a) Section 213 (a) (2) (A) (ii) of the~~
4 ~~Social Security Act, as amended by section 601 (c) of this~~
5 ~~Act, is amended by striking out "\$250" and inserting in~~
6 ~~lieu thereof "the amount required for a quarter of coverage~~
7 ~~in that calendar year (as determined under subsection~~
8 ~~(c))".~~

9 ~~(b) Section 213 of such Act is further amended by~~
10 ~~adding at the end thereof (after the new subsection added~~
11 ~~by section 304 of this Act) the following new subsection:~~

12 ~~"Amount Required for a Quarter of Coverage~~

13 ~~"(c) (1) The amount of wages paid and self employ-~~
14 ~~ment income credited to an individual required for a quarter~~
15 ~~of coverage in any year under subsection (a) (2) (A) (ii)~~
16 ~~shall be \$250 in the calendar year 1978 and the amount~~
17 ~~determined under paragraph (2) of this subsection for years~~
18 ~~after 1978.~~

19 ~~"(2) The Secretary shall, on or before November 1 of~~
20 ~~1978 and of every year thereafter, determine and publish~~
21 ~~in the Federal Register the amount of wages paid and self-~~
22 ~~employment income credited to an individual required for a~~
23 ~~quarter of coverage in the succeeding calendar year. The~~
24 ~~amount required for a quarter of coverage shall be the larger~~
25 ~~of—~~

1 ~~“(A) the amount in effect in the calendar year in~~
2 ~~which the determination under this subsection is made,~~
3 ~~or~~

4 ~~“(B) the product of the amount prescribed in para-~~
5 ~~graph (1) which is required for a quarter of coverage~~
6 ~~in 1978 and the ratio of the average of the total wages~~
7 ~~(as defined in regulations of the Secretary and computed~~
8 ~~without regard to the limitations specified in section 200~~
9 ~~(a)) reported to the Secretary of the Treasury or his~~
10 ~~delegate for the calendar year before the year in which~~
11 ~~the determination under this paragraph is made to the~~
12 ~~average of the total wages (as so defined and computed)~~
13 ~~reported to the Secretary of the Treasury or his delegate~~
14 ~~for 1976,~~

15 ~~with such product, if not a multiple of \$10, being rounded~~
16 ~~to the next higher multiple of \$10 where such amount is a~~
17 ~~multiple of \$5 but not of \$10 and to the nearest multiple of~~
18 ~~\$10 in any other case.”.~~

19 ~~(c) The amendments made by this section shall be~~
20 ~~effective January 1, 1978.~~

21 ~~TECHNICAL AND CONFORMING AMENDMENTS~~

22 ~~SEC. 603. (a) (1) Section 203 (f) (8) (B) (i) of the~~
23 ~~Social Security Act is amended by striking out “was” wher-~~
24 ~~ever it appears and inserting in lieu thereof “is”.~~

1 ~~(2) Section 203 (f) (8) (B) (ii) of such Act is amended~~
2 ~~to read as follows:~~

3 ~~“(ii) the product of the exempt amount de-~~
4 ~~scribed in clause (i) and the ratio of (I) the aver-~~
5 ~~age of the total wages (as defined in regulations of~~
6 ~~the Secretary and computed without regard to the~~
7 ~~limitations specified in section 209 (a)) reported to~~
8 ~~the Secretary of the Treasury or his delegate for the~~
9 ~~calendar year before the calendar year in which the~~
10 ~~determination under subparagraph (A) is made to~~
11 ~~(II) the average of the total wages (as so defined~~
12 ~~and computed) reported to the Secretary of the~~
13 ~~Treasury or his delegate for the calendar year~~
14 ~~before the most recent calendar year in which~~
15 ~~an increase in the exempt amount was en-~~
16 ~~acted or a determination resulting in such an in-~~
17 ~~crease was made under subparagraph (A), with~~
18 ~~such product, if not a multiple of \$10, being~~
19 ~~rounded to the next higher multiple of \$10~~
20 ~~where such product is a multiple of \$5 but not~~
21 ~~of \$10 and to the nearest multiple of \$10 in any~~
22 ~~other case.”.~~

23 ~~(b) (1) The first sentence of section 218 (e) (8) of such~~
24 ~~Act is amended by striking out “quarter” wherever it ap-~~

1 ~~appears and inserting in lieu thereof "year", and by striking~~
2 ~~out "\$50" and inserting in lieu thereof "\$100".~~

3 ~~(2) Section 218 (q) (1) (B) of such Act is amended~~
4 ~~by striking out "any calendar quarters" and inserting in lieu~~
5 ~~thereof "a calendar year", and by striking out "such calendar~~
6 ~~quarters" and inserting in lieu thereof "such calendar year".~~

7 ~~(3) Section 218 (q) (6) (B) of such Act is amended~~
8 ~~by striking out "calendar quarters designated by the State in~~
9 ~~such wage reports as the" and inserting in lieu thereof~~
10 ~~"period or periods designated by the State in such wage~~
11 ~~reports as the period or".~~

12 ~~(4) Section 218 (r) (1) of such Act is amended—~~

13 ~~(A) by striking out "quarter" in the matter before~~
14 ~~clause (A) and inserting in lieu thereof "year",~~

15 ~~(B) by striking out "in which occurred the calendar~~
16 ~~quarter" in clause (A), and~~

17 ~~(C) by striking out "quarter" in clause (B) and~~
18 ~~inserting in lieu thereof "year".~~

19 ~~(e) (1) Effective with respect to estimations for calen-~~
20 ~~dar years beginning after December 31, 1977, section 224~~

21 ~~(a) of such Act is amended by striking out the last sentence.~~

22 ~~(2) Section 224 (f) (2) of such Act is amended to read~~
23 ~~as follows:~~

24 ~~"(2) In making the redetermination required by para-~~

1 ~~graph (1), the individual's average current earnings (as~~
2 ~~defined in subsection (a)) shall be deemed to be the~~
3 ~~product of—~~

4 ~~“(A) his average current earnings as initially~~
5 ~~determined under subsection (a);~~

6 ~~“(B) the ratio of (i) the average of the total wages~~
7 ~~(as defined in regulations of the Secretary and computed~~
8 ~~without regard to the limitations specified in section~~
9 ~~209 (a)) reported to the Secretary of the Treasury or~~
10 ~~his delegate for the calendar year before the year in~~
11 ~~which such redetermination is made to (ii) the average~~
12 ~~of the total wages (as so defined and computed) re-~~
13 ~~ported to the Secretary of the Treasury or his delegate~~
14 ~~for calendar year 1977 or, if later, the calendar year~~
15 ~~before the year in which the reduction was first com-~~
16 ~~puted (but not counting any reduction made in benefits~~
17 ~~for a previous period of disability); and~~

18 ~~“(C) in any case in which the reduction was first~~
19 ~~computed before 1978, the ratio of (i) the average of~~
20 ~~the taxable wages reported to the Secretary for the~~
21 ~~first calendar quarter of 1977 to (ii) the average of the~~
22 ~~taxable wages reported to the Secretary for the first~~
23 ~~calendar quarter of the calendar year before the year in~~
24 ~~which the reduction was first computed (but not count~~

1 ~~ing any reduction made in benefits for a previous period~~
2 ~~of disability).~~

3 ~~Any amount determined under this paragraph which is not~~
4 ~~a multiple of \$1 shall be reduced to the next lower multiple~~
5 ~~of \$1."~~

6 ~~(d) Section 229 (a) of such Act is amended—~~

7 ~~(1) by striking out "shall be deemed to have been~~
8 ~~paid, in each calendar quarter occurring after 1956 in~~
9 ~~which he" and inserting in lieu thereof "if he", and~~

10 ~~(2) by striking out "wages (in addition to the~~
11 ~~wages actually paid to him for such service) of \$300."~~
12 ~~at the end thereof and inserting in lieu thereof the~~
13 ~~following: "shall be deemed to have been paid—~~

14 ~~"(1) in each calendar quarter occurring after 1956~~
15 ~~and before 1978 in which he was paid such wages, addi-~~
16 ~~tional wages of \$300, and~~

17 ~~"(2) in each calendar year occurring after 1977~~
18 ~~in which he was paid such wages, additional wages of~~
19 ~~\$100 for each \$300 of such wages, up to a maximum~~
20 ~~of \$1,200 of additional wages for any calendar year."~~

21 ~~(e) (1) Section 230 (b) of such Act is amended by~~
22 ~~striking out the last sentence:~~

23 ~~(2) Section 230 (b) (1) of such Act is amended to~~
24 ~~read as follows:~~

1 ~~“(1) the contribution and benefit base which is in~~
2 ~~effect with respect to remuneration paid in (and taxable~~
3 ~~years beginning in) the calendar year in which the~~
4 ~~determination under subsection (a) is made, and”.~~

5 ~~(2) Section 230 (b) (2) of such Act is amended to~~
6 ~~read as follows:~~

7 ~~“(2) the ratio of (A) the average of the total~~
8 ~~wages (as defined in regulations of the Secretary and~~
9 ~~computed without regard to the limitations specified in~~
10 ~~section 209 (a)) reported to the Secretary of the Treas-~~
11 ~~ury or his delegate for the calendar year before the~~
12 ~~calendar year in which the determination under subsec-~~
13 ~~tion (a) is made to (B) the average of the total wages~~
14 ~~(as so defined and computed) reported to the Secretary~~
15 ~~of the Treasury or his delegate for the calendar year~~
16 ~~before the most recent calendar year in which an in-~~
17 ~~crease in the contribution and benefit base was enacted~~
18 ~~or a determination resulting in such an increase was~~
19 ~~made under subsection (a),”.~~

20 ~~(f) (1) Effective with respect to convictions after De-~~
21 ~~cember 31, 1977, section 202 (u) (1) (C) of such Act is~~
22 ~~amended by striking out “quarter” wherever it appears and~~
23 ~~inserting in lieu thereof “year”.~~

24 ~~(2) (A) Section 205 (e) (1) of such Act is amended by~~
25 ~~striking out “(as defined in section 211 (e))”.~~

1 ~~(B) Section 205 (e) (1) of such Act is further amended~~
2 ~~by adding at the end thereof the following new subpara-~~
3 ~~graph:~~

4 ~~“(D) The term ‘period’ when used with respect to~~
5 ~~self-employment income means a taxable year and when~~
6 ~~used with respect to wages means—~~

7 ~~“(i) a quarter if wages were reported or should~~
8 ~~have been reported on a quarterly basis on tax~~
9 ~~returns filed with the Secretary of the Treasury or~~
10 ~~his delegate under section 6011 of the Internal Rev-~~
11 ~~enue Code of 1954 or regulations thereunder (or~~
12 ~~on reports filed by a State under section 218 (e)~~
13 ~~or regulations thereunder);~~

14 ~~“(ii) a year if wages were reported or should~~
15 ~~have been reported on a yearly basis on such tax re-~~
16 ~~turns or reports, or~~

17 ~~“(iii) the half year beginning January 1 or~~
18 ~~July 1 in the case of wages which were reported or~~
19 ~~should have been reported for calendar year 1977.”.~~

20 ~~(C) Section 205 (e) of such Act is amended by insert-~~
21 ~~ing “before 1978” after “calendar year”.~~

22 ~~(g) The amendments made by subsection (b) of this~~
23 ~~section shall apply with respect to remuneration paid after~~
24 ~~December 31, 1977. The amendments made by subsections~~
25 ~~(d) and (f) (2) shall be effective January 1, 1978. Except~~

1 ~~as otherwise specifically provided, the remaining amend-~~
2 ~~ments made by this section shall be effective January 1,~~
3 ~~1970.~~

4 ~~PART B AMENDMENTS TO THE INTERNAL REVENUE~~

5 ~~CODE OF 1954~~

6 ~~DEDUCTION OF TAX FROM WAGES~~

7 ~~SEC. 611. (a) Section 3102 (a) of the Internal Reve-~~
8 ~~nue Code of 1954 is amended by striking out "or (C) or~~
9 ~~(10)", and by inserting after "is less than \$50;" the fol-~~
10 ~~lowing: "and an employer who in any calendar year pays~~
11 ~~to an employee cash remuneration to which paragraph (7)-~~
12 ~~(C) or (10) of section 3121 (a) is applicable may deduct~~
13 ~~an amount equivalent to such tax from any such payment of~~
14 ~~remuneration, even though at the time of payment the total~~
15 ~~amount of such remuneration paid to the employee by the~~
16 ~~employer in the calendar year is less than \$100;".~~

17 ~~(b) (1) Paragraphs (1) and (2) of section 3102 (c)~~
18 ~~of such Code are each amended by striking out "quarter"~~
19 ~~wherever it appears and by inserting in lieu thereof "year".~~

20 ~~(2) Paragraph (2) of section 3102 (c) of such Code~~
21 ~~is amended—~~

22 ~~(A) by striking out "quarter of the" in subpara-~~
23 ~~graph (A); and~~

1 ~~(B) by striking out "quarter" wherever it appears~~
2 ~~in subparagraphs (B) and (C) and inserting in lieu~~
3 ~~thereof "year".~~

4 ~~(c) The amendments made by this section shall apply~~
5 ~~with respect to remuneration paid and to tips received after~~
6 ~~December 31, 1977.~~

7 ~~TECHNICAL AND CONFORMING AMENDMENTS~~

8 ~~SEC. 612. (a) Sections 3121(a) (7) (C) and 3121~~
9 ~~(a) (10) of the Internal Revenue Code of 1954 are each~~
10 ~~amended by striking out "quarter" wherever it appears and~~
11 ~~inserting in lieu thereof "year", and by striking out "\$50"~~
12 ~~and inserting in lieu thereof "\$100".~~

13 ~~(b) Section 3121 (a) of such Code is amended by strik-~~
14 ~~ing out "or" at the end of paragraph (14), by striking out~~
15 ~~the period at the end of paragraph (15) and inserting in lieu~~
16 ~~thereof "; or", and by adding after paragraph (15) the~~
17 ~~following new paragraph:~~

18 ~~"(16) remuneration paid by an organization~~
19 ~~exempt from income tax under section 501 (a) (other~~
20 ~~than an organization described in section 401 (a)) or~~
21 ~~under section 521 in any calendar year to an employee~~
22 ~~for service rendered in the employ of such organization;~~
23 ~~if the remuneration paid in such year by the organiza-~~

1 ~~tion to the employee for such service is less than \$100."~~

2 ~~(c) Section 3121 (b) (10) of such Code is amended by~~
 3 ~~striking out "(10) (A)" and all that follows down through~~
 4 ~~"(B) service" and inserting in lieu thereof "(10) service",~~
 5 ~~and redesignating clauses (i) and (ii) as subparagraphs~~
 6 ~~(A) and (B), respectively.~~

7 ~~(d) Sections 3121 (b) (17) (A) and 3121 (g) (4) (B)~~
 8 ~~of such Code are each amended by striking out "quarter" and~~
 9 ~~inserting in lieu thereof "year".~~

10 ~~(e) The amendments made by this section shall apply~~
 11 ~~with respect to remuneration paid and services rendered after~~
 12 ~~December 31, 1977.~~

13 ~~PART C CONFORMING AMENDMENT TO THE RAILROAD~~
 14 ~~RETIREMENT ACT OF 1974~~

15 ~~COMPUTATION OF EMPLOYEE ANNUITIES~~

16 ~~SEC. 621. (a) The last sentence of section 3 (f) (1) of~~
 17 ~~the Railroad Retirement Act of 1974 is amended~~

18 ~~(1) by inserting "paid before 1978" after "in the~~
 19 ~~case of wages", and~~

20 ~~(2) by inserting "and in the case of wages paid~~
 21 ~~after 1977" before the period at the end thereof.~~

22 ~~(b) The amendments made by this section shall be~~
 23 ~~effective January 1, 1978.~~

1 ~~TITLE VII MISCELLANEOUS PROVISIONS~~

2 ~~ELIMINATION OF CERTAIN OPTIONAL PAYMENT PROCE-~~
3 ~~DURES UNDER THE OLD AGE, SURVIVORS, AND DISA-~~
4 ~~BILITY INSURANCE PROGRAM~~

5 ~~SEC. 701. (a) (1) The first sentence of section 202 (j)-~~
6 ~~(1) of the Social Security Act is amended by striking out~~
7 ~~“An individual” and inserting “Subject to the limitations~~
8 ~~contained in paragraph (4), an individual” in lieu thereof.~~

9 ~~(2) Section 202 (j) of such Act is further amended by~~
10 ~~inserting at the end thereof the following new paragraph:~~

11 ~~“(4) (A) Except as provided in subparagraph (B), no~~
12 ~~individual shall be entitled to benefits under subsection (a),~~
13 ~~(b), (c), (e), or (f) for any month prior to the month~~
14 ~~in which he or she files an application for such benefits if the~~
15 ~~effect of such payment would be to reduce, pursuant to~~
16 ~~subsection (q), the monthly benefits to which such indi-~~
17 ~~vidual would otherwise be entitled.~~

18 ~~“(B) (i) If the individual applying for retroactive~~
19 ~~benefits is applying for such benefits under subsection (a),~~
20 ~~and there are one or more other persons who would, except~~
21 ~~for subparagraph (A), be entitled for any month, on the~~
22 ~~basis of the wages and self-employment income of such in-~~
23 ~~dividual and because of such individual’s entitlement to such~~

1 ~~retroactive benefits, to retroactive benefits under subsection~~
2 ~~(b), (c), or (d) not subject to reduction under subsection~~
3 ~~(q), then subparagraph (A) shall not apply with respect~~
4 ~~to such month or any subsequent month.~~

5 ~~“(ii) If the individual applying for retroactive benefits~~
6 ~~is a surviving spouse, or surviving divorced spouse who is~~
7 ~~under a disability (as defined in section 223 (d)), and such~~
8 ~~individual would, except for subparagraph (A), be entitled~~
9 ~~to retroactive benefits as a disabled surviving spouse, or~~
10 ~~surviving divorced spouse for any month before he or she~~
11 ~~attained the age of 60, then subparagraph (A) shall not~~
12 ~~apply with respect to such month or any subsequent month.~~

13 ~~“(iii) If the individual applying for retroactive benefits~~
14 ~~has excess earnings (as defined in section 203 (f)) in the~~
15 ~~year in which he or she files an application for such benefits~~
16 ~~which could, except for subparagraph (A), be charged to~~
17 ~~months in such year prior to the month of application, then~~
18 ~~subparagraph (A) shall not apply to so many of such~~
19 ~~months immediately preceding the month of application as~~
20 ~~are required to charge such excess earnings to the maximum~~
21 ~~extent possible.”.~~

22 ~~(3) Section 226 (h) of such Act is amended by adding~~
23 ~~at the end thereof the following new paragraph:~~

24 ~~“(4) For the purposes of determining entitlement to~~
25 ~~hospital insurance benefits under subsection (b) in the case~~

1 ~~of an individual described in clause (iii) of subsection (b)~~
2 ~~(2) (A), the entitlement of such individual to widow's or~~
3 ~~widower's insurance benefits under section 202 (e) or (f)~~
4 ~~by reason of a disability shall be deemed to be the entitle-~~
5 ~~ment to such benefits that would result if such entitlement~~
6 ~~were determined without regard to the provisions of sec-~~
7 ~~tion 202 (j) (4)."~~

8 ~~(b) The amendments made by this section shall be~~
9 ~~effective with respect to applications for benefits under title~~
10 ~~II of the Social Security Act filed after September 30, 1977.~~

11 ~~EARLY MAILING OF BENEFIT CHECKS WHERE REGULARLY~~
12 ~~SCHEDULED DELIVERY DAY FALLS ON SATURDAY, SUN-~~
13 ~~DAY, OR LEGAL HOLIDAY~~

14 ~~SEC. 702. (a) Title VII of the Social Security Act is~~
15 ~~amended by adding at the end thereof the following new~~
16 ~~section:~~

17 ~~"TIME FOR DELIVERY OF BENEFIT CHECKS WHEN REGULAR~~
18 ~~DELIVERY DAY FALLS ON A SATURDAY, SUNDAY, OR~~
19 ~~LEGAL HOLIDAY~~

20 ~~"SEC. 708. (a) If the day regularly designated for the~~
21 ~~delivery of benefit checks under title II or title XVI falls on a~~
22 ~~Saturday, Sunday, or legal public holiday (as defined in~~
23 ~~section 6103 of title 5, United States Code) in any month,~~
24 ~~the benefit checks which would otherwise be delivered on~~
25 ~~such day shall be mailed in time for delivery, and delivered,~~

1 ~~on the first day preceding such day which is not a Saturday,~~
2 ~~Sunday, or legal public holiday (as so defined), without re-~~
3 ~~gard to whether the delivery of such checks would as a re-~~
4 ~~sult have to be made before the end of the month for which~~
5 ~~such checks are issued.~~

6 ~~“(b) If more than the correct amount of payment under~~
7 ~~title II or XVI is made to any individual as a result of the~~
8 ~~receipt of a benefit check pursuant to subsection (a) before~~
9 ~~the end of the month for which such check is issued, no action~~
10 ~~shall be taken (under section 204 or 1631 (b) or otherwise)~~
11 ~~to recover such payment or the incorrect portion thereof.”.~~

12 ~~(b) The amendment made by subsection (a) of this~~
13 ~~section shall apply with respect to benefit checks the~~
14 ~~regularly designated day for delivery of which occurs on or~~
15 ~~after the thirtieth day after the date of the enactment of this~~
16 ~~Act.~~

17 **DEFINITION**

18 ~~SEC. 703. As used in this Act and the amendments to~~
19 ~~the Social Security Act made by this Act, the term “Sec-~~
20 ~~retary” means, unless the context otherwise requires, the~~
21 ~~Secretary of Health, Education, and Welfare.~~

22 *That this Act, with the following table of contents, may be*
23 *cited as the “Social Security Financing Amendments of*
24 *1977”.*

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1 *TITLE I—PROVISIONS TO IMPROVE THE FI-*
 2 *NANCING OF THE OLD-AGE, SURVIVORS,*
 3 *AND DISABILITY INSURANCE PROGRAM*

4 *ADJUSTMENTS IN TAX RATES*

5 *SEC. 101. (a)(1) Section 3101(a) of the Internal*
 6 *Revenue Code of 1954 (relating to rate of tax on employees*
 7 *for purposes of old-age, survivors, and disability insurance)*
 8 *is amended by striking out paragraphs (1) and (2) and*
 9 *inserting in lieu thereof the following:*

10 *“(1) with respect to wages received during the*
 11 *calendar years 1974 through 1977, the rate shall be*
 12 *4.95 percent;*

13 *“(2) with respect to wages received during the*
 14 *calendar years 1978 through 1980, the rate shall be*
 15 *5.05 percent;*

16 *“(3) with respect to wages received during the*
 17 *calendar years 1981 through 1984, the rate shall be*
 18 *5.15 percent;*

19 *“(4) with respect to wages received during the*

1 *calendar years 1985 through 1989, the rate shall be*
2 *5.45 percent; and*

3 *“(5) with respect to wages received after Decem-*
4 *ber 31, 1989, the rate shall be 6.00 percent.”.*

5 (2) *Section 3111(a) of such Code (relating to rate*
6 *of tax on employers for purposes of old-age, survivors, and*
7 *disability insurance) is amended by striking out paragraphs*
8 *(1) and (2) and inserting in lieu thereof the following:*

9 *“(1) with respect to wages paid during the cal-*
10 *endar years 1974 through 1977, the rate shall be 4.95*
11 *percent;*

12 *“(2) with respect to wages paid during the cal-*
13 *endar years 1978 through 1980, the rate shall be 5.05*
14 *percent;*

15 *“(3) with respect to wages paid during the calen-*
16 *dar years 1981 through 1984, the rate shall be 5.15*
17 *percent;*

18 *“(4) with respect to wages received during the*
19 *calendar years 1985 through 1989, the rate shall be*
20 *5.45 percent; and*

21 *“(5) with respect to wages paid after December 31,*
22 *1989, the rate shall be 6.00 percent.”.*

23 (3) *Section 1401(a) of such Code (relating to rate of*
24 *tax on self-employment income for purposes of old-age,*

1 survivors, and disability insurance) is amended by striking
2 out "a tax" and all that follows and inserting in lieu thereof
3 the following: "a tax as follows:

4 “(1) in the case of any taxable year beginning
5 before January 1, 1978, the tax shall be equal to 7.0
6 percent of the amount of the self-employment income
7 for such taxable year;

8 “(2) in the case of any taxable year beginning
9 after December 31, 1977, and before January 1, 1981,
10 the tax shall be equal to 7.10 percent of the amount of
11 the self-employment income for such taxable year;

12 “(3) in the case of any taxable year beginning
13 after December 31, 1980, and before January 1, 1985,
14 the tax shall be equal to 7.70 percent of the amount of
15 the self-employment income for such taxable year;

16 “(4) in the case of any taxable year beginning after
17 December 31, 1984, and before January 1, 1990, the
18 tax shall be equal to 8.20 percent of the amount of the
19 self-employment income for such taxable year; and

20 “(5) in the case of any taxable year beginning
21 after December 31, 1989, the tax shall be equal to 9.00
22 percent of the amount of the self-employment income
23 for such taxable year.”.

24 (b)(1) Section 3101(b) of such Code (relating to rate

1 of tax on employees for purposes of hospital insurance) is
2 amended by striking out paragraphs (1) through (4) and
3 inserting in lieu thereof the following:

4 " (1) with respect to wages received during the
5 calendar years 1974 through 1977, the rate shall be
6 0.90 percent;

7 " (2) with respect to wages received during the
8 calendar years 1978 through 1980, the rate shall be
9 1.00 percent;

10 " (3) with respect to wages received during the
11 calendar years 1981 through 1985, the rate shall be
12 1.30 percent; and

13 " (4) with respect to wages received after Decem-
14 ber 31, 1985, the rate shall be 1.45 percent."

15 (2) Section 3111(b) of such Code (relating to rate of
16 tax on employers for purposes of hospital insurance) is
17 amended by striking out paragraphs (1) through (4) and
18 inserting in lieu thereof the following:

19 " (1) with respect to wages paid during the cal-
20 endar years 1974 through 1977, the rate shall be 0.90
21 percent;

22 " (2) with respect to wages paid during the cal-
23 endar years 1978 through 1980, the rate shall be 1.00
24 percent;

25 " (3) with respect to wages paid during the cal-

1 endar years 1981 through 1985, the rate shall be 1.30
2 percent; and

3 “(4) with respect to wages paid after December 31,
4 1985, the rate shall be 1.45 percent.”.

5 (3) Section 1401(b) of such Code (relating to tax on
6 self-employment income for purposes of hospital insurance)
7 is amended by striking out paragraphs (1) through (4) and
8 inserting in lieu thereof the following:

9 “(1) in the case of any taxable year beginning after
10 December 31, 1973, and before January 1, 1978, the
11 tax shall be equal to 0.90 percent of the amount of the
12 self-employment income for such taxable year;

13 “(2) in the case of any taxable year beginning after
14 December 31, 1977, and before January 1, 1981, the
15 tax shall be equal to 1.00 percent of the amount of the
16 self-employment income for such taxable year;

17 “(3) in the case of any taxable year beginning after
18 December 31, 1980, and before January 1, 1986, the
19 tax shall be equal to 1.30 percent of the amount of the
20 self-employment income for such taxable year; and

21 “(4) in the case of any taxable year beginning after
22 December 31, 1985, the tax shall be equal to 1.45 per-
23 cent of the amount of the self-employment income for
24 such taxable year.”.

1 *ALLOCATIONS TO DISABILITY INSURANCE TRUST FUND*

2 *SEC. 102. (a)(1) Section 201(b)(1) of the Social*
3 *Security Act is amended by striking out clauses (G)*
4 *through (J) and inserting in lieu thereof the following:*
5 *“(G) 1.55 per centum of the wages (as so defined) paid*
6 *after December 31, 1977, and before January 1, 1979, and*
7 *so reported, (H) 1.50 per centum of the wages (as so*
8 *defined) paid after December 31, 1978, and before Janu-*
9 *ary 1, 1981, and so reported, (I) 1.60 per centum of the*
10 *wages (as so defined) paid after December 31, 1980, and*
11 *before January 1, 1985, and so reported, (J) 1.80 per*
12 *centum of the wages (as so defined) paid after Decem-*
13 *ber 31, 1984, and before January 1, 1990, and so reported,*
14 *and (K) 2.20 per centum of the wages (as so defined)*
15 *paid after December 31, 1989, and so reported.”.*

16 *(2) Section 201(b)(2) of such Act is amended by*
17 *striking out clauses (G) through (J) and inserting in lieu*
18 *thereof the following: “(G) 1.090 per centum of the amount*
19 *of self-employment income (as so defined) so reported for any*
20 *taxable year beginning after December 31, 1977, and before*
21 *January 1, 1979, (H) 1.055 per centum of the amount of*
22 *self-employment income (as so defined) so reported for any*
23 *taxable year beginning after December 31, 1978, and before*
24 *January 1, 1981, (I) 1.200 per centum of the amount of*
25 *self-employment income (as so defined) so reported for any*

1 taxable year beginning after December 31, 1980, and before
 2 January 1, 1985, (J) 1.350 per centum of the amount of
 3 self-employment income (as so defined) so reported for any
 4 taxable year beginning after December 31, 1984, and before
 5 January 1, 1990, and (K) 1.650 per centum of the amount
 6 of self-employment income (as so defined) so reported for any
 7 taxable year beginning after December 31, 1989,".

8 **INCREASES IN EARNINGS BASE**

9 **SEC. 103.** (a) (1) Section 230(a) of the Social Security
 10 Act is amended by inserting "or (c)" after "determined under
 11 subsection (b)".

12 (2) Section 230(b) of such Act is amended by striking
 13 out "shall be" in the matter preceding paragraph (1) and
 14 inserting in lieu thereof "shall (subject to subsection (c)) be".

15 (b) Section 230(c) of such Act is amended—

16 (1) by inserting "(1)" immediately before "the
 17 'contribution and benefit base' "; and

18 (2) by striking out "section." and inserting in lieu
 19 thereof the following:

20 "section, and (2) the 'contribution and benefit base' with
 21 respect to remuneration paid (and taxable years beginning)—

22 "(A) in 1978 shall be \$19,900,

23 "(B) in 1979 shall be \$22,900,

24 "(C) in 1980 shall be \$25,900, and

25 "(D) in 1981 shall be \$27,900.

1 *For purposes of determining under subsection (b) the 'con-*
2 *tribution and benefit base' with respect to remuneration paid*
3 *(and taxable years beginning) in 1982 and subsequent years,*
4 *the dollar amounts specified in clause (2) of the preceding*
5 *sentence shall be considered to have resulted from the applica-*
6 *tion of such subsection (b) and to be the amount determined*
7 *(with respect to the years involved) under that subsection.*
8 *For purposes of determining employer tax liability under*
9 *section 3221(a) of the Internal Revenue Code of 1954 and*
10 *for purposes of computing average monthly compensation*
11 *under section 3(j) of the Railroad Retirement Act of 1974,*
12 *except with respect to annuity amounts determined under*
13 *section 3(a) or 3(f)(3) of such Act, clause (2) and the*
14 *preceding sentence of this subsection shall be disregarded."*

15 (c)(1) Section 230 of such Act is further amended by
16 adding at the end thereof the following new subsection:

17 "(d) Notwithstanding any other provision of law, the
18 contribution and benefit base determined under this section
19 for any calendar year after 1976 for purposes of section
20 4022(b)(3)(B) of Public Law 93-406, with respect to any
21 plan, shall be the contribution and benefit base that would
22 have been determined for such year if this section as in effect
23 immediately prior to the enactment of the Social Security
24 Financing Amendments of 1977 had remained in effect
25 without change."

1 (2) *The amendment made by paragraph (1) shall apply*
2 *with respect to plan terminations occurring after the date of*
3 *the enactment of this Act.*

4 (d) (1) *The second sentence of section 215(i) (2) (D)*
5 *(v) of such Act is amended by striking out "is equal to*
6 *one-twelfth of the new contribution and benefit base" and*
7 *inserting in lieu thereof "is equal to, or exceeds by less than*
8 *\$5, one-twelfth of the new contribution and benefit base".*

9 (2) *The third sentence of section 215(i)(2)(D)(v)*
10 *of such Act is amended by striking out all that follows*
11 *"clause (iv)" and inserting in lieu thereof "plus 20 per-*
12 *cent of the excess of the second figure in the last line of*
13 *column III as extended under the preceding sentence over*
14 *such second figure for the calendar year in which the table*
15 *of benefits is revised."*

16 *STANDBY GUARANTEE OF TRUST FUND LEVELS*

17 *SEC. 104. (a) Section 201 of the Social Security Act is*
18 *amended by adding at the end thereof the following new*
19 *subsection:*

20 *"(j)(1) If at the close of any calendar year after 1977*
21 *the balance remaining in the Federal Old-Age and Survivors*
22 *Insurance Trust Fund or the Federal Disability Insurance*
23 *Trust Fund (as determined by the Secretary of the Treasury*
24 *in the following February) is less than 25 percent of the*
25 *total amount of the expenditures made from such fund under*

1 this title during that calendar year, there is hereby appro-
2 priated to the Secretary of the Treasury for loans to such
3 fund, out of any moneys in the Treasury not otherwise ap-
4 propriated, as of the following July 1, an amount equal
5 to the difference between (A) such balance, and (B) $27\frac{1}{2}$
6 percent of the total amount of such expenditures.

7 “(2) If at the close of any calendar year succeeding a
8 calendar year with respect to which an appropriation for
9 loans to either trust fund is made under paragraph (1)—

10 “(A) the balance remaining in that fund (as deter-
11 mined by the Secretary of the Treasury in the following
12 February) is less than 35 percent of the total amount
13 of the expenditures made from such fund under this title
14 during such succeeding calendar year (whether or not
15 an appropriation for loans to such fund is made under
16 paragraph (1) with respect to such succeeding year),
17 and

18 “(B) the outstanding balance of all loans (includ-
19 ing accumulated interest) which were made to such
20 fund under paragraph (1) with respect to calendar years
21 before such succeeding year (and which have not been
22 repaid to the Treasury under paragraph (3)) is
23 \$2,000,000,000 or more,

24 the taxes imposed by sections 1401(a), 3101(a), and 3111
25 (a) of the Internal Revenue Code of 1954 with respect to

1 wages received or paid (and taxable years beginning) in
2 the second calendar year after such succeeding year shall
3 be increased as provided in section 3125 of such Code.

4 “(3) Any amount appropriated for loans to either
5 trust fund with respect to any calendar year under para-
6 graph (1) shall be repaid, with interest, by transfer from
7 such fund to the general fund of the Treasury. A repay-
8 ment of such amount shall be made on July 1 next succeed-
9 ing any subsequent calendar year at the close of which (as
10 determined by the Secretary of the Treasury in the follow-
11 ing February) the balance remaining in such fund exceeds
12 30 percent of the total amount of the expenditures made
13 from such fund under this title during that calendar year,
14 and any such repayment shall be in an amount equal to
15 the difference between (A) such balance, and (B) 30 per-
16 cent of the total amount of such expenditures. Interest on
17 any such loan shall be at a rate, as determined by the Sec-
18 retary of the Treasury, equal to the average market yield
19 on the outstanding marketable obligations of the United
20 States of comparable maturities at the time the loan was
21 made.”.

22 (b)(1)(A) Section 1401(a) of the Internal Revenue
23 Code of 1954 (as amended by section 101(a)(3) of this
24 Act) is amended by inserting “(subject to section 3125)”
25 after “a tax” in the matter preceding paragraph (1).

1 (B) Sections 3101(a) and 3111(a) of such Code (as
2 amended by section 101(a)(1) and (2) of this Act) are each
3 amended by inserting "(subject to section 3125)" after
4 "equal to the following percentages" in the matter preceding
5 paragraph (1).

6 (2)(A) Chapter 21 of such Code (the Federal Insur-
7 ance Contributions Act) is further amended by redesignating
8 sections 3125 and 3126 as sections 3126 and 3127, respec-
9 tively, and by inserting after section 3124 the following new
10 section:

11 **"SEC. 3125. INCREASE IN TAX RATES TO ASSURE REPAY-**
12 **MENT OF LOANS MADE TO TRUST FUNDS.**

13 *"Whenever an appropriation has been made under sec-*
14 *tion 201(j)(1) of the Social Security Act for loans to the*
15 *Federal Old-Age and Survivors Insurance Trust Fund or*
16 *the Federal Disability Insurance Trust Fund, and section*
17 *201(j)(2) of such Act applies with respect to a succeeding*
18 *calendar year, each of the rates of tax which would otherwise*
19 *be effective under sections 3101(a) and 3111(a) with respect*
20 *to wages received or paid in the second calendar year after*
21 *such succeeding year shall be increased by 0.10 percent, and*
22 *the rate or rates of tax which would otherwise be effective*
23 *under section 1401(a) with respect to taxable years begin-*
24 *ning in the second year after such succeeding year shall be*
25 *increased by 0.15 percent."*

1 *established for purposes of this clause by subparagraph*
2 *(B),*

3 “(ii) 32 percent of the individual’s average indexed
4 *monthly earnings to the extent that such earnings exceed*
5 *the amount established for purposes of clause (i) but do*
6 *not exceed the amount established for purposes of this*
7 *clause by subparagraph (B), and*

8 “(iii) 15 percent of the individual’s average in-
9 *dexed monthly earnings to the extent that such earnings*
10 *exceed the amount established for purposes of clause (ii),*
11 *rounded in accordance with subsection (g), and thereafter*
12 *increased as provided in subsection (i).*

13 “(B)(i) *For individuals who initially become eligible*
14 *for old-age or disability insurance benefits or die in the cal-*
15 *endar year 1979, the amounts established for purposes of*
16 *clauses (i) and (ii) of subparagraph (A) shall be \$180*
17 *and \$1,085, respectively.*

18 “(ii) *For individuals who initially become eligible for*
19 *old-age or disability insurance benefits or die in any calendar*
20 *year after 1979, each of the amounts so established shall*
21 *equal the product of the corresponding amount established*
22 *with respect to the calendar year 1979 under clause (i) of*
23 *this subparagraph and the quotient obtained by dividing—*

24 “(I) *the average of the total wages (as defined in*
25 *regulations of the Secretary and computed without regard*

1 to the limitations specified in section 209(a)) reported
 2 to the Secretary of the Treasury or his delegate for the
 3 second calendar year preceding the calendar year for
 4 which the determination is made, by

5 “(II) the average of the total wages (as so defined
 6 and computed) reported to the Secretary of the Treasury
 7 or his delegate for the calendar year 1977.

8 “(iii) Each amount established under clause (ii) for
 9 any calendar year shall be rounded to the nearest \$1, except
 10 that any amount so established which is a multiple of \$0.50
 11 but not of \$1 shall be rounded to the next higher \$1.

12 “(C)(i) No primary insurance amount computed under
 13 subparagraph (A) may be less than—

14 “(I) the dollar amount set forth on the first line of
 15 column IV in the table of benefits contained in (or deemed
 16 to be contained in) this subsection as in effect in Decem-
 17 ber 1978, rounded (if not a multiple of \$1) to the next
 18 higher multiple of \$1, or

19 “(II) an amount equal to \$11.50 multiplied by the
 20 individual's years of coverage in excess of 10, or the
 21 increased amount determined for purposes of this sub-
 22 division under subsection (i),

23 whichever is greater. No increase under subsection (i), oc-
 24 ccurring before the year in which an individual becomes eli-
 25 gible for old-age or disability insurance benefits or dies, shall

1 apply to the dollar amount specified in subdivision (I) of
2 this clause with respect to such individual.

3 “(ii) For purposes of clause (i)(II), the term ‘years
4 of coverage’ with respect to any individual means the number
5 (not exceeding 30) equal to the sum of (I) the number
6 (not exceeding 14 and disregarding any fraction) deter-
7 mined by dividing (a) the total of the wages credited to
8 such individual (including wages deemed to be paid prior
9 to 1951 to such individual under section 217, compensation
10 under the Railroad Retirement Act of 1937 prior to 1951
11 which is creditable to such individual pursuant to this title,
12 and wages deemed to be paid prior to 1951 to such individual
13 under section 231) for years after 1936 and before 1951
14 by (b) \$900, plus (II) the number equal to the number of
15 years after 1950 each of which is a computation base year
16 (within the meaning of subsection (b)(2)(B)(ii)) and in
17 each of which he is credited with wages (including wages
18 deemed to be paid to such individual under section 217,
19 compensation under the Railroad Retirement Act of 1937 or
20 1974 which is creditable to such individual pursuant to this
21 title, and wages deemed to be paid to such individual under
22 section 229) and self-employment income of not less than 25
23 percent of the maximum amount which, pursuant to subsec-
24 tion (e), may be counted for such year, or of not less than
25 25 percent of the maximum amount which could be so counted

1 *for such year (in the case of a year after 1977) if section 230*
2 *as in effect immediately prior to the enactment of the Social*
3 *Security Financing Amendments of 1977 had remained in*
4 *effect without change.*

5 “(D) *In each calendar year after 1978 the Secretary*
6 *shall publish in the Federal Register, on or before Novem-*
7 *ber 1, the formula for computing benefits under this para-*
8 *graph and for adjusting wages and self-employment income*
9 *under subsection (b)(3) in the case of an individual who*
10 *becomes eligible for an old-age insurance benefit, or (if*
11 *earlier) becomes eligible for a disability insurance benefit*
12 *or dies, in the following year, and the average of the total*
13 *wages (as described in subparagraph (B)(ii)(I)) on*
14 *which that formula is based. With the initial publication re-*
15 *quired by this subparagraph, the Secretary shall also publish*
16 *in the Federal Register the average of the total wages (as*
17 *so described) for each calendar year after 1950.*

18 “(2)(A) *A year shall not be counted as the year of an*
19 *individual's death or eligibility for purposes of this sub-*
20 *section or subsection (b) or (i) in any case where such indi-*
21 *vidual was entitled to a disability insurance benefit for any of*
22 *the 12 months immediately preceding the month of such death*
23 *or eligibility (but there shall be counted instead the year of the*
24 *individual's eligibility for the disability insurance benefit*
25 *or benefits to which he was entitled during such 12 months).*

1 “(B) In the case of an individual who was entitled
2 to a disability insurance benefit for any of the 12 months
3 before the month in which he became entitled to an old-age
4 insurance benefit, became reentitled to a disability insurance
5 benefit, or died, the primary insurance amount for determin-
6 ing any benefit attributable to that entitlement, reentitlement,
7 or death is the greater of—

8 “(i) the primary insurance amount upon which such
9 disability insurance benefit was based, increased by the
10 amount of each general benefit increase (as defined in
11 subsection (i)(3)), and each increase provided under
12 subsection (i)(2), that would have applied to such
13 primary insurance amount had the individual remained
14 entitled to such disability insurance benefit until the
15 month in which he became so entitled or reentitled or
16 died, or

17 “(ii) the amount computed under paragraph (1)
18 (C).

19 “(C) In the case of an individual who was entitled to
20 a disability insurance benefit for any month, and with respect
21 to whom a primary insurance amount is required to be com-
22 puted at any time after the close of the period of the indi-
23 vidual's disability (whether because of such individual's
24 subsequent entitlement to old-age insurance benefits or to a
25 disability insurance benefit based upon a subsequent period

1 of disability, or because of such individual's death), the
2 primary insurance amount so computed may in no case be
3 less than the primary insurance amount with respect to
4 which such former disability insurance benefit was most re-
5 cently determined.

6 “(3)(A) Paragraph (1) applies only to an individual
7 who was not eligible for an old-age insurance benefit prior
8 to January 1979 and who in that or any succeeding month—

9 “(i) becomes eligible for such a benefit,

10 “(ii) becomes eligible for a disability insurance
11 benefit, or

12 “(iii) dies,

13 and (except for subparagraph (C) (i) (II) thereof) it ap-
14 plies to every such individual except to the extent otherwise
15 provided by paragraph (4).

16 “(B) For purposes of this title, an individual is deemed
17 to be eligible—

18 “(i) for old-age insurance benefits, for months
19 beginning with the month in which he attains age 62, or

20 “(ii) for disability insurance benefits, for months
21 beginning with the month in which his period of dis-
22 ability began as provided under section 216(i)(2)(C),
23 except as provided in paragraph (2)(A) in cases where
24 fewer than 12 months have elapsed since the termination of a
25 prior period of disability.

1 “(4) Paragraph (1) (except for subparagraph (C) (i)
2 (II) thereof) does not apply to the computation or recom-
3 putation of a primary insurance amount for—

4 “(A) an individual who was eligible for a disability
5 insurance benefit for a month prior to January 1979
6 unless, prior to the month in which occurs the event
7 described in clause (i), (ii), or (iii) of paragraph (3)
8 (A), there occurs a period of at least 12 consecutive
9 months for which he was not entitled to a disability
10 insurance benefit, or

11 “(B) an individual who had wages or self-employ-
12 ment income credited for one or more years prior to
13 1979, and who was not eligible for an old-age or disa-
14 bility insurance benefit, and did not die, prior to January
15 1979, if in the year for which the computation or re-
16 computation would be made the individual’s primary
17 insurance amount would be greater if computed or
18 recomputed—

19 “(i) under section 215(a) as in effect in
20 December 1978, for purposes of old-age insurance
21 benefits in the case of an individual who becomes
22 eligible for such benefits prior to 1989, or

23 “(ii) as provided by section 215(d), in the
24 case of an individual to whom such section applies.

25 In determining whether an individual’s primary insurance

1 “(A) the total (after adjustment under paragraph
2 (3)) of his wages paid in and self-employment income
3 credited to his benefit computation years (determined
4 under paragraph (2)), by

5 “(B) the number of months in those years.

6 “(2)(A) The number of an individual’s benefit com-
7 putation years equals the number of elapsed years, reduced
8 by five, except that the number of an individual’s benefit
9 computation years may not be less than two.

10 “(B) For purposes of this subsection with respect to
11 any individual—

12 “(i) the term ‘benefit computation years’ means
13 those computation base years, equal in number to the
14 number determined under subparagraph (A), for which
15 the total of such individual’s wages and self-employment
16 income, after adjustment under paragraph (3), is the
17 largest;

18 “(ii) the term ‘computation base years’ means the
19 calendar years after 1950 and before—

20 “(I) in the case of an individual entitled to
21 old-age insurance benefits, the year in which oc-
22 curred (whether by reason of section 202(j)(1) or
23 otherwise) the first month of that entitlement; or

24 “(II) in the case of an individual who has
25 died (without having become entitled to old-age in-

1 surance benefits), the year succeeding the year of
2 his death;

3 except that such term excludes any calendar year en-
4 tirely included in a period of disability; and

5 “(iii) the term ‘number of elapsed years’ means
6 (except as otherwise provided by section 104(j)(2)
7 of the Social Security Amendments of 1972) the num-
8 ber of calendar years after 1950 (or, if later, the year
9 in which the individual attained age 21) and before the
10 year in which the individual died, or, if it occurred
11 earlier but after 1960, the year in which he attained age
12 62; except that such term excludes any calendar year any
13 part of which is included in a period of disability.

14 “(3)(A) Except as provided by subparagraph (B),
15 the wages paid in and self-employment income credited to
16 each of an individual’s computation base years for purposes
17 of the selection therefrom of benefit computation years under
18 paragraph (2) shall be deemed to be equal to the product
19 of—

20 “(i) the wages and self-employment income paid
21 in or credited to such year (as determined without regard
22 to this subparagraph), and

23 “(ii) the quotient obtained by dividing—

24 “(I) the average of the total wages (as defined
25 in regulations of the Secretary and computed with-

1 out regard to the limitations specified in section 209
2 (a)) reported to the Secretary of the Treasury or
3 his delegate for the second calendar year (after
4 1976) preceding the year of the individual's death
5 or initial eligibility for an old-age or disability in-
6 surance benefit, whichever is earliest, by

7 “(II) the average of the total wages (as so
8 defined and computed) reported to the Secretary
9 of the Treasury or his delegate for the computation
10 base year for which the determination is made.

11 “(B) Wages paid in or self-employment income
12 credited to an individual's computation base year which—

13 “(i) occurs after the second calendar year specified
14 in subparagraph (A)(ii)(I), or

15 “(ii) is a year treated under subsection (f)(2)(C)
16 as though it were the last year of the period specified in
17 subsection (b)(2)(B)(ii),

18 shall be available for use in determining an individual's bene-
19 fit computation years, but without applying subparagraph
20 (A) of this paragraph.

21 “(4) For purposes of determining the average monthly
22 wage of an individual whose primary insurance amount is
23 computed (after 1978) under section 215(a) or 215(d)
24 as in effect (except with respect to the table contained

1 therein) in December 1978, by reason of subsection
2 (a)(4)(B), this subsection as in effect in December 1978
3 shall remain in effect, except that paragraph (2)(C) (as
4 then in effect) shall be deemed to provide that 'computation
5 base years' include only calendar years in the period after
6 1950 (or 1936, if applicable) and prior to the year in
7 which occurred the first month for which the individual was
8 eligible (as defined in subsection (a)(3)(B) as in effect
9 in January 1979) for an old-age or disability insurance
10 benefit, or died. Any calendar year all of which is included
11 in a period of disability shall not be included as a computa-
12 tion base year for such purposes.'.

13 (c) Section 215(c) of such Act is amended to read
14 as follows:

15 "Application of Prior Provisions in Certain Cases

16 "(c) This subsection as in effect in December 1978
17 shall remain in effect with respect to an individual to whom
18 subsection (a)(1) does not apply by reason of the indi-
19 vidual's eligibility for an old-age or disability insurance bene-
20 fit, or the individual's death, prior to 1979."

21 (d)(1) The matter in the text of section 215(d) of
22 such Act which precedes paragraph (1)(C) is amended to
23 read as follows:

24 "(d)(1) For purposes of column I of the table appear-

1 *ing in subsection (a), as that subsection was in effect in*
2 *December 1977, an individual's primary insurance benefit*
3 *shall be computed as follows:*

4 “(A) *The individual's average monthly wage shall*
5 *be determined as provided in subsection (b), as in effect*
6 *in December 1977 (but without regard to paragraph*
7 *(4) thereof), except that for purposes of paragraphs*
8 *(2)(C) and (3) of that subsection (as so in effect)*
9 *1936 shall be used instead of 1950.*

10 “(B) *For purposes of subparagraphs (B) and*
11 *(C) of subsection (b)(2) (as so in effect), the total*
12 *wages prior to 1951 (as defined in subparagraph (C)*
13 *of this paragraph) of an individual who attained age*
14 *21 after 1936 and prior to 1951 shall be divided by the*
15 *number of years (hereinafter in this subparagraph re-*
16 *ferred to as the 'divisor') elapsing after the year in*
17 *which the individual attained age 21 and prior to the*
18 *earlier of 1951 or the year of the individual's death.*
19 *The quotient so obtained shall be deemed to be the indi-*
20 *vidual's wages credited to each of the years included in*
21 *the divisor, except that—*

22 “(i) *if the quotient exceeds \$3,000, only \$3,000*
23 *shall be deemed to be the individual's wages for each*
24 *of years included in the divisor, and the remainder of*
25 *the individual's total wages prior to 1951 (I) if less*

1 *than \$3,000, shall be deemed credited to the year in*
2 *which the individual attained age 21, or (II) if*
3 *\$3,000 or more, shall be deemed credited, in \$3,000*
4 *increments, to the year in which the individual at-*
5 *tained age 21 and to each year consecutively preced-*
6 *ing that year, with any remainder less than \$3,000*
7 *being credited to the year immediately preceding the*
8 *earliest year to which a full \$3,000 increment was*
9 *credited; and*

10 *“(ii) no more than \$42,000 may be taken into*
11 *account, for purposes of this subparagraph, as total*
12 *wages after 1936 and prior to 1951.”.*

13 *(2) Section 215(d)(1)(D) of such Act is amended*
14 *to read as follows:*

15 *“(D) The individual’s primary insurance benefit*
16 *shall be 40 percent of the first \$50 of his average*
17 *monthly wage as computed under this subsection, plus*
18 *10 percent of the next \$200 of his average monthly*
19 *wage, increased by 1 percent for each increment year.*
20 *The number of increment years is the number, not more*
21 *than 14 nor less than 4, that is equal to the individual’s*
22 *total wages prior to 1951 divided by \$1,650 (disre-*
23 *garding any fraction).”.*

24 *(3) Section 215(d)(3) of such Act is amended (A)*
25 *by striking out “in the case of an individual” and all that*

1 follows and inserting in lieu thereof the following "in the
2 case of an individual who had a period of disability which
3 began prior to 1951, but only if the primary insurance
4 amount resulting therefrom is higher than the primary in-
5 surance amount resulting from the application of this section
6 (as amended by the Social Security Amendments of 1967)
7 and section 220."

8 (4) Section 215(d) of such Act is further amended by
9 adding at the end thereof the following new paragraph:

10 "(4) The provisions of this subsection as in effect in
11 December 1977 shall be applicable to individuals who be-
12 come eligible for old-age or disability insurance benefits or
13 die prior to 1978."

14 (e) Section 215(e) of such Act is amended—

15 (1) by striking out "average monthly wage" each
16 place it appears and inserting in lieu thereof "average
17 indexed monthly earnings or, in the case of an individual
18 whose primary insurance amount is computed under
19 section 215(a) as in effect prior to January 1979,
20 average monthly wage," and

21 (2) by inserting immediately before "of (A)" in
22 paragraph (1) the following: "(before the application,
23 in the case of average indexed monthly earnings, of sub-
24 section (b)(3)(A))".

1 *(f)(1) Section 215(f)(2) of this Act is amended to*
2 *read as follows:*

3 *“(2)(A) If an individual has wages or self-employ-*
4 *ment income for a year after 1978 for any part of which he*
5 *is entitled to old-age or disability insurance benefits, the*
6 *Secretary shall, at such time or times and within such period*
7 *as he may by regulation prescribe, recompute the individual’s*
8 *primary insurance amount for that year.*

9 *“(B) For the purpose of applying subparagraph (A)*
10 *of subsection (a)(1) to the average indexed monthly earn-*
11 *ings of an individual to whom that subsection applies and*
12 *who receives a recomputation under this paragraph, there*
13 *shall be used, in lieu of the amounts established by subsection*
14 *(a)(1)(B) for purposes of clauses (i) and (ii) of subsec-*
15 *tion (a)(1)(A), the amounts so established that were (or,*
16 *in the case of an individual described in subsection (a)*
17 *(4)(B), would have been) used in the computation of such*
18 *individual’s primary insurance amount prior to the applica-*
19 *tion of this subsection.*

20 *“(C) A recomputation of any individual’s primary in-*
21 *surance amount under this paragraph shall be made as pro-*
22 *vided in subsection (a)(1) as though the year with respect*
23 *to which it is made is the last year of the period specified in*
24 *subsection (b)(2)(B)(ii); and subsection (b)(3)(A)*
25 *shall apply with respect to any such recomputation as it*

1 *applied in the computation of such individual's primary in-*
2 *surance amount prior to the application of this subsection.*

3 *“(D) A recomputation under this paragraph with re-*
4 *spect to any year shall be effective—*

5 *“(i) in the case of an individual who did not die*
6 *in that year, for monthly benefits beginning with bene-*
7 *fits for January of the following year; or*

8 *“(ii) in the case of an individual who died in*
9 *that year, for monthly benefits beginning with benefits*
10 *for the month in which he died.”.*

11 *(2) Section 215(f)(3) of such Act is repealed.*

12 *(3) Section 215(f)(4) of such Act is amended to read*
13 *as follows:*

14 *“(4) A recomputation shall be effective under this sub-*
15 *section only if it increases the primary insurance amount*
16 *by at least \$1.”.*

17 *(4) Section 215(f) of such Act is further amended by*
18 *adding at the end thereof the following new paragraphs:*

19 *“(7) This subsection as in effect in December 1978*
20 *shall continue to apply to the recomputation of a primary*
21 *insurance amount computed under subsection (a) or (d)*
22 *as in effect (without regard to the table in subsection (a))*
23 *in that month, and, where appropriate, under subsection (d)*
24 *as in effect in December 1977. For purposes of recomputing*
25 *a primary insurance amount determined under subsection*

1 (a) or (d) (as so in effect) in the case of an individual to
2 whom those subsections apply by reason of subsection
3 (a)(4)(B) as in effect after December 1978, no remuneration shall be taken into account for the year in which the
4 individual initially became eligible for an old-age or disability insurance benefit or died, or for any year thereafter.

7 “(8) The Secretary shall recompute the primary insurance amounts applicable to beneficiaries whose benefits
8 are based on a primary insurance amount which was computed under section 215(a)(3) effective prior to January
9 1979, or would have been so computed if the dollar amount specified therein were \$11.50. Such recomputation
10 shall be effective January 1979, and shall include the effect
11 of the increase in the dollar amount provided by section 215
12 (a)(1)(C)(i)(II). Such primary insurance amount shall
13 be deemed to be provided under such section for purposes of
14 section 215(i).”.

18 (g)(1) Section 215(i)(2)(A)(ii) of such Act is
19 amended to read as follows:

20 “(ii) If the Secretary determines that the base quarter
21 in any year is a cost-of-living computation quarter, he shall,
22 effective with the month of June of that year as provided in
23 subparagraph (B), increase—

24 “(I) the benefit amount to which individuals are
25 entitled for that month under section 227 or 228,

1 “(II) the primary insurance amount of each other
2 individual on which benefit entitlement is based under
3 this title (including a primary insurance amount deter-
4 mined under subsection (a)(1)(C)(i)), and

5 “(III) the amount of total monthly benefits based
6 on any primary insurance amount which is permitted
7 under section 203 (and such total shall be increased,
8 unless otherwise so increased under another provision of
9 this title, at the same time as such primary insurance
10 amount) or, in the case of a primary insurance amount
11 computed under subsection (a) as in effect (without
12 regard to the table contained therein) prior to January
13 1979, the amount to which the beneficiaries may be
14 entitled under section 203 as in effect in December 1978,
15 except as provided by section 203(a) (6) and (7) as
16 in effect after December 1978:

17 The increase shall be derived by multiplying each of the
18 amounts described in subdivisions (I), (II), and (III)
19 (including each of those amounts as previously increased
20 under this subparagraph) by the same percentage (rounded
21 to the nearest one-tenth of 1 percent) as the percentage by
22 which the Consumer Price Index for that cost-of-living com-
23 putation quarter exceeds such index for the most recent prior
24 calendar quarter which was a base quarter under paragraph
25 (1)(A)(ii) or, if later, the most recent cost-of-living

1 computation quarter under paragraph (1)(B); and any
2 amount so increased that is not a multiple of \$0.10 shall be
3 increased to the next higher multiple of \$0.10. Any increase
4 under this subsection in a primary insurance amount deter-
5 mined under subparagraph (C)(i)(II) of subsection (a)(1)
6 shall be applied after the initial determination of such pri-
7 mary insurance amount under that subparagraph (with the
8 amount of such increase, in the case of an individual who
9 becomes eligible for old-age or disability insurance benefits or
10 dies in a calendar year after 1979, being determined from the
11 range of possible primary insurance amounts published by the
12 Secretary under the last sentence of subparagraph (D)).”.

13 (2) Section 215(i)(2)(A) of such Act is amended by
14 adding at the end thereof the following new clause:

15 “(iii) In the case of an individual who becomes eligible
16 for an old-age or disability insurance benefit, or who dies
17 prior to becoming so eligible, in a year in which there occurs
18 an increase provided under clause (ii), the individual’s pri-
19 mary insurance amount (without regard to the time of entitle-
20 ment to that benefit) shall be increased (unless otherwise so
21 increased under another provision of this title) by the amount
22 of that increase, but only with respect to benefits payable for
23 months after May of that year.”.

24 (3) Section 215(i)(2)(D) of such Act (as amended
25 by section 103 of this Act) is further amended by striking

1 out all that follows the first sentence and inserting in lieu
2 thereof the following: "He shall also publish in the Federal
3 Register at that time (i) a revision of the range of the pri-
4 mary insurance amounts which are possible after the appli-
5 cation of this subsection based on the dollar amount specified
6 in subparagraph (C)(i)(II) of subsection (a)(1) (with
7 such revised primary insurance amounts constituting the
8 increased amounts determined for purposes of such subpara-
9 graph (C)(i)(II) under this subsection), or specified in
10 section 215(a)(3) as in effect prior to 1979, and (ii) a
11 revision of the range of maximum family benefits which cor-
12 respond to such primary insurance amounts (with such
13 maximum benefits being effective notwithstanding section
14 203(a) except for paragraph (3)(B) thereof (or para-
15 graph (2) thereof as in effect prior to 1979)).".

16 (4) Section 215(i) of such Act is further amended by
17 adding at the end thereof the following new paragraph:

18 "(4) This subsection as in effect in December 1978 shall
19 continue to apply to subsections (a) and (d), as then in
20 effect, for purposes of computing the primary insurance
21 amount of an individual to whom subsection (a), as in effect
22 after December 1978, does not apply (including an individ-
23 ual to whom subsection (a) does not apply in any year by
24 reason of paragraph (4)(B) of that subsection (but the
25 application of this subsection in such cases shall be modified

1 *by the application of clause (I) in the last sentence of para-*
2 *graph (4) of that subsection)). For purposes of computing*
3 *primary insurance amounts and maximum family benefits*
4 *(other than primary insurance amounts and maximum*
5 *family benefits for individuals to whom such paragraph (4)*
6 *(B) applies), the Secretary shall publish in the Federal*
7 *Register revisions of the table of benefits contained in sub-*
8 *section (a), as in effect in December 1978, as required by*
9 *paragraph (2)(D) of this subsection as then in effect.”.*

10

MAXIMUM BENEFITS

11 *SEC. 202. Section 203(a) of the Social Security Act is*
12 *amended to read as follows:*

13

“Maximum Benefits

14 *“(a)(1) In the case of an individual whose primary*
15 *insurance amount has been computed or recomputed under*
16 *section 215(a) (1) or (4), or section 215(d), as in effect*
17 *after December 1978, the total monthly benefits to which*
18 *beneficiaries may be entitled under section 202 or 223 for a*
19 *month on the basis of the wages and self-employment in-*
20 *come of such individual shall, except as provided by para-*
21 *graph (3) (but prior to any increases resulting from the*
22 *application of paragraph (2)(A)(ii)(III) of section 215*
23 *(i)), be reduced as necessary so as not to exceed—*

24 *“(A) 150 percent of such individual’s primary*
25 *insurance amount to the extent that it does not exceed*

1 *the amount established with respect to this subparagraph*
2 *by paragraph (2),*

3 “(B) 272 percent of such individual’s primary
4 *insurance amount to the extent that it exceeds the amount*
5 *established with respect to subparagraph (A) but does*
6 *not exceed the amount established with respect to this*
7 *subparagraph by paragraph (2),*

8 “(C) 134 percent of such individual’s primary
9 *insurance amount to the extent that it exceeds the amount*
10 *established with respect to subparagraph (B) but does*
11 *not exceed the amount established with respect to this*
12 *subparagraph by paragraph (2), and*

13 “(D) 175 percent of such individual’s primary
14 *insurance amount to the extent that it exceeds the amount*
15 *established with respect to subparagraph (C).*

16 *Any such amount that is not a multiple of \$0.10 shall be*
17 *increased to the next higher multiple of \$0.10.*

18 “(2) (A) *For individuals who initially become eligible*
19 *for old-age or disability insurance benefits or die in the calen-*
20 *dar year 1979, the amounts established with respect to sub-*
21 *paragraphs (A), (B), and (C) of paragraph (1) shall be*
22 *\$230, \$332, and \$433, respectively.*

23 “(B) *For individuals who initially become eligible for*
24 *old-age or disability insurance benefits or die in any calendar*
25 *year after 1979, each of the amounts so established shall*

1 equal the product of the corresponding amount established
2 for the calendar year 1979 by subparagraph (A) of this
3 paragraph and the quotient obtained under subparagraph
4 (B)(ii) of section 215(a)(1), with such product being
5 rounded in the manner prescribed by section 215(a)(1)
6 (B)(iii).

7 “(C) In each calendar year after 1978 the Sec-
8 retary shall publish in the Federal Register, on or before
9 November 1, the formula which (except as provided in sec-
10 tion 215(i)(2)(D)) is to be applicable under this para-
11 graph to individuals who become eligible for old-age or
12 disability insurance benefits, or die, in the following calendar
13 year.

14 “(D) A year shall not be counted as the year of an
15 individual's death or eligibility for purposes of this para-
16 graph or paragraph (7) in any case where such individual
17 was entitled to a disability insurance benefit for any of the
18 12 months immediately preceding the month of such death
19 or eligibility (but there shall be counted instead the year of
20 the individual's eligibility for the disability insurance benefits
21 to which he was entitled during such 12 months).

22 “(3)(A) When an individual who is entitled to bene-
23 fits on the basis of the wages and self-employment income
24 of any insured individual and to whom this subsection
25 applies would (but for the provisions of section 202(k)(2)

1 (A)) be entitled to child's insurance benefits for a month
2 on the basis of the wages and self-employment income of
3 one or more other insured individuals, the total monthly
4 benefits to which all beneficiaries are entitled on the basis
5 of such wages and self-employment income shall not be
6 reduced under this subsection to less than the smaller of—

7 “(i) the sum of the maximum amounts of bene-
8 fits payable on the basis of the wages and self-employ-
9 ment income of all such insured individuals, or

10 “(ii) an amount equal to the product of 1.75 and
11 the primary insurance amount that would be computed
12 under section 215(a)(1) for that month with respect
13 to average indexed monthly earnings equal to one-
14 twelfth of the contribution and benefit base determined
15 for that year under section 230.

16 “(B) When two or more persons were entitled (with-
17 out the application of section 202(j)(1) and section 223
18 (b)) to monthly benefits under section 202 or 223 for
19 January 1971 or any prior month on the basis of the wages
20 and self-employment income of such insured individual and
21 the provisions of this subsection as in effect for any such
22 month were applicable in determining the benefit amount
23 of any persons on the basis of such wages and self-em-
24 ployment income, the total of benefits for any month after

1 *January 1971 shall not be reduced to less than the largest*
2 *of—*

3 “(i) *the amount determined under this subsection*
4 *without regard to this subparagraph,*

5 “(ii) *the largest amount which has been deter-*
6 *mined for any month under this subsection for persons*
7 *entitled to monthly benefits on the basis of such insured*
8 *individual's wages and self-employment income, or*

9 “(iii) *if any persons are entitled to benefits on the*
10 *basis of such wages and self-employment income for*
11 *the month before the effective month (after September*
12 *1972) of a general benefit increase under this title (as*
13 *defined in section 215(i)(3)) or a benefit increase under*
14 *the provisions of section 215(i), an amount equal to*
15 *the sum of amounts derived by multiplying the benefit*
16 *amount determined under this title (excluding any part*
17 *thereof determined under section 202(w)) for the month*
18 *before such effective month (including this subsection,*
19 *but without the application of section 222(b), sec-*
20 *tion 202(q), and subsections (b), (c), and (d) of this*
21 *section), for each such person for such month, by a*
22 *percentage equal to the percentage of the increase pro-*
23 *vided under such benefit increase (with any such in-*

1 *creased amount which is not a multiple of \$0.10 being*
2 *rounded to the next higher multiple of \$0.10);*
3 *but in any such case (I) subparagraph (A) of this para-*
4 *graph shall not be applied to such total of benefits after the*
5 *application of clause (ii) or (iii), and (II) if section 202(k)*
6 *(2)(A) was applicable in the case of any such benefits*
7 *for a month, and ceases to apply for a month after such*
8 *month, the provisions of clause (ii) or (iii) shall be applied,*
9 *for and after the month in which section 202(k)(2)(A)*
10 *ceases to apply, as though subparagraph (A) of this para-*
11 *graph had not been applicable to such total of benefits for*
12 *the last month for which clause (ii) or (iii) was applicable.*

13 *“(C) When any of such individuals is entitled to*
14 *monthly benefits as a divorced spouse under section 202*
15 *(b) or (c) or as a surviving divorced spouse under section*
16 *202 (e) or (f) for any month, the benefit to which he or she*
17 *is entitled on the basis of the wages and self-employment*
18 *income of such insured individual for such month shall be*
19 *determined without regard to this subsection, and the bene-*
20 *fits of all other individuals who are entitled for such month*
21 *to monthly benefits under section 202 on the wages and*
22 *self-employment income of such insured individual shall be*
23 *determined as if no such divorced spouse or surviving di-*
24 *vorced spouse were entitled to benefits for such month.*

25 *“(4) In any case in which benefits are reduced pursu-*

1 ant to the preceding provisions of this subsection, the reduc-
2 tion shall be made after any deductions under this section
3 and after any deductions under section 222(b). Whenever
4 a reduction is made under this subsection in the total of
5 monthly benefits to which individuals are entitled for any
6 month on the basis of the wages and self-employment in-
7 come of an insured individual, each such benefit other than
8 the old-age or disability insurance benefit shall be propor-
9 tionately decreased.

10 “(5) Notwithstanding any other provision of law,
11 when—

12 “(A) two or more persons are entitled to monthly
13 benefits for a particular month on the basis of the wages
14 and self-employment income of an insured individual
15 and (for such particular month) the provisions of this
16 subsection are applicable to such monthly benefits, and

17 “(B) such individual’s primary insurance amount
18 is increased for the following month under any provision
19 of this title,

20 then the total of monthly benefits for all persons on the basis
21 of such wages and self-employment income for such particular
22 month, as determined under the provisions of this subsection,
23 shall for purposes of determining the total monthly benefits
24 for all persons on the basis of such wages and self-employ-
25 ment income for months subsequent to such particular month

1 *be considered to have been increased by the smallest amount*
2 *that would have been required in order to assure that the*
3 *total of monthly benefits payable on the basis of such wages*
4 *and self-employment income for any such subsequent month*
5 *will not be less (after the application of the other pro-*
6 *visions of this subsection and section 202(q)) than the total*
7 *of monthly benefits (after the application of the other pro-*
8 *visions of this subsection and section 202(q)) payable on*
9 *the basis of such wages and self-employment income for such*
10 *particular month.*

11 *“(6) In the case of any individual who is entitled for*
12 *any month to benefits based upon the primary insurance*
13 *amounts of two or more insured individuals, one or more of*
14 *which primary insurance amounts were determined under*
15 *section 215(a) or 215(d) as in effect (without regard to*
16 *the table contained therein) prior to January 1979 and one*
17 *or more of which primary insurance amounts were deter-*
18 *mined under section 215(a)(1) or (4), or section 215(d),*
19 *as in effect after December 1978, the total benefits payable*
20 *to that individual and all other individuals entitled to benefits*
21 *for that month based upon those primary insurance amounts*
22 *shall be reduced to an amount equal to the product of 1.75*
23 *and the primary insurance amount that would be computed*
24 *under section 215(a)(1) for that month with respect to*
25 *average indexed monthly earnings equal to one-twelfth of*

1 *the contribution and benefits base determined under section*
 2 *230 for the year in which that month occurs.*

3 “(7) Subject to paragraph (6), this subsection as in
 4 effect in December 1978 shall remain in effect with respect
 5 to a primary insurance amount computed under section
 6 215 (a) or (d), as in effect (without regard to the table
 7 contained therein) in December 1978, except that a primary
 8 insurance amount so computed with respect to an individual
 9 who first becomes eligible for an old-age or disability insur-
 10 ance benefit, or dies, after December 1978, shall instead be
 11 governed by this section as in effect after December 1978.”.

12 INCREASE IN OLD-AGE BENEFIT AMOUNTS FOR

13 DELAYED RETIREMENT

14 SEC. 203. Section 202(w)(1) of the Social Security
 15 Act is amended—

16 (1) by striking out “If the first month” and all
 17 that follows down through “to such individual” in the
 18 matter preceding subparagraph (A) and inserting in
 19 lieu thereof “The amount of an old-age insurance benefit
 20 (other than a benefit based on a primary insurance
 21 amount determined under section 215(a)(3)) which is
 22 payable without regard to this subsection to an individ-
 23 ual”; and

24 (2) by inserting after “such amount,” in subpara-
 25 graph (A) the following: “or, in the case of an individ-

1 (A) the following: "as in effect in December 1978 or
2 section 215(a)(1)(C)(i)(II) as in effect thereafter";

3 (2) by inserting "as in effect in December 1978, or
4 section 215(a)(1)(C)(i)(II) as in effect thereafter,"
5 after "paragraph (3) of section 215(a)" in paragraph
6 (5); and

7 (3) by inserting "(whether before, in, or after
8 December 1978)" after "determined under section 215
9 (a)" in paragraph (5).

10 (c) Section 217(b)(1) of such Act is amended by
11 inserting "as in effect in December 1978" after "section 215
12 (c)" each place it appears, and after "section 215(d)".

13 (d) Section 224(a) of such Act is amended by insert-
14 ing "(determined under section 215(b) as in effect prior to
15 January 1979)" after "(A) the average monthly wage"
16 in the matter following paragraph (8).

17 (e) Section 1839(c)(3)(B) of such Act is amended
18 to read as follows:

19 "(B) the monthly premium rate most recently
20 promulgated by the Secretary under this paragraph,
21 increased by a percentage determined as follows: The
22 Secretary shall ascertain the primary insurance amount
23 computed under section 215(a)(1), based upon aver-
24 age indexed monthly earnings of \$900, that applied to
25 individuals who became eligible for and entitled to old-

1 *age insurance benefits on May 1 of the year of the*
 2 *promulgation. He shall increase the monthly premium*
 3 *rate by the same percentage by which that primary*
 4 *insurance amount is increased when, by reason of the*
 5 *law in effect at the time the promulgation is made, it*
 6 *is so computed to apply to those individuals on the*
 7 *following May 1.”.*

8 *EFFECTIVE DATE*

9 *SEC. 205. The amendments made by the provisions of*
 10 *this title other than section 201(d) shall be effective with*
 11 *respect to monthly benefits and lump-sum death payments*
 12 *under title II of the Social Security Act payable for months*
 13 *after December 1978. The amendments made by section 201*
 14 *(d) shall be effective with respect to monthly benefits of an*
 15 *individual who becomes eligible for an old-age or disability*
 16 *insurance benefit, or dies, after December 1977.*

17 *TITLE III—COVERAGE UNDER THE OLD-AGE,*
 18 *SURVIVORS, AND DISABILITY INSURANCE*
 19 *PROGRAM*

20 *COVERAGE OF FEDERAL EMPLOYEES*

21 *SEC. 301. (a)(1) Section 210(a) of the Social Secu-*
 22 *rity Act is amended by striking out paragraphs (5) and*
 23 *(6).*

24 *(2)(A) Section 210(l)(1) of such Act is amended to*
 25 *read as follows:*

1 “(1) Except as provided in paragraph (4), the term
2 ‘employment’ shall include service (other than service per-
3 formed while on leave without pay) which is performed by
4 an individual as a member of a uniformed service on active
5 duty after December 1956.”.

6 (B) Section 210(o) of such Act is amended by striking
7 out “, notwithstanding the provisions of subsection (a),”.

8 (C) Section 229(a) of such Act is amended by striking
9 out “service as a member of a uniformed service (as defined
10 in section 210(m)) which was included in the term ‘employ-
11 ment’ as defined in section 210(a) as a result of the provi-
12 sions of section 210(l)” and inserting in lieu thereof “service,
13 as a member of a uniformed service, to which the provisions
14 of section 210(l)(1) are applicable”.

15 (b)(1) Section 3121(b) of the Internal Revenue Code
16 of 1954 (relating to definition of employment) is amended by
17 striking out paragraphs (5) and (6).

18 (2)(A) Section 3121(m)(1) of such Code (relating to
19 service in the uniformed services) is amended to read as
20 follows:

21 “(1) INCLUSION OF SERVICE.—The term ‘employ-
22 ment’ shall include service (other than service performed
23 while on leave without pay) which is performed by an
24 individual as a member of a uniformed service on active
25 duty after December 1956.”.

1 (B) Section 3121(p) of such Code (relating to Peace
2 Corps volunteer service) is amended by striking out “, not-
3 withstanding the provisions of subsection (b) of this section,”.

4 (c) The amendments made by this section shall be effec-
5 tive with respect to service performed after December 1981.

6 (d) (1) As soon as possible after the enactment of this
7 Act, the Secretary of Health, Education, and Welfare in
8 consultation with the Civil Service Commission shall under-
9 take and carry out a detailed study of how best to coordinate
10 the benefits of the civil service retirement system and the
11 benefits of the old-age, survivors, and disability insurance
12 system, with the objective of developing for Federal employees
13 a combined program of retirement, disability, and related
14 benefits which will assure that such employees are no worse
15 off, comparing their benefits under the combined program with
16 the benefits they would receive under the Federal staff retire-
17 ment systems then in effect, upon their coverage under the
18 old-age, survivors, and disability insurance system pursuant
19 to the amendments made by this section.

20 (2) Upon the completion of the study under paragraph
21 (1) and in any event no later than January 1, 1980, the
22 Secretary shall submit to the Congress a full and complete
23 report on the results of such study together with a specific
24 and detailed plan for coordinating the benefits of the civil
25 service retirement system and the benefits of the old-age,

1 survivors, and disability insurance system (along with such
2 comments or recommendations as may be appropriate with
3 respect to other staff retirement systems covering Federal
4 employees). The plan so submitted shall include such financing
5 and benefit provisions and other features as may be neces-
6 sary to assure that the employees involved will not be placed
7 at a disadvantage by the coordination of the benefits of the
8 systems as compared with their treatment under the Federal
9 staff retirement systems in effect prior to such coordination.

10 (e) In addition to and along with the study provided
11 for under subsection (d), the Secretary shall carry out a
12 study of how best to coordinate the Medicare program and
13 the program established by the Federal Employees Health
14 Benefits Act, with the objective of developing for Federal
15 employees a combined program of health insurance benefits
16 to accompany the retirement and disability program developed
17 under subsection (d). Such combined program shall include
18 the features necessary to assure that Federal employees are
19 no worse under that program, in terms of benefits, than they
20 were under the Federal Employees Health Benefits Act as
21 theretofore in effect. The study under this subsection shall
22 in general take into account the same aspects of the two health
23 insurance programs and their coordination as those taken
24 into account (with respect to the two retirement and disability
25 systems) under subsection (d); and the report submitted

1 *under subsection (d)(2) shall include or be accompanied by*
2 *a full and complete report on the results of the study under*
3 *this subsection.*

4 *COVERAGE OF STATE AND LOCAL EMPLOYEES*

5 *SEC. 302. (a) Section 218(g) of the Social Security Act*
6 *is amended—*

7 *(1) by striking out “Upon” in paragraph (1) and*
8 *“If” in paragraph (2), and by inserting in lieu thereof*
9 *“Subject to paragraph (4), upon” and “Subject to para-*
10 *graph (4), if”, respectively; and*

11 *(2) by adding at the end thereof the following new*
12 *paragraph:*

13 *“(4) No agreement under this section may be terminated*
14 *under paragraph (1) or paragraph (2) (either in its entirety*
15 *or with respect to any coverage group) unless the applicable*
16 *notice referred to in such paragraph is given on or before*
17 *September 13, 1977.”.*

18 *(b) Effective with respect to service performed after*
19 *December 1981—*

20 *(1) section 218 of the Social Security Act is*
21 *repealed;*

22 *(2) section 210(a) of such Act is amended by*
23 *striking out paragraph (7); and*

24 *(3) section 3121(b) of the Internal Revenue Code*
25 *of 1954 is amended by striking out paragraph (7).*

26 *(c)(1)(A) Chapter 21 of the Internal Revenue Code*

1 of 1954 (the Federal Insurance Contributions Act), as
 2 amended by section 104(b)(2) of this Act, is further
 3 amended by redesignating sections 3126 and 3127 as sections
 4 3127 and 3128, respectively, and by inserting after section
 5 3125 the following new section:

6 **“SEC. 3126. RETURNS IN THE CASE OF STATE AND LOCAL**
 7 **GOVERNMENTAL EMPLOYEES.**

8 *“In the case of the taxes imposed by this chapter with*
 9 *respect to services performed in the employ of a State or*
 10 *any political subdivision thereof, or in the employ of any*
 11 *instrumentality of a State or political subdivision thereof*
 12 *which is wholly owned thereby, the return and payment of*
 13 *the taxes may be made by the Governor of such State or*
 14 *such agents as he may designate. The person making such*
 15 *return may, for convenience of administration, make pay-*
 16 *ments of the tax imposed by section 3111 with respect to*
 17 *such service without regard to the contribution and benefit*
 18 *base limitation in section 3121(a)(1).”.*

19 (B) The table of sections for subchapter C of chapter
 20 21 of such Code (as so amended) is further amended by
 21 striking out the last two items and inserting in lieu thereof
 22 the following:

“Sec. 3126. Returns in the case of State and local govern-
mental employees.

“Sec. 3127. Returns in the case of governmental employees
in Guam, American Samoa, and the District
of Columbia.

“Sec. 3128. Short title.”.

1 (2)(A) Section 6205(a) of such Code (relating to
2 adjustment of tax) is amended—

3 (i) by striking out “3125” in paragraphs (3) and
4 (4) and inserting in lieu thereof “3127”;

5 (ii) by redesignating paragraphs (3) and (4) as
6 paragraphs (4) and (5), respectively; and

7 (iii) by inserting after paragraph (2) the follow-
8 ing new paragraph:

9 “(3) STATE AS EMPLOYER.—For purposes of this
10 subsection, in the case of remuneration received during
11 any calendar year from a State or political subdivision
12 thereof or any instrumentality which is wholly owned
13 thereby, the Governor of the State and each agent des-
14 ignated by him who makes a return pursuant to sec-
15 tion 3126 shall be deemed a separate employer.”.

16 (B) Section 6413(a) of such Code (relating to ad-
17 justment of tax) is amended—

18 (i) by striking out “3125” in paragraphs (3) and
19 (4) and inserting in lieu thereof “3127”;

20 (ii) by redesignating paragraphs (3) and (4) as
21 paragraphs (4) and (5), respectively; and

22 (iii) by inserting after paragraph (2) the follow-
23 ing new paragraph:

24 “(3) STATE AS EMPLOYER.—For purposes of this
25 subsection, in the case of remuneration received during

1 any calendar year from a State or political subdivision
2 thereof or any instrumentality which is wholly owned
3 thereby, the Governor of the State and each agent des-
4 ignated by him who makes a return pursuant to sec-
5 tion 3126 shall be deemed a separate employer.”.

6 (C) Section 6413(c)(2) of such Code (relating to
7 applicability in case of certain governmental employees) is
8 amended—

9 (i) by striking out subparagraph (B) and inserting
10 in lieu thereof the following new subparagraph:

11 “(B) STATE EMPLOYEES.—For purposes of
12 this subsection, in the case of remuneration received
13 during any calendar year from a State or political
14 subdivision thereof or any instrumentality which is
15 wholly owned thereby, the Governor of the State
16 and each agent designated by him who makes a
17 return pursuant to section 3126 shall be deemed a
18 separate employer.”; and

19 (ii) by striking out “3125(a)”, “3125(b)”, and
20 “3125(c)” in subparagraphs (D), (E), and (F) and
21 inserting in lieu thereof “3127(a)”, “3127(b)”, and
22 “3127(c)”, respectively.

23 (3) Section 230(c) of the Social Security Act is
24 amended by striking out “3125,” and inserting in lieu there-
25 of “3126, 3127,”.

1 (d)(1) Section 205(c)(5)(F)(iii) of such Act is
2 amended by striking out “are made” and inserting in lieu
3 thereof “were made”.

4 (2) Section 209(i) of such Act is amended by striking
5 out “(as defined in section 218(b)(2))”.

6 (3) Section 210(a)(10)(B)(ii) of such Act is amend-
7 ed by striking out “, unless” and all that follows and insert-
8 ing in lieu thereof a semicolon.

9 (4) Section 210(k) of such Act is repealed.

10 (5) Section 211(c)(1) of such Act is amended by
11 striking out “and in which” and all that follows and insert-
12 ing in lieu thereof a semicolon.

13 (6) Section 211(c)(2)(E) of such Act is amended
14 by striking out “with respect to fees” and all that follows
15 and inserting in lieu thereof “, and”.

16 (e)(1) Clause (A) in the second sentence of section
17 1402(b) of the Internal Revenue Code of 1954 is amended
18 by striking out “under an agreement” where it first appears
19 and all that follows down through “employees), or”, and
20 by striking out the comma before “as would be wages”.

21 (2) Section 1402(c)(1) of such Code is amended by
22 striking out “and in which” and all that follows and insert-
23 ing in lieu thereof a semicolon.

24 (3) Section 1402(c)(2)(E) of such Code is amended

1 *by striking out "with respect to fees". and all that follows*
 2 *and inserting in lieu thereof ", and".*

3 (4) *Section 3121(b)(10)(B)(ii) of such Code is*
 4 *amended by striking out ", unless" and all that follows and*
 5 *inserting in lieu thereof a semicolon.*

6 (5) *Section 3121(j) of such Code is repealed.*

7 (6) *Section 6511(d)(5) of such Code is repealed.*

8 (f) *The amendments and repeals made by subsections*
 9 *(b), (c), (d), and (e) (1) through (5) of this section*
 10 *shall be effective with respect to service performed after*
 11 *December 1981. Subsection (e)(6) shall be effective with*
 12 *respect to claims accruing after December 1981.*

13 **COVERAGE OF EMPLOYEES OF NONPROFIT**

14 **ORGANIZATIONS**

15 **SEC. 303.** (a)(1) *Section 3121(k)(1) of the Internal*
 16 *Revenue Code of 1954 (relating to waiver of exemption by*
 17 *organization) is amended—*

18 (A) *by striking out "The period" in the first sen-*
 19 *tence of subparagraph (D) and inserting in lieu thereof*
 20 *"Subject to subparagraph (G), the period"; and*

21 (B) *by adding at the end thereof the following new*
 22 *subparagraph:*

23 (G) *No period for which a certificate is effec-*
 24 *tive may be terminated under subparagraph (D) or*

1 *paragraph (2) unless the applicable advance notice*
2 *referred to in such subparagraph or paragraph is*
3 *given on or before September 13, 1977.”.*

4 (2) *Section 3121(k)(2) of such Code (relating to*
5 *termination of waiver period by Secretary) is amended by*
6 *striking out “If” and inserting in lieu thereof “Subject to*
7 *paragraph (1)(G), if”.*

8 (b) *Effective with respect to service performed after*
9 *December 1981—*

10 (1) *section 210(a)(8) of the Social Security Act*
11 *is amended—*

12 (A) *by striking out “(A)” immediately after*
13 *“(8)”,*

14 (B) *by striking out “this subparagraph” where*
15 *it first appears and inserting in lieu thereof “this*
16 *paragraph”, and*

17 (C) *by striking out subparagraph (B);*

18 (2) *section 3121(b)(8) of the Internal Revenue*
19 *code of 1954 is amended—*

20 (A) *by striking out “(A)” immediately after*
21 *“(8)”,*

22 (B) *by striking out “this subparagraph” where*
23 *it first appears and inserting in lieu thereof “this*
24 *paragraph”, and*

25 (C) *by striking out subparagraph (B); and*

1 (3) section 3121(k) of such Code (relating to ex-
2 emption of religious, charitable, and certain other organi-
3 zations) is repealed.

4 **CREDITING OF CERTAIN FEDERAL, STATE, AND LOCAL**
5 **SERVICE, AND CERTAIN SERVICE FOR NONPROFIT OR-**
6 **GANIZATIONS, PERFORMED PRIOR TO THE EFFECTIVE**
7 **DATE OF COVERAGE**

8 **SEC. 304.** Section 213 of the Social Security Act is
9 amended by adding at the end thereof the following new
10 subsection:

11 *“Crediting of Certain Federal, State, and Local Service, and*
12 *Certain Service for Nonprofit Organizations, Performed*
13 *Prior to Effective Date of Coverage*

14 *“(d) In the case of any individual who—*

15 *“(1)(A) performs service in the employ of the*
16 *United States or any instrumentality thereof (and derives*
17 *at least six quarters of coverage therefrom) on or after*
18 *the effective date of the repeal of section 210(a) (5) and*
19 *(6) by section 301 of the Social Security Financing*
20 *Amendments of 1977, and*

21 *“(B) also performed service in the employ of the*
22 *United States or any instrumentality thereof prior to*
23 *such date, or*

24 *“(2)(A) performs service in the employ of a State*
25 *or political subdivision or any instrumentality of any*

1 *one or more of the foregoing which is wholly owned*
2 *thereby (and derives at least six quarters of coverage*
3 *therefrom) on or after the effective date of the repeal of*
4 *section 210(a)(7) by section 302 of the Social Security*
5 *Financing Amendments of 1977, and*

6 *“(B) also performed service in the employ of a*
7 *State or political subdivision or any such instrumentality*
8 *prior to such date, or*

9 *“(3)(A) performs service in the employ of a*
10 *religious, charitable, educational, or other organization*
11 *described in section 501(c)(3) of the Internal Revenue*
12 *Code of 1954 which is exempt from income tax under*
13 *section 501(a) of such Code (and derives at least six*
14 *quarters of coverage therefrom.) on or after the effective*
15 *date of the repeal of section 210(a)(8)(B) by section*
16 *303 of the Social Security Financing Amendments of*
17 *1977, and*

18 *“(B) also performed service in the employ of such*
19 *an organization prior to such date,*
20 *each calendar quarter in which such individual performed*
21 *service described in subparagraph (B) of paragraph (1),*
22 *(2), or (3) (whichever is applicable) shall, if it is not*
23 *otherwise a quarter of coverage, be treated (under regula-*
24 *tions prescribe by the Secretary) as a quarter of coverage*
25 *for all the purposes of this title.”.*

1 *EXCLUSION FROM COVERAGE OF CERTAIN LIMITED*2 *PARTNERSHIP INCOME*

3 *SEC. 305. (a) Section 211(a) of the Social Security*
4 *Act is amended—*

5 *(1) by striking out “and” at the end of paragraph*
6 *(9);*

7 *(2) by striking out the period at the end of para-*
8 *graph (10) and inserting in lieu thereof “; and”; and*

9 *(3) by inserting after paragraph (10) the following*
10 *new paragraph:*

11 *“(11) There shall be excluded the distributive*
12 *share of any item of income or loss of a limited partner,*
13 *as such, other than guaranteed payments described in*
14 *section 707(c) of the Internal Revenue Code of 1954*
15 *to that partner for services actually rendered to or*
16 *on behalf of the partnership to the extent that those*
17 *payments are established to be in the nature of remunera-*
18 *tion for those services.”.*

19 *(b) Section 1402(a) of the Internal Revenue Code of*
20 *1954 (relating to definition of net earnings from self-em-*
21 *ployment) is amended—*

22 *(1) by striking out “and” at the end of paragraph*
23 *(10);*

24 *(2) by striking out the period at the end of para-*
25 *graph (11) and inserting in lieu thereof “; and”; and*

1 *section 3102(a) applies, are less than the total amount*
 2 *which would be payable (with respect to such employment)*
 3 *at the minimum wage rate applicable to such individual under*
 4 *section 6(a)(1) of the Fair Labor Standards Act of 1938*
 5 *(determined without regard to section 3(m) of such Act),*
 6 *the wages so paid shall be deemed for purposes of section*
 7 *3111 to be equal to such total amount.”.*

8 *(b) Section 3111 of such Code is amended by inserting*
 9 *“and (s)” after “3121(a)” in subsections (a) and (b).*

10 *(c) The amendments made by this section shall apply*
 11 *with respect to wages paid with respect to employment per-*
 12 *formed in months after December 1977.*

13 **REVOCATION OF EXEMPTION FROM COVERAGE BY**

14 **CLERGYMEN**

15 *SEC. 307. (a) Notwithstanding section 1402(e)(3) of*
 16 *the Internal Revenue Code of 1954, any exemption which has*
 17 *been received under section 1402(e)(1) of such Code by a*
 18 *duly ordained, commissioned, or licensed minister of a church*
 19 *or a Christian Science practitioner, and which is effective for*
 20 *the taxable year in which this Act is enacted, may be revoked*
 21 *by filing an application therefor (in such form and manner,*
 22 *and with such official, as may be prescribed in regulations*
 23 *made under chapter 2 of such Code), if such application is*
 24 *filed—*

25 *(1) before the applicant becomes entitled to benefits*

1 *under section 202(a) or 223 of the Social Security Act*
2 *(without regard to section 202(j)(1) or 223(b) of such*
3 *Act), and*

4 *(2) no later than the due date of the Federal income*
5 *tax return (including any extension thereof) for the ap-*
6 *plicant's first taxable year beginning after the date of the*
7 *enactment of this Act.*

8 *Any such revocation shall be effective (for purposes of chap-*
9 *ter 2 of the Internal Revenue Code of 1954 and title II of*
10 *the Social Security Act), as specified in the application, either*
11 *with respect to the applicant's first taxable year ending on or*
12 *after the date of the enactment of this Act or with respect to the*
13 *applicant's first taxable year beginning after such date, and*
14 *for all succeeding taxable years; and the applicant for any*
15 *such revocation may not thereafter again file application for*
16 *an exemption under such section 1402(e)(1). If the appli-*
17 *cation is filed on or after the due date of the applicant's first*
18 *taxable year ending on or after the date of the enactment of*
19 *this Act and is effective with respect to that taxable year, it*
20 *shall include or be accompanied by payment in full of an*
21 *amount equal to the total of the taxes that would have been*
22 *imposed by section 1401 of the Internal Revenue Code of*
23 *1954 with respect to all of the applicant's income derived in*
24 *that taxable year which would have constituted net earnings*
25 *from self-employment for purposes of chapter 2 of such Code*

1 *(notwithstanding section 1402(c)(4) or (c)(5) of such*
2 *Code) except for the exemption under section 1402(e)(1) of*
3 *such Code.*

4 *(b) Subsection (a) shall apply with respect to service*
5 *performed (to the extent specified in such subsection) in tax-*
6 *able years ending on or after the date of the enactment of*
7 *this Act, and with respect to monthly insurance benefits pay-*
8 *able under title II of the Social Security Act on the basis*
9 *of the wages and self-employment income of any individual*
10 *for months in or after the calendar year in which such*
11 *individual's application for revocation (as described in such*
12 *subsection) is filed (and lump-sum death payments payable*
13 *under such title on the basis of such wages and self-employ-*
14 *ment income in the case of deaths occurring in or after such*
15 *calendar year).*

16 *INTERNATIONAL AGREEMENTS WITH RESPECT TO SOCIAL*
17 *SECURITY BENEFITS*

18 *SEC. 308. (a) Title II of the Social Security Act is*
19 *amended by adding at the end thereof the following new*
20 *section:*

21 *"INTERNATIONAL AGREEMENTS*

22 *"Purpose of Agreement*

23 *"SEC. 233. (a) The President is authorized to enter into*
24 *agreements establishing totalization arrangements between the*
25 *social security system established by this title and the social*

1 *security system of any foreign country, for the purposes of*
 2 *establishing entitlement to and the amount of old-age, sur-*
 3 *vivors, disability, or derivative benefits based on a combina-*
 4 *tion of an individual's periods of coverage under the social*
 5 *security system established by this title and the social security*
 6 *system of such foreign country.*

7 *“Definitions*

8 *“(b) For the purposes of this section—*

9 *“(1) the term ‘social security system’ means, with*
 10 *respect to a foreign country, a social insurance or pen-*
 11 *sion system which is of general application in the country*
 12 *and under which periodic benefits, or the actuarial equiv-*
 13 *alent thereof, are paid on account of old age, death, or*
 14 *disability; and*

15 *“(2) the term ‘period of coverage’ means a period*
 16 *of payment of contributions or a period of earnings*
 17 *based on wages for employment or on self-employment*
 18 *income, or any similar period recognized as equivalent*
 19 *thereto under this title or under the social security system*
 20 *of a country which is a party to an agreement entered*
 21 *into under this section.*

22 *“Crediting Periods of Coverage; Conditions of Payment*
 23 *of Benefits*

24 *“(c) (1) Any agreement establishing a totalization*
 25 *arrangement pursuant to this section shall provide—*

1 “(A) that in the case of an individual who has at
2 least 6 quarters of coverage as defined in section 213 of
3 this Act and periods of coverage under the social security
4 system of a foreign country which is a party to such
5 agreement, periods of coverage of such individual under
6 such social security system of such foreign country may
7 be combined with periods of coverage under this title and
8 otherwise considered for the purposes of establishing
9 entitlement to and the amount of old-age, survivors, and
10 disability insurance benefits under this title;

11 “(B) (i) that employment or self-employment, or any
12 service which is recognized as equivalent to employment
13 or self-employment under this title or the social security
14 system of a foreign country which is a party to such
15 agreement, shall, on or after the effective date of such
16 agreement, result in a period of coverage under the system
17 established under this title or under the system established
18 under the laws of such foreign country, but not under
19 both, and (ii) the methods and conditions for determining
20 under which system employment, self-employment, or
21 other service shall result in a period of coverage; and

22 “(C) that where an individual's periods of coverage
23 are combined, the benefit amount payable under this title
24 shall be based on the proportion of such individual's
25 periods of coverage which was completed under this title.

1 “(2) Any such agreement may provide that—

2 “(A) an individual who is entitled to cash benefits
3 under this title shall, notwithstanding the provisions of
4 section 202(t), receive such benefits while he resides in a
5 foreign country which is a party to such agreement; and

6 “(B) the benefit paid by the United States to an
7 individual who legally resides in the United States shall
8 be increased to an amount which, when added to the
9 benefit paid by such foreign country, will be equal to the
10 benefit amount which would be payable to an entitled
11 individual based on the first figure in (or deemed to
12 be in) column IV of the table in section 215(a) in the
13 case of an individual becoming eligible for such benefit
14 before January 1, 1979, or based on a primary insur-
15 ance amount determined under section 215(a)(1)(C)
16 (i)(I) in the case of an individual becoming eligible
17 for such benefit on or after that date.

18 “(3) Section 226 shall not apply in the case of any
19 individual to whom it would not be applicable but for this
20 section or any agreement or regulation under this section.

21 “(4) Any such agreement may contain such other provi-
22 sions, not inconsistent with this section, as the President
23 deems appropriate.

24 “Regulations

25 “(d) The Secretary of Health, Education, and Welfare

1 shall make rules and regulations and establish procedures
2 which are reasonable and necessary to implement and admin-
3 ister any agreement which has been entered into in accordance
4 with this section.

5 *“Reports to Congress; Effective Date of Agreements*

6 *“(e)(1) Any agreement to establish a totalization*
7 *arrangement entered into pursuant to this section shall be*
8 *transmitted by the President to the Congress.*

9 *“(2) Such an agreement shall become effective on any*
10 *date, provided in the agreement, which occurs after the*
11 *expiration of 90 days on each of which at least one House of*
12 *Congress is in session following the date on which the agree-*
13 *ment is transmitted in accordance with paragraph (1).”.*

14 *(b)(1) Section 1401 of the Internal Revenue Code of*
15 *1954 is amended by adding at the end thereof the following*
16 *new subsection:*

17 *“(c) RELIEF FROM TAXES IN CASES COVERED BY*
18 *CERTAIN INTERNATIONAL AGREEMENTS.—During any*
19 *period in which there is in effect an agreement entered into*
20 *pursuant to section 233 of the Social Security Act with any*
21 *foreign country, the self-employment income of an individ-*
22 *ual shall be exempt from the taxes imposed by this section to*
23 *the extent that such self-employment income is subject under*
24 *such agreement to taxes or contributions for similar purposes*
25 *under the social security system of such foreign country.”.*

1 (2) Sections 3101 and 3111 of such Code are each
2 amended by adding at the end thereof the following new sub-
3 section:

4 “(c) *RELIEF FROM TAXES IN CASES COVERED BY*
5 *CERTAIN INTERNATIONAL AGREEMENTS.—During any*
6 *period in which there is in effect an agreement entered into*
7 *pursuant to section 233 of the Social Security Act with any*
8 *foreign country, wages received by or paid to an individual*
9 *shall be exempt from the taxes imposed by this section to the*
10 *extent that such wages are subject under such agreement to*
11 *taxes or contributions for similar purposes under the social*
12 *security system of such foreign country.”.*

13 (3) Section 6051(a) of such Code is amended by add-
14 ing at the end thereof the following new sentence: “The
15 amounts required to be shown by paragraph (5) shall not
16 include wages which are exempted pursuant to sections 3101
17 (c) and 3111(c) from the taxes imposed by sections 3101
18 and 3111.”.

19 (4) Notwithstanding any other provision of law, taxes
20 paid by any individual to any foreign country with respect
21 to any period of employment or self-employment which is
22 covered under the social security system of such foreign coun-
23 try in accordance with the terms of an agreement entered
24 into pursuant to section 233 of the Social Security Act shall
25 not, under the income tax laws of the United States, be

1 *deductible by, or creditable against the income tax of, any*
2 *such individual.*

3 *VALIDATION OF PAST SOCIAL SECURITY COVERAGE FOR*
4 *CERTAIN ILLINOIS POLICEMEN AND FIREMEN*

5 *SEC. 309. (a) Notwithstanding the provisions of sub-*
6 *section (d)(5)(A) of section 218 of the Social Security Act*
7 *and the references thereto in subsections (d)(1) and (d)(3)*
8 *of such section 218 (but subject to subsection (b) of this*
9 *section), the agreement with the State of Illinois heretofore*
10 *entered into pursuant to such section 218 shall be deemed*
11 *to apply to all services which were performed prior to Decem-*
12 *ber 31, 1977, by any individual employed by such State or*
13 *any political subdivision thereof in a policeman's or fire-*
14 *man's position covered by the Illinois Municipal Retirement*
15 *Fund, and with respect to which such State has paid to the*
16 *Secretary of the Treasury the sums prescribed pursuant*
17 *to subsection (e)(1)(A) of such section 218 at the time*
18 *or times established pursuant to such subsection (but only*
19 *if there has been no refund of the sums so paid or, if a*
20 *refund of part or all of such sums has been obtained, the*
21 *State of Illinois repays to the Secretary of the Treasury the*
22 *amount of such refund within ninety days after the date of*
23 *the enactment of this Act).*

24 *(b) Subsection (a) shall not apply with respect to*
25 *services performed by individuals employed by any political*

1 *subdivision which indicates, in such manner and within such*
 2 *period as the Secretary shall prescribe, that it does not wish*
 3 *such subsection to apply with respect to those services.*

4 *COVERAGE FOR POLICEMEN AND FIREMEN IN*
 5 *MISSISSIPPI*

6 *SEC. 310. Section 218(p)(1) of the Social Security*
 7 *Act is amended by inserting "Mississippi," after "Mary-*
 8 *land,".*

9 *COVERAGE UNDER DIVIDED RETIREMENT SYSTEM FOR*
 10 *STATE AND LOCAL EMPLOYEES IN NEW JERSEY*

11 *SEC. 311. Section 218(d)(6)(C) of the Social Security*
 12 *Act is amended by inserting "New Jersey," after "Nevada,".*

13 *COVERAGE OF SERVICE UNDER WISCONSIN RETIREMENT*
 14 *SYSTEM*

15 *SEC. 312. Section 218(m)(1) of the Social Security*
 16 *Act is amended by inserting after "Wisconsin retirement*
 17 *fund" the following: "or any successor system".*

18 *CONFORMING AMENDMENTS*

19 *SEC. 313. (a)(1) Section 210(a) of the Social Security*
 20 *Act (as amended by the preceding provisions of this title*
 21 *and by section 601) is further amended by redesignating*
 22 *paragraphs (8) through (20) as paragraphs (5) through*
 23 *(17), respectively.*

24 *(2)(A) Section 205(o) of such Act is amended by*

1 striking out "section 210(a)(9)" and inserting in lieu
2 thereof "section 210(a)(6)".

3 (B) Section 210(b) of such Act is amended by striking
4 out "paragraph (9) of subsection (a)" and inserting in lieu
5 thereof "paragraph (6) of subsection (a)".

6 (C) Section 211(c)(2) of such Act is amended—

7 (i) by striking out "section 210(a)(14)(B)" in
8 subparagraph (A) and inserting in lieu thereof "section
9 210(a)(11)(B)";

10 (ii) by striking out "section 210(a)(16)" in sub-
11 paragraph (B) and inserting in lieu thereof "section
12 210(a)(13)";

13 (iii) by striking out "section 210(a) (11), (12),
14 or (15)" in subparagraph (C) and inserting in lieu
15 thereof "section 210(a) (8), (9), or (12)"; and

16 (iv) by striking out "section 210(a)(20)" in sub-
17 paragraph (F) and inserting in lieu thereof "section
18 210(a)(17)".

19 (b)(1) Section 3121(b) of the Internal Revenue
20 Code of 1954 (relating to definition of employment), as
21 amended by the preceding provisions of this title and by
22 section 612, is further amended by redesignating paragraphs
23 (8) through (20) as paragraphs (5) through (17),
24 respectively.

1 (2)(A) Section 1402(c)(2) of such Code (relating
2 to definition of trade or business) is amended—

3 (i) by striking out “section 3121(b)(14)(B)”
4 in subparagraph (A) and inserting in lieu thereof “sec-
5 tion 3121(b)(11)(B)”;

6 (ii) by striking out “section 3121(b)(16)” in
7 subparagraph (B) and inserting in lieu thereof “section
8 3121(b)(13)”;

9 (iii) by striking out “section 3121(b) (11), (12),
10 or (15)” in subparagraph (C) and inserting in lieu
11 thereof “section 3121(b) (8), (9), or (12)”;

12 (iv) by striking out “section 3121(b)(20)” in
13 subparagraph (F) and inserting in lieu thereof “section
14 3121(b)(17)”.

15 (B) Section 3121(c) of such Code (relating to in-
16 cluded and excluded service) is amended by striking out “by
17 subsection (b)(9)” and inserting in lieu thereof “by sub-
18 section (b)(6)”.

19 (C) Section 3121(r)(3) of such Code (relating to
20 election of coverage by religious orders) is amended by
21 striking out “subsection (b)(8)(A)” and “section 210(a)
22 (8)(A)” and inserting in lieu thereof “subsection (b)
23 (5)” and “section 210(a)(5)”, respectively.

24 (D) Section 3124 of such Code (relating to estimate

1 of revenue reduction) is amended by striking out "section
2 3121(b)(9)" and inserting in lieu thereof "section 3121(b)
3 (6)".

4 (c) Section 18(2) of the Railroad Retirement Act of
5 1974 is amended by striking out "section 210(a)(9) of the
6 Social Security Act" and inserting in lieu thereof "section
7 210(a)(6) of the Social Security Act".

8 (d) The amendments made by this section shall apply
9 with respect to service performed after December 1981.

10 **TITLE IV—ELIMINATION OF GENDER-BASED**
11 **DISTINCTIONS UNDER THE OLD-AGE, SUR-**
12 **VIVORS, AND DISABILITY INSURANCE**
13 **PROGRAM**

14 **PART A—EQUALIZATION OF TREATMENT OF MEN AND**
15 **WOMEN UNDER THE PROGRAM**

16 **DIVORCED HUSBANDS**

17 **SEC. 401. (a)(1)** Section 202(c)(1) of the Social
18 Security Act is amended, in the matter preceding subpara-
19 graph (A), by inserting "and every divorced husband (as
20 defined in section 216(d))" before "of an individual" and
21 inserting "or such divorced husband" after "if such hus-
22 band".

23 (2) Section 202(c)(1) of such Act is further
24 amended—

1 (A) by redesignating subparagraphs (C) and (D)
2 as subparagraphs (D) and (E), and by inserting after
3 subparagraph (B) the following new subparagraph:

4 “(C) in the case of a divorced husband, is not
5 married,”;

6 (B) by striking out “after August 1950” in the
7 matter following subparagraph (E) (as so redesign-
8 nated); and

9 (C) by striking out “the month in which any of
10 the following occurs:” and all that follows and insert-
11 ing in lieu thereof the following:

12 “the first month in which any of the following occurs:

13 “(F) he dies,

14 “(G) such individual dies,

15 “(H) in the case of a husband, they are divorced
16 and either (i) he has not attained age 62, or (ii) he
17 has attained age 62 but has not been married to such
18 individual for a period of 20 years immediately before
19 the divorce became effective,

20 “(I) in the case of a divorced husband, he marries
21 a person other than such individual,

22 “(J) he becomes entitled to an old-age or dis-
23 ability insurance benefit based on a primary insurance
24 amount which is equal to or exceeds one-half of the
25 primary insurance amount of such individual, or

1 “(K) such individual is not entitled to disability
2 insurance benefits and is not entitled to old-age insur-
3 ance benefits.”.

4 (3) Section 202(c)(3) of such Act is amended by
5 inserting “(or, in the case of a divorced husband, his former
6 wife)” before “for such month”.

7 (4) Section 202(c) of such Act is amended by adding
8 after paragraph (3) the following new paragraph:

9 “(4) In the case of any divorced husband who
10 marries—

11 “(A) an individual entitled to benefits under
12 subsection (b), (e), (g), or (h) of this section, or

13 “(B) an individual who has attained the age
14 of 18 and is entitled to benefits under subsection
15 (d),

16 such divorced husband’s entitlement to benefits under
17 this subsection shall, notwithstanding the provisions of
18 paragraph (1) (but subject to subsection (s)), not
19 be terminated by reason of such marriage.”.

20 (5) Section 202(c)(2) of such Act is amended by
21 striking out “(C)” in the matter immediately preceding
22 subparagraph (A) and inserting in lieu thereof “(D)”.

23 (6) Section 202(b)(3)(A) of such Act is amended
24 by striking out “(f)” and inserting in lieu thereof “(c),
25 (f),”.

1 (7) Section 202(c)(1)(E) of such Act (as re-
2 designated by paragraph (2) of this subsection) is amended
3 by striking out "his wife" and inserting in lieu thereof
4 "such individual".

5 (b)(1) Section 202(f)(1) of such Act is amended,
6 in the matter preceding subparagraph (A), by inserting
7 "and every surviving divorced husband (as defined in section
8 216(d))" before "of an individual" and inserting "or
9 such surviving divorced husband" after "if such widower".

10 (2) Section 202(f)(1) of such Act is further amended
11 by striking out "his deceased wife" in subparagraph (E)
12 and in the matter following subparagraph (G) and insert-
13 ing in lieu thereof "such deceased individual".

14 (3) Paragraphs (3), (4), (6), and (7) of section 202
15 (f) of such Act are each amended by inserting "or surviving
16 divorced husband" after "widower" wherever it appears.

17 (4) Paragraph (3) of section 202(f) of such Act is
18 further amended by striking out "his deceased wife" wherever
19 it appears and by inserting in lieu thereof "such deceased
20 individual", and by striking out "wife" wherever it appears
21 and inserting in lieu thereof "individual".

22 (5) Section 202(f)(4) of such Act is further amended
23 by striking out "remarries" and inserting in lieu thereof
24 "marries", and by inserting "or surviving divorced hus-
25 band's" after "widower's".

1 (6) Section 202(e)(3)(A) of such Act is amended by
2 striking out “(f)” and inserting in lieu thereof “(c), (f),”.

3 (7) Section 202(g)(3)(A) of such Act is amended by
4 inserting “(c),” before “(f),”.

5 (8) Section 202(h)(4)(A) of such Act is amended by
6 inserting “(c),” before “(e),”.

7 (c)(1) Section 216(d) of such Act is amended by re-
8 designating paragraph (4) as paragraph (6), and by insert-
9 ing after paragraph (3) the following new paragraphs:

10 “(4) The term ‘divorced husband’ means a man di-
11 vorced from an individual, but only if he has been married
12 to such individual for a period of 20 years immediately
13 before the date the divorce became effective.

14 “(5) The term ‘surviving divorced husband’ means a
15 man divorced from an individual who has died, but only if he
16 has been married to the individual for a period of 20 years
17 immediately before the divorce became effective.”.

18 (2) The heading of section 216(d) of such Act is
19 amended to read as follows:

20 “Divorced Spouses; Divorce”.

21 (d)(1) Section 205(b) of such Act is amended by
22 inserting “divorced husband,” after “husband,” and “surviv-
23 ing divorced husband,” after “widower,”.

24 (2) Section 205(c)(1)(C) of such Act is amended
25 by inserting “surviving divorced husband,” after “wife,”.

1 (1) by striking out "wife" wherever it appears and
2 inserting in lieu thereof "spouse";

3 (2) by striking out "wife's" wherever it appears
4 and inserting in lieu thereof "spouse's";

5 (3) by striking out "she" wherever it appears and
6 inserting in lieu thereof "he or she";

7 (4) by striking out "his" wherever it appears and
8 inserting in lieu thereof "his or her"; and

9 (5) by inserting "or section 202(c)" after "sec-
10 tion 202(b)" wherever it appears.

11 (b) Section 227(b) and section 227(c) of such Act
12 are amended—

13 (1) by striking out "widow" wherever it appears
14 and inserting in lieu thereof "surviving spouse";

15 (2) by striking out "widow's" wherever it appears
16 and inserting in lieu thereof "surviving spouse's";

17 (3) by striking out "her" wherever it appears and
18 inserting in lieu thereof "the"; and

19 (4) by inserting "or section 202(f)" after "section
20 202(e)" wherever it appears.

21 (c) Section 216 of such Act (as amended by the pre-
22 ceding provisions of this Act) is further amended by in-
23 serting before subsection (b) the following new subsection:

1 *“Spouse; Surviving Spouse*

2 *“(a)(1) The term ‘spouse’ means a wife as defined*
3 *in subsection (b) or a husband as defined in subsection (f).*

4 *“(2) The term ‘surviving spouse’ means a widow as*
5 *defined in subsection (c) or a widower as defined in sub-*
6 *section (g).”.*

7 *EQUALIZATION OF BENEFITS UNDER SECTION 228*

8 *SEC. 405. (a) Section 228(b)(2) of the Social Secu-*
9 *rity Act is amended—*

10 *(1) by striking out “the husband’s benefit” and*
11 *inserting in lieu thereof “each of their benefits”;*

12 *(2) by striking out “\$64.40” and inserting in lieu*
13 *thereof “\$48.30”; and*

14 *(3) by striking out everything after “section*
15 *215(i)” the first time it appears and inserting in lieu*
16 *thereof a period.*

17 *(b) Section 228(c)(3) of such Act is amended to*
18 *read as follows:*

19 *“(3) In the case of a husband or wife, both of whom*
20 *are entitled to benefits under this section for any month, the*
21 *benefit amount of each, after any reduction under paragraph*
22 *(1), shall be further reduced (but not below zero) by the*
23 *excess (if any) of (A) the total amount of any periodic*
24 *benefits under governmental pension systems for which the*
25 *other is eligible for such month, over (B) the larger of*

1 *\$48.30 or the amount most recently established in lieu*
2 *thereof under section 215(i)."*

3 (c) *The Secretary shall increase the amounts specified*
4 *in section 228 of the Social Security Act, as amended by*
5 *this section, to take account of any general benefit increases*
6 *(as referred to in section 215(i)(3) of such Act), and*
7 *any increases under section 215(i) of such Act, which*
8 *occur after June 1974.*

9 **FATHER'S INSURANCE BENEFITS**

10 **SEC. 406. (a) Section 202(g) of the Social Security**
11 **Act is amended—**

12 (1) *by striking out "widow" wherever it appears*
13 *and inserting in lieu thereof "surviving spouse";*

14 (2) *by striking out "widow's" wherever it appears*
15 *and inserting in lieu thereof "surviving spouse's";*

16 (3) *by striking out "wife's insurance benefits" in*
17 *paragraph (1)(D) and inserting in lieu thereof "a*
18 *spouse's insurance benefit";*

19 (4) *by striking out "he" in paragraph (1)(D) and*
20 *wherever it appears in paragraph (3) and inserting in*
21 *lieu thereof "such individual";*

22 (5) *by striking out "her" wherever it appears and*
23 *inserting in lieu thereof "his or her";*

24 (6) *by striking out "she" wherever it appears and*
25 *inserting in lieu thereof "he or she";*

1 (7) by striking out "mother" wherever it appears
2 and inserting in lieu thereof "parent";

3 (8) by inserting "or father's" after "mother's"
4 wherever it appears;

5 (9) by striking out "after August 1950";

6 (10) by inserting "this subsection or" before "sub-
7 section (a)" in paragraph (3)(A); and

8 (11) by striking out "his" in paragraph (3) and
9 inserting in lieu thereof "his or her".

10 (b) The heading of section 202(g) of such Act is
11 amended by inserting "and Father's" after "Mother's".

12 (c) Section 216(d) of such Act (as amended by section
13 401(c)(1) of this Act) is further amended by redesignating
14 paragraph (6) as paragraph (8), and by inserting after
15 paragraph (5) the following new paragraphs:

16 “(6) The term ‘surviving divorced father’ means a man
17 divorced from an individual who has died, but only if (A)
18 he is the father of her son or daughter, (B) he legally
19 adopted her son or daughter while he was married to her
20 and while such son or daughter was under the age of 18,
21 (C) she legally adopted his son or daughter while he was
22 married to her and while such son or daughter was under the
23 age of 18, or (D) he was married to her at the time both of
24 them legally adopted a child under the age of 18.

25 “(7) The term ‘surviving divorced parent’ means a sur-

1 *viving divorced mother as defined in paragraph (3) of this*
2 *subsection or a surviving divorced father as defined in para-*
3 *graph (6).”.*

4 *(d) Section 202(c)(1) of such Act (as amended by*
5 *section 401(a)(2) of this Act) is further amended by in-*
6 *serting “(subject to subsection (s))” before “be entitled*
7 *to” in the matter following subparagraph (E) and pre-*
8 *ceding subparagraph (F).*

9 *(e) Section 202(c)(1)(B) of such Act is amended by*
10 *inserting after “62” the following: “or (in the case of a*
11 *husband) has in his care (individually or jointly with such*
12 *individual) at the time of filing such application a child en-*
13 *titled to child’s insurance benefits on the basis of the wages and*
14 *self-employment income of such individual”.*

15 *(f) Section 202(c)(1) of such Act (as amended by*
16 *section 401(a)(2)(C) of this Act) is further amended by*
17 *redesignating the new subparagraphs (J) and (K) as sub-*
18 *paragraphs (K) and (L), respectively, and by adding after*
19 *subparagraph (I) the following new subparagraph:*

20 *“(J) in the case of a husband who has not attained*
21 *age 62, no child of such individual is entitled to a child’s*
22 *insurance benefit.”.*

23 *(g) Section 202(f)(1)(C) of such Act is amended by*
24 *inserting “(i)” after “(C)”, by adding “or” after “223”,*
25 *and by inserting at the end thereof the following new clause:*

1 “(ii) was entitled, on the basis of such wages and
2 self-employment income, to father’s insurance benefits for
3 the month preceding the month in which he attained age
4 65,”.

5 (h) Section 202(f)(6) of such Act is amended by strik-
6 ing out “or” at the end of subparagraph (A), by adding “or”
7 after the comma at the end of subparagraph (B), and by
8 adding after and below subparagraph (B) the following new
9 subparagraph:

10 “(C) the last month for which he was entitled to
11 father’s insurance benefits on the basis of the wages and
12 self-employment income of such individual,”.

13 **EFFECT OF MARRIAGE ON CHILDHOOD DISABILITY**

14 **BENEFICIARY**

15 SEC. 407. (a) Section 202(d)(5) of the Social Secu-
16 rity Act is amended by striking out “a male individual” in
17 the matter following subparagraph (B) and inserting in
18 lieu thereof “an individual”.

19 (b) The amendment made by subsection (a) of this
20 section shall be effective with respect to benefits under title
21 II of the Social Security Act for months after December
22 1977, but only in cases where the “last month” referred to
23 in section 202(d)(5) of such Act is a month after December
24 1977.

1 *EFFECT OF MARRIAGE ON OTHER DEPENDENTS' OR*
2 *DEPENDENT SURVIVORS' BENEFITS*

3 *SEC. 408. (a) Section 202(c)(4) of the Social Se-*
4 *curity Act (as added by section 401(a)(4) of this Act) is*
5 *further amended by inserting before the period at the end*
6 *thereof the following: “; except that, in the case of such a*
7 *marriage to an individual entitled to benefits under subsec-*
8 *tion (d), the preceding provisions of this paragraph shall not*
9 *apply with respect to benefits for months after the last month*
10 *for which such individual is entitled to such benefits under*
11 *subsection (d) unless she ceases to be so entitled by reason of*
12 *her death”.*

13 *(b) Section 202(f)(4) of such Act is amended by in-*
14 *serting before the period at the end thereof the following:*
15 *“; except that, in the case of such a marriage to an individual*
16 *entitled to benefits under subsection (d), the preceding pro-*
17 *visions of this paragraph shall not apply with respect to*
18 *benefits for months after the last month for which such in-*
19 *dividual is entitled to such benefits under subsection (d)*
20 *unless she ceases to be so entitled by reason of her death”.*

21 *(c) Section 202(h)(4) of such Act is amended by*
22 *striking out “a male individual” in the matter following*
23 *clause (B) and inserting in lieu thereof “an individual”.*

24 *(d) The amendments made by this section shall be ef-*

1 *fective with respect to benefits under title II of the Social*
2 *Security Act for months after December 1977, but only in*
3 *cases where the "last month" referred to in section 202(c)*
4 *(4), 202(f)(4), 202(g)(3), or 202(h)(4) is a month*
5 *after December 1977.*

6 *TREATMENT OF SELF-EMPLOYMENT INCOME IN*
7 *COMMUNITY PROPERTY STATES*

8 *SEC. 409. (a) Section 211(a)(5)(A) of the Social*
9 *Security Act and section 1402(a)(5)(A) of the Internal*
10 *Revenue Code of 1954 are each amended by striking out*
11 *"husband unless the wife exercises substantially all of the*
12 *management and control of such trade or business, in which*
13 *case all of such gross income and deductions shall be treated*
14 *as the gross income and deductions of the wife" and inserting*
15 *in lieu thereof "spouse who exercises the greater manage-*
16 *ment and control over the trade or business, except that such*
17 *income and deductions shall be divided equally between the*
18 *two spouses if each spouse exercises the same amount of man-*
19 *agement and control over the trade or business".*

20 *(b) The amendments made by subsection (a) shall be*
21 *effective with respect to taxable years beginning after De-*
22 *cember 1977.*

23 *CREDIT FOR CERTAIN MILITARY SERVICE*

24 *SEC. 410. Section 217(f) of the Social Security Act*
25 *is amended by striking out "widow" each place it appears*

1 *and inserting in lieu thereof "surviving spouse", and by*
2 *striking out "her" each place it appears in paragraph (2)*
3 *and inserting in lieu thereof "his".*

4 **CONFORMING AMENDMENTS**

5 *SEC. 411. (a) Section 202(b)(3)(A) of the Social*
6 *Security Act (as amended by section 401(a)(6) of this*
7 *Act) is further amended by inserting "(g)," after "(f)."*

8 *(b) Section 202(p)(1) of such Act is amended by*
9 *striking out "subparagraph (C) of subsection (c)(1)"*
10 *and inserting in lieu thereof "subparagraph (D) of sub-*
11 *section (c)(1)".*

12 *(c) Section 202(q)(3) of such Act is amended by*
13 *inserting "or surviving divorced husband" after "widower"*
14 *in subparagraphs (E), (F), and (G).*

15 *(d) Section 202(q)(5) of such Act is amended—*

16 *(1) by inserting "husband's or" before "wife's"*
17 *each place it appears;*

18 *(2) by inserting "he or" before "she" each place*
19 *it appears;*

20 *(3) by inserting "his or" before "her" each place*
21 *it appears;*

22 *(4) by striking out "the woman" in subparagraph*
23 *(B)(ii) and "a woman" in subparagraph (C) and*
24 *inserting in lieu thereof "the individual" and "an individ-*
25 *ual", respectively; and*

1 (5) in subparagraph (D), by inserting "widower's
2 or" before "widow's"; by inserting "wife or" before
3 "husband" each place it appears; by inserting "wife's
4 or" before "husband's" each place it appears; and by
5 inserting "father's or" before "mother's".

6 (e)(1) Section 202(q)(6)(A)(i) of such Act is
7 amended by striking out "or husband's insurance" in sub-
8 division (I), and by inserting "or husband's" after "wife's"
9 in subdivision (II).

10 (2) Section 202(q)(7) of such Act is amended, in
11 subparagraph (B), by inserting "husband's or" before
12 "wife's", by inserting "he or" before "she", and by insert-
13 ing "his or" before "her", and in subparagraph (D) by
14 inserting "or widower's" after "widow's".

15 (f)(1) Section 202(s)(1) of such Act is amended
16 by inserting "(c)(1)," after "(b)(1),".

17 (2) Section 202(s)(2) of such Act is amended by
18 inserting "(c)(4)," after "(b)(3),".

19 (3) Section 202(s)(3) of such Act is amended by
20 inserting "(c)(4)," after "(b)(3),", and by inserting
21 "(f)(4)," after "(e)(3),".

22 (g) Section 203(a)(3) of such Act (as in effect in
23 December 1977) is amended by inserting ", or as a divorced
24 husband under section 202(c) or as a surviving divorced
25 husband under section 202(f)," after "section 202(e)", by

1 striking out “she” and inserting in lieu thereof “he or she”,
2 and by inserting “or divorced husband or surviving divorced
3 husband” after “such divorced wife or surviving divorced
4 wife”.

5 (h) The third sentence of section 203(b) of such Act
6 is amended by inserting “or father’s” after “mother’s”.

7 (i) The text of section 203(c) of such Act is amended
8 to read as follows—

9 “(c) Deductions, in such amounts and at such time or
10 times as the Secretary shall determine, shall be made from
11 any payment or payments under this title to which an indi-
12 vidual is entitled, until the total of such deductions equals
13 such individual’s benefits or benefit under section 202 for
14 any month—

15 “(1) in which such individual is under the age of
16 seventy-two and on seven or more different calendar
17 days of which such individual engaged in noncovered
18 remunerative activity outside the United States; or

19 “(2) in which such individual, if a wife or husband
20 under age sixty-five entitled to a wife’s or husband’s
21 insurance benefit, did not have in his or her care (indi-
22 vidually or jointly with his or her spouse) a child of such
23 spouse entitled to a child’s insurance benefit and such
24 wife’s or husband’s insurance benefit for such month was
25 not reduced under the provisions of section 202(q); or

1 “(3) in which such individual, if a widow or wid-
2 ower entitled to a mother’s or father’s insurance benefit,
3 did not have in his or her care a child of his or her de-
4 ceased spouse entitled to a child’s insurance benefit; or

5 “(4) in which such an individual, if a surviving
6 divorced mother or father entitled to a mother’s or father’s
7 insurance benefit, did not have in his or her care a child
8 of his deceased former spouse who (A) is his or her son,
9 daughter, or legally adopted child and (B) is entitled to
10 a child’s insurance benefit on the basis of the wages and
11 self-employment income of such deceased former spouse.

12 For purposes of paragraphs (2), (3), and (4) of this sub-
13 section, a child shall not be considered to be entitled to a
14 child’s insurance benefit for any month in which paragraph
15 (1) of section 202(s) applies or an event specified in sec-
16 tion 222(b) occurs with respect to such child. Subject to
17 paragraph (3) of such section 202(s), no deductions shall
18 be made under this subsection from any child’s insurance
19 benefit for the month in which the child entitled to such
20 benefit attained the age of eighteen or any subsequent month;
21 nor shall any deduction be made under this subsection from
22 any widow’s insurance benefits for any month in which the
23 widow or surviving divorced wife is entitled and has not
24 attained age sixty-five (but only if she became so entitled
25 prior to attaining age sixty), or from any widower’s insur-

1 *ance benefit for any month in which the widower or surviv-*
2 *ing divorced husband is entitled and has not attained age*
3 *sixty-five (but only if he became so entitled prior to attain-*
4 *ing age sixty)."*

5 *(j) Section 203(d) of such Act is amended by inserting*
6 *"divorced husband," after "husband," in paragraph (1),*
7 *and by inserting "or father's" after "mother's" each place it*
8 *appears in paragraph (2).*

9 *(k)(1) Section 205(b) of such Act (as amended by*
10 *section 401(d)(1) of this Act) is further amended by*
11 *inserting "surviving divorced father," after "mother,".*

12 *(2) Section 205(c)(1)(C) of such Act (as amended*
13 *by section 401(d)(2) of this Act) is further amended by*
14 *inserting "surviving divorced father," after "surviving*
15 *divorced mother,".*

16 *(l) Section 216(f) of such Act is amended by inserting*
17 *"(c)," before "(f)" in clause (3)(A).*

18 *(m) Section 216(g) of such Act is amended by insert-*
19 *ing "(c)," before "(f)" in clause (6)(A).*

20 *(n) Section 222(b)(1) of such Act is amended by*
21 *striking out "or surviving divorced wife" and inserting in*
22 *lieu thereof ", surviving divorced wife, or surviving divorced*
23 *husband".*

24 *(o) Section 222(b)(3) of such Act is amended by*
25 *inserting "divorced husband," after "husband,".*

1 (p) Section 222(b)(2) of such Act is amended by
2 inserting "or father's" after "mother's" each place it appears.

3 (q) Section 222(d)(1) of such Act is amended by
4 inserting "and surviving divorced husbands" after "for
5 widowers" in the matter following clause (iii).

6 (r) Section 223(d)(2) of such Act is amended by
7 striking out "or widower" where that term appears in sub-
8 paragraphs (A) and (B) and inserting in lieu thereof
9 "widower, or surviving divorced husband".

10 (s) Section 225 of such Act is amended by inserting "or
11 surviving divorced husband" after "widower".

12 (t)(1) Section 226(h)(3) of such Act is amended to
13 read as follows:

14 "(3) For purposes of determining entitlement to hos-
15 pital insurance benefits under subsection (b), any disabled
16 widow age 50 or older who is entitled to mother's insurance
17 benefits (and who would have been entitled to widow's
18 insurance benefits by reason of disability if she had filed
19 for such widow's benefits), and any disabled widower who
20 is entitled to father's insurance benefits (and who would
21 have been entitled to widower's insurance benefits by reason
22 of disability if he had filed for such widower's benefits),
23 shall, upon application for such hospital insurance bene-
24 fits, be deemed to have filed for such widow's or widower's
25 benefits."

1 (2) *For purposes of determining entitlement to hospital*
 2 *insurance benefits under section 226(h)(3) of the Social*
 3 *Security Act, as amended by paragraph (1) of this subsec-*
 4 *tion, an individual becoming entitled to such hospital insur-*
 5 *ance benefits as a result of the amendment made by such*
 6 *paragraph shall, upon furnishing proof of such disability*
 7 *within twelve months after the month of enactment of this*
 8 *Act, under such procedures as the Secretary may prescribe,*
 9 *be deemed to have been entitled to the widow's or widower's*
 10 *benefits referred to in such section 226(h)(3), as so*
 11 *amended, as of the time such individual would have been*
 12 *entitled to such widow's or widower's benefits if he or she*
 13 *had filed a timely application therefor.*

14 **EFFECTIVE DATE**

15 **SEC. 412.** *Except as otherwise specifically provided in*
 16 *this part, the amendments made by this part shall apply only*
 17 *with respect to monthly benefits payable under title II of the*
 18 *Social Security Act for months after December 1977.*

19 **PART B—EFFECT OF MARRIAGE, REMARRIAGE, AND**

20 **DIVORCE ON BENEFIT ELIGIBILITY**

21 **ELIMINATION OF MARRIAGE OR REMARRIAGE AS FACTOR**

22 **TERMINATING OR REDUCING BENEFITS**

23 **SEC. 415.** *(a)(1) Section 202(b)(1) of the Social*
 24 *Security Act is amended—*

1 (A) by adding "and" at the end of subparagraph
2 (B),

3 (B) by striking out subparagraph (C),

4 (C) by striking out subparagraph (H), and

5 (D) by redesignating subparagraphs (D), (E),
6 (F), (G), (I), (J), and (K) as subparagraphs (C),
7 (D), (E), (F), (G), (H), and (I), respectively.

8 (2) Section 202(b) of such Act is further amended by
9 striking out paragraph (3).

10 (b)(1) Section 202(c)(1) of such Act (as amended
11 by sections 401(a)(2) and 406(f) of this Act) is
12 amended—

13 (A) by striking out subparagraph (C),

14 (B) by striking out subparagraph (I), and

15 (C) by redesignating subparagraphs (D), (E),
16 (F), (G), (H), (J), (K), and (L) as subparagraphs
17 (C), (D), (E), (F), (G), (H), (I), and (J),
18 respectively.

19 (2) Section 202(c) of such Act is further amended by
20 striking out paragraph (4) (as added by section 401(a)
21 (4) of this Act and amended by section 408(a)).

22 (3) Section 202(c)(2) of such Act (as amended by
23 section 401(a)(5) of this Act) is further amended by
24 striking out "(D)" in the matter immediately preceding
25 subparagraph (A) and inserting in lieu thereof "(C)".

1 (c)(1) Section 202(d)(1) of such Act is amended—

2 (A) by striking out “was unmarried and” in sub-
3 paragraph (B), and

4 (B) by striking out “or marries,” in subparagraph
5 (D).

6 (2) Section 202(d) of such Act is further amended by
7 striking out paragraph (5), and by redesignating paragraphs
8 (6) through (9) as paragraphs (5) through (8), respec-
9 tively.

10 (d)(1) Section 202(e)(1) of such Act is amended—

11 (A) by striking out subparagraph (A),

12 (B) by striking out “paragraph (5)” in subpara-
13 graph (B) and inserting in lieu thereof “paragraph
14 (3)”,

15 (C) by striking out “subparagraph (B)” in sub-
16 paragraph (E) and inserting in lieu thereof “subpara-
17 graph (A)”,

18 (D) by striking out “subparagraph (B)”, “para-
19 graph (6)”, and “paragraph (5)” in subparagraph
20 (F) and inserting in lieu thereof “subparagraph (A)”,
21 “paragraph (4)”, and “paragraph (3)”, respectively,

22 (E) by striking out “remarries, dies,” in the matter
23 following subparagraph (F) and inserting in lieu thereof
24 “dies, or”, and

1 (F) by redesignating subparagraphs (B) through
2 (F) as subparagraphs (A) through (E), respectively.

3 (2) Section 202(e)(2)(A) of such Act is amended by
4 striking out “, paragraph (4) of this subsection,”.

5 (3) Section 202(e) of such Act is further amended by
6 striking out paragraphs (3) and (4), and by redesignating
7 paragraphs (5), (6), and (7) as paragraphs (3), (4), and
8 (5), respectively.

9 (4) The paragraph of section 202(e) of such Act re-
10 designated as paragraph (3) by paragraph (3) of this sub-
11 section is amended by striking out “(1)(B)(ii)” and insert-
12 ing in lieu thereof “(1)(A)(ii)”.

13 (5) The paragraph of section 202(e) of such Act re-
14 designated as paragraph (4) by paragraph (3) of this sub-
15 section is amended—

16 (A) by striking out “paragraph (1)(F)” and in-
17 serting in lieu thereof “paragraph (1)(E)”, and

18 (B) by striking out “paragraph (5)” and inserting
19 in lieu thereof “paragraph (3)”.

20 (e)(1) Section 202(f)(1) of such Act (as amended
21 by the preceding provisions of this title) is further amended—

22 (A) by striking out subparagraph (A),

23 (B) by striking out “paragraph (6)” in subpara-
24 graph (B) and inserting in lieu thereof “paragraph
25 (4)”.

1 (C) by striking out “subparagraph (B)” in sub-
2 paragraph (F) and inserting in lieu thereof “subpara-
3 graph (A)”,

4 (D) by striking out “subparagraph (B)”, “para-
5 graph (7)”, and “paragraph (6)” in subparagraph
6 (G) and inserting in lieu thereof “subparagraph (A)”,
7 “paragraph (5)”, and “paragraph (4)”, respectively,

8 (E) by striking out “remarries,” in the matter fol-
9 lowing subparagraph (G), and

10 (F) by redesignating subparagraphs (B) through
11 (G) as subparagraphs (A) through (F), respectively.

12 (2) Section 202(f)(2) of such Act is amended by
13 striking out “subparagraph (D)” and inserting in lieu
14 thereof “subparagraph (C)”.

15 (3) Section 202(f)(3)(A) of such Act is amended
16 by striking out “, paragraph (5) of this subsection,”.

17 (4) Section 202(f) of such Act is further amended by
18 striking out paragraphs (4) and (5), and by redesignating
19 paragraphs (6), (7), and (8) as paragraphs (4), (5),
20 and (6), respectively.

21 (5) The paragraph of section 202(f) of such Act re-
22 designated as paragraph (4) by paragraph (4) of this sub-
23 section is amended by striking out “(1)(B)(ii)” and in-
24 serting in lieu thereof “(1)(A)(ii)”.

25 (6) The paragraph of section 202(f) of such Act re-

1 designated as paragraph (5) by paragraph (4) of this sub-
2 section is amended by striking out “paragraph (1)(G)”
3 and “paragraph (6)” and inserting in lieu thereof “para-
4 graph (1)(F)” and “paragraph (4)”, respectively.

5 (f)(1) Section 202(g)(1) of such Act (as amended
6 by section 406(a) of this Act) is further amended—

7 (A) by striking out subparagraph (A),

8 (B) by striking out “subparagraph (E)” in sub-
9 paragraph (F)(i) and inserting in lieu thereof “sub-
10 paragraph (D)”,

11 (C) by striking out “he remarries,” in the matter
12 following subparagraph (F), and

13 (D) by redesignating subparagraphs (B) through
14 (F) as subparagraphs (A) through (E), respectively.

15 (2) Section 202(g) of such Act is further amended by
16 striking out paragraph (3).

17 (g)(1) Section 202(h)(1) of such Act is amended—

18 (A) by striking out subparagraph (C),

19 (B) by striking out “marries,” in the matter fol-
20 lowing subparagraph (E), and

21 (C) by redesignating subparagraphs (D) and (E)
22 as subparagraphs (C) and (D), respectively.

23 (2) Section 202(h) of such Act is further amended by
24 striking out paragraph (4).

25 (h)(1) Section 202(k)(2)(B) of such Act is amended—

1 (A) by striking out “(other than an individual to
2 whom subsection (e)(4) or (f)(5) applies)”, and

3 (B) by striking out the second sentence.

4 (2) Section 202(k)(3) of such Act is amended—

5 (A) by striking out “(A)” immediately before “If
6 an individual is entitled to an old-age or disability in-
7 surance benefit”, and

8 (B) by striking out subparagraph (B).

9 (i) Section 202(p)(1) of such Act (as amended by
10 section 411(b) of this Act) is further amended by striking
11 out “subparagraph (D) of subsection (c)(1), clause (i) or
12 (ii) of subparagraph (D) of subsection (f)(1)” and insert-
13 ing in lieu thereof “subparagraph (C) of subsection (c)(1),
14 clause (i) or (ii) of subparagraph (C) of subsection (f)
15 (1)”.

16 (j)(1) Section 202(s)(2) of such Act is repealed.

17 (2) Section 202(s)(3) of such Act (as amended by
18 section 411(f)(3) of this Act) is further amended by
19 striking out “so much of subsections (b)(3), (c)(4),
20 (d)(5), (e)(3), (f)(4), (g)(3), and (h)(4) of this
21 section as follows the semicolon,”.

22 **DURATION-OF-MARRIAGE REQUIREMENT FOR DIVORCED**

23 **SPOUSES AND SURVIVING DIVORCED SPOUSES**

24 **SEC. 416.** (a) Section 216(d) of the Social Security
25 Act is amended by striking out “20 years” in paragraphs

1 (1) and (2), and in paragraphs (4) and (5) (as added by
2 section 401(c)(1) of this Act), and inserting in lieu thereof
3 in each instance "5 years".

4 (b) Section 202(b)(1)(F) of such Act (as redesign-
5 nated by section 415(a)(1)(D) of this Act) is amended
6 by striking out "20 years" and inserting in lieu thereof
7 "5 years".

8 (c) Section 202(c)(1)(G) of such Act (as added by
9 section 401(a)(2)(C) of this Act and redesignated by
10 section 415(b)(1)(C)) is amended by striking out "20
11 years" and inserting in lieu thereof "5 years".

12 *EFFECTIVE DATE*

13 *SEC. 417. (a) The amendments made by this part shall*
14 *apply only with respect to monthly benefits payable under*
15 *title II of the Social Security Act for months after December*
16 *1978, and, in the case of individuals who are not entitled*
17 *to benefits of the type involved under such title for December*
18 *1978, only on the basis of applications filed on or after*
19 *January 1, 1979.*

20 (b) *An individual whose entitlement to monthly in-*
21 *surance benefits under subsection (b), (c), (d), (e), (f),*
22 *(g), or (h) of section 202 of the Social Security Act*
23 *terminated on account of such individual's marriage or re-*
24 *marriage, or on account of the termination (except by reason*
25 *of death) of the benefits to which such individual's spouse*

1 *was entitled under section 223(a) or section 202(d)(1)(B)*
2 *(ii) of such Act, prior to January 1979, may again become*
3 *entitled to such benefits (provided no event which would other-*
4 *wise terminate such entitlement has since occurred) beginning*
5 *with January 1979 or, if later, with the first month (after*
6 *January 1979) in which he files application for such reen-*
7 *titlement. The reentitlement of such individual to benefits*
8 *under such subsection (and the entitlement of other persons*
9 *to benefits under title II of the Social Security Act to the*
10 *extent related to such individual or his entitlement) shall*
11 *be treated for all the purposes of title II of the Social Security*
12 *Act as though such reentitlement were the individual's initial*
13 *entitlement.*

14 *PART C—STUDY*

15 *STUDY OF PROPOSALS TO ELIMINATE DEPENDENCY AND*
16 *SEX DISCRIMINATION UNDER THE SOCIAL SECURITY*
17 *PROGRAM*

18 *SEC. 421. (a) The Secretary of Health, Education, and*
19 *Welfare, in consultation with the Task Force on Sex Dis-*
20 *crimination in the Department of Justice, shall undertake*
21 *and carry out, within the Department of Health, Education,*
22 *and Welfare and the Social Security Administration, a de-*
23 *tailed study of proposals to eliminate dependency as a factor*
24 *in the determination of entitlement to spouse's benefits under*
25 *the social security program, and of proposals to bring about*

1 *equal treatment of men and women in any and all respects*
2 *under such program, taking into account the practical effects*
3 *(particularly the effect upon women's entitlement to such*
4 *benefits) of such things as—*

5 *(1) changes in the nature and extent of women's*
6 *participation in the labor force,*

7 *(2) the increasing divorce rate, and*

8 *(3) the economic value of women's work in the home.*

9 *The study shall include appropriate cost analyses.*

10 *(b) The Secretary shall submit to the Congress within*
11 *six months after the date of the enactment of this Act a full*
12 *and complete report on the study carried out under subsec-*
13 *tion (a).*

14 *TITLE V—CHANGES IN EARNINGS TEST*
15 *UNDER THE OLD-AGE, SURVIVORS, AND*
16 *DISABILITY INSURANCE PROGRAM*

17 *LIBERALIZATION OF EARNINGS TEST FOR INDIVIDUALS*

18 *AGE 65 AND OVER*

19 *SEC. 501. (a) Section 203(f)(8)(A) of the Social*
20 *Security Act is amended by striking out "a new exempt*
21 *amount which shall be effective (unless such new exempt*
22 *amount is prevented from becoming effective by subpara-*
23 *graph (C) of this paragraph) with respect to any individ-*
24 *ual's taxable year which ends after the calendar year" and*
25 *inserting in lieu thereof "the new exempt amounts (sepa-*

1 *rately stated for individuals described in subparagraph (D)*
2 *and for other individuals) which are to be applicable (unless*
3 *prevented from becoming effective by subparagraph (C))*
4 *with respect to taxable years ending in (or with the close of)*
5 *the calendar year after the calendar year”.*

6 *(b) (1) Section 203(f)(8)(B) of such Act is amended*
7 *by striking out “The exempt amount for each month of a*
8 *particular taxable year shall, be” in the matter preceding*
9 *clause (i) and inserting in lieu thereof “Except as otherwise*
10 *provided in subparagraph (D), the exempt amount which is*
11 *applicable to individuals described in such subparagraph*
12 *and the exempt amount which is applicable to other individ-*
13 *uals, for each month of a particular taxable year, shall each*
14 *be”.*

15 *(2) Section 203(f)(8)(B)(i) of such Act is amended*
16 *by striking out “the exempt amount” and inserting in lieu*
17 *thereof “the corresponding exempt amount”.*

18 *(3) The last sentence of section 203(f)(8)(B) of such*
19 *Act is amended by striking out “the exempt amount” and*
20 *inserting in lieu thereof “an exempt amount”.*

21 *(c) (1) Section 203(f)(8) of such Act is further*
22 *amended by adding at the end thereof the following new*
23 *subparagraph:*

24 *“(D) Notwithstanding any other provision of this*
25 *subsection, the exempt amount which is applicable to an*

1 individual who has attained age 65 before the close of
2 the taxable year involved—

3 “(i) shall be $\$333.33\frac{1}{3}$ for each month of any
4 taxable year ending after 1977 and before 1979,

5 “(ii) shall be $\$375$ for each month of any
6 taxable year ending after 1978 and before 1980,
7 and

8 “(iii) shall be determined (under subparagraph
9 (B)) for each month of any taxable year ending
10 after 1979 as though the dollar amounts specified
11 in clauses (i) and (ii) had been determined (for
12 the taxable years described in such clauses) under
13 subparagraph (B).”.

14 (2) No notification with respect to an increased exempt
15 amount for individuals described in section 203(f)(8)(D) of
16 the Social Security Act (as added by paragraph (1) of this
17 subsection) shall be required under the last sentence of section
18 203(f)(8)(B) of such Act in 1977 or 1978; and section
19 203(f)(8)(C) of such Act shall not prevent the new exempt
20 amount determined and published under section 203(f)(8)
21 (A) in 1977 from becoming effective to the extent that such
22 new exempt amount applies to individuals other than those
23 described in section 203(f)(8)(D) of such Act (as so
24 added).

1 (d) Subsections (f)(1), (f)(3), (f)(4)(B), and
2 (h)(1)(A) of section 203 of such Act are each amended by
3 striking out "\$200 or the exempt amount" and inserting in
4 lieu thereof "the applicable exempt amount".

5 (e) The amendments made by this section shall apply
6 with respect to taxable years ending after December 1977.

7 ELIMINATION OF MONTHLY EARNINGS TEST

8 SEC. 502. (a) Clause (E) of the last sentence of
9 section 203(f)(1) of the Social Security Act (as amended
10 by section 501(d) of this Act) is further amended by
11 inserting before the period at the end thereof the following:
12 ", if such month is in the taxable year in which occurs the
13 first month that is both (i) a month for which the individual
14 is entitled to benefits under subsection (a), (b), (c), (d),
15 (e), (f), (g), or (h) of section 202 (without having been
16 entitled for the preceding month to a benefit under any
17 other of such subsections), and (ii) a month in which the
18 individual did not engage in self-employment and did not
19 render services for wages (determined as provided in para-
20 graph (5)) of more than the exempt amount as determined
21 under paragraph (8)".

22 (b) The amendment made by subsection (a) shall apply
23 only with respect to monthly benefits payable for months after
24 December 1977.

1 LIBERALIZATION OF TEST FOR DETERMINING DEDUCTIONS
2 ON ACCOUNT OF NONCOVERED WORK OUTSIDE THE
3 UNITED STATES

4 SEC. 503. (a) *Effective with respect to months in taxable*
5 *years ending after 1977 and before 1979, subsections (c) (1),*
6 *(d) (1), and (d) (2) of section 203 of the Social Security*
7 *Act (as amended by the preceding provisions of this Act)*
8 *are each amended by striking out "seven or more" and*
9 *inserting in lieu thereof "nine or more".*

10 (b) *Effective with respect to months in taxable years end-*
11 *ing after 1978, subsections (c) (1), (d) (1), and (d) (2) of*
12 *such section 203 (as amended by subsection (a) of this sec-*
13 *tion) are each further amended by striking out "nine or more"*
14 *and inserting in lieu thereof "twelve or more".*

15 TITLE VI—COMBINED SOCIAL SECURITY AND
16 INCOME TAX ANNUAL REPORTING

17 PART A—AMENDMENTS TO TITLE II OF THE SOCIAL
18 SECURITY ACT

19 ANNUAL CREDITING OF QUARTERS OF COVERAGE

20 SEC. 601. (a) (1) *Sections 209(g) (3), 209(j), 210*
21 *(a) (17) (A), and 210(f) (4) (B) of the Social Security*
22 *Act are each amended by striking out "quarter" wherever*
23 *it appears and inserting in lieu thereof "year".*

24 (2) *Sections 209(g) (3) and 209(j) of such Act are*
25 *each further amended by striking out "\$50" and inserting*
26 *in lieu thereof "\$100".*

1 (3)(A) Section 209 of such Act is amended by strik-
2 ing out “or” at the end of subsection (n), by striking out the
3 period at the end of subsection (o) and inserting in lieu
4 thereof “; or”, and by inserting after subsection (o) the fol-
5 lowing new subsection:

6 “(p) Remuneration paid by an organization exempt
7 from income tax under section 501 of the Internal Revenue
8 Code of 1954 in any calendar year to an employee for
9 service rendered in the employ of such organization, if the
10 remuneration paid in such year by the organization to the
11 employee for such service is less than \$100.”.

12 (B) Section 210(a)(10) of such Act (as amended
13 by section 302(d)(3) of this Act) is amended by strik-
14 ing out “(10(A))” and all that follows down through
15 “(B) Service” and inserting in lieu thereof “(10) Service”,
16 and by redesignating clauses (i) and (ii) as subparagraphs
17 (A) and (B), respectively.

18 (b) Section 212 of such Act is amended to read as
19 follows:

20 “CREDITING OF SELF-EMPLOYMENT INCOME TO

21 CALENDAR YEARS

22 “SEC. 212. (a) For the purposes of determining aver-
23 age monthly wage and quarters of coverage the amount of
24 self-employment income derived during any taxable year
25 which begins before 1978 shall—

1 “(1) in the case of a taxable year which is a calen-
2 dar year, be credited equally to each quarter of such
3 calendar year; and

4 “(2) in the case of any other taxable year, be
5 credited equally to the calendar quarter in which such
6 taxable year ends and to each of the next three or fewer
7 preceding quarters any part of which is in such taxable
8 year.

9 “(b) For the purposes of determining average indexed
10 monthly earnings, average monthly wage, and quarters of
11 coverage the amount of self-employment income derived dur-
12 ing any taxable year which begins after 1977 shall—

13 “(1) in the case of a taxable year which is a
14 calendar year or which begins with or during a calendar
15 year and ends with or during such year, be credited to
16 such calendar year; and

17 “(2) in the case of any other taxable year, be
18 allocated proportionately to the two calendar years,
19 portions of which are included within such taxable year,
20 on the basis of the number of months in each such
21 calendar year which are included completely within the
22 taxable year.

23 For purposes of clause (2), the calendar month in which a
24 taxable year ends shall be treated as included completely
25 within that taxable year.”.

1 (c) Section 213(a)(2) of such Act is amended to read
2 as follows:

3 “(2) (A) The term ‘quarter of coverage’ means—

4 “(i) for calendar years before 1978, and subject to
5 the provisions of subparagraph (B), a quarter in which
6 an individual has been paid \$50 or more in wages
7 (except wages for agricultural labor paid after 1954)
8 or for which he has been credited (as determined
9 under section 212) with \$100 or more of self-employ-
10 ment income; and

11 “(ii) for calendar years after 1977, and subject
12 to the provisions of subparagraph (B), each portion of
13 the total of the wages paid and the self-employment
14 income credited (pursuant to section 212) to an individ-
15 ual in a calendar year which equals \$250, with such
16 quarter of coverage being assigned to a specific calendar
17 quarter in such calendar year only if necessary in the
18 case of any individual who has attained age 62 or died
19 or is under a disability and the requirements for insured
20 status in subsection (a) or (b) of section 214, the
21 requirements for entitlement to a computation or re-
22 computation of his primary insurance amount, or the
23 requirements of paragraph (3) of section 216(i) would
24 not otherwise be met.

1 “(B) Notwithstanding the provisions of subparagraph
2 (A)—

3 “(i) no quarter after the quarter in which an
4 individual dies shall be a quarter of coverage, and no
5 quarter any part of which is included in a period of
6 disability (other than the initial quarter and the last
7 quarter of such period) shall be a quarter of coverage:

8 “(ii) if the wages paid to an individual in any
9 calendar year equal to \$3,000 in the case of a calendar
10 year before 1951, or \$3,600 in the case of a calendar
11 year after 1950 and before 1955, or \$4,200 in the case
12 of a calendar year after 1954 and before 1959, or \$4,800
13 in the case of a calendar year after 1958 and before
14 1966, or \$6,600 in the case of a calendar year after 1965
15 and before 1968, or \$7,800 in the case of a calendar
16 year after 1967 and before 1972, or \$9,000 in the case
17 of the calendar year 1972, or \$10,800 in the case of the
18 calendar year 1973, or \$13,200 in the case of the calen-
19 dar year 1974, or an amount equal to the contribution
20 and benefit base (as determined under section 230) in
21 the case of any calendar year after 1974 with respect
22 to which such contribution and benefit base is effective,
23 each quarter of such year shall (subject to clauses (i)
24 and (v)) be a quarter of coverage;

25 “(iii) if an individual has self-employment income

1 for a taxable year, and if the sum of such income and
2 the wages paid to him during such year equals \$3,600
3 in the case of a taxable year beginning after 1950 and
4 ending before 1955, or \$4,200 in the case of a taxable
5 year ending after 1954 and before 1959, or \$4,800 in
6 the case of a taxable year ending after 1958 and before
7 1966, or \$6,600 in the case of a taxable year ending
8 after 1965 and before 1968, or \$7,800 in the case of
9 a taxable year ending after 1967 and before 1972, or
10 \$9,000 in the case of a taxable year beginning after
11 1971 and before 1973, or \$10,800 in the case of a tax-
12 able year beginning after 1972 and before 1974, or
13 \$13,200 in the case of a taxable year beginning after
14 1973 and before 1975, or an amount equal to the con-
15 tribution and benefit base (as determined under section
16 230) which is effective for the calendar year in the case
17 of any taxable year beginning in any calendar year after
18 1974, each quarter any part of which falls in such year
19 shall (subject to clauses (i) and (v)) be a quarter of
20 coverage;

21 “(iv) if an individual is paid wages for agricultural
22 labor in a calendar year after 1954 and before 1978,
23 then, subject to clauses (i) and (v), (I) the last quar-
24 ter of such year which can be but is not otherwise a
25 quarter of coverage shall be a quarter of coverage if such

1 wages equal or exceed \$100 but are less than \$200;
2 (II) the last two quarters of such year which can be
3 but are not otherwise quarters of coverage shall be
4 quarters of coverage if such wages equal or exceed \$200
5 but are less than \$300; (III) the last three quarters of
6 such year which can be but are not otherwise quarters
7 of coverage shall be quarters of coverage if such wages
8 equal or exceed \$300 but are less than \$400; and (IV)
9 each quarter of such year which is not otherwise a quar-
10 ter of coverage shall be a quarter of coverage if such
11 wages are \$400 or more;

12 “(v) no quarter shall be counted as a quarter of
13 coverage prior to the beginning of such quarter;

14 “(vi) not more than one quarter of coverage may
15 be credited to a calendar quarter; and

16 “(vii) no more than four quarters of coverage may
17 be credited to any calendar year after 1977.

18 If in the case of an individual who has attained age 62 or
19 died or is under a disability and who has been paid wages
20 for agricultural labor in a calendar year after 1954 and
21 before 1978, the requirements for insured status in subsec-
22 tion (a) or (b) of section 214, the requirements for entitle-
23 ment to a computation or recomputation of his primary
24 insurance amount, or the requirements of paragraph (3)
25 of section 216(i) are not met after assignment of quarters

1 of coverage to quarters in such year as provided in clause
2 (iv) of the preceding sentence, but would be met if such
3 quarters of coverage were assigned to different quarters in
4 such year, then such quarters of coverage shall instead be
5 assigned, for purposes only of determining compliance with
6 such requirements, to such different quarters. If, in the case
7 of an individual who did not die prior to January 1, 1955,
8 and who attained age 62 (if a woman), or age 65 (if a man)
9 or died before July 1, 1957, the requirements for insured
10 status in section 214(a)(3) are not met because of his
11 having too few quarters of coverage but would be met if his
12 quarters of coverage in the first calendar year in which he
13 had any covered employment had been determined on the
14 basis of the period during which wages were earned rather
15 than on the basis of the period during which wages were paid
16 (any such wages paid that are reallocated on an earned basis
17 shall not be used in determining quarters of coverage for sub-
18 sequent calendar years), then upon application filed by the
19 individual or his survivors and satisfactory proof of his
20 record of wages earned being furnished by such individual
21 or his survivors, the quarters of coverage in such calendar
22 year may be determined on the basis of the periods during
23 which wages were earned.”.

24 (d) The amendments made by subsection (a) shall
25 apply with respect to remuneration paid and services ren-

1 *dered after December 31, 1977. The amendments made by*
2 *subsections (b) and (c) shall be effective January 1, 1978.*

3 *ADJUSTMENT IN AMOUNT REQUIRED FOR A QUARTER OF*
4 *COVERAGE*

5 *SEC. 602. (a) Section 213(a)(2)(A)(ii) of the*
6 *Social Security Act, as amended by section 601(c) of this*
7 *Act, is amended by striking out "\$250" and inserting in*
8 *lieu thereof "the amount required for a quarter of coverage*
9 *in that calendar year (as determined under subsection (e))".*

10 *(b) Section 213 of such Act is further amended by*
11 *adding at the end thereof (after the new subsection added*
12 *by section 304 of this Act) the following new subsection:*

13 *"Amount Required for a Quarter of Coverage*
14 *"(e)(1) The amount of wages and self-employment*
15 *income which an individual must have in order to be credited*
16 *with a quarter of coverage in any year under subsection*
17 *(a)(2)(A)(ii) shall be \$250 in the calendar year 1978*
18 *and the amount determined under paragraph (2) of this*
19 *subsection for years after 1978.*

20 *"(2) The Secretary shall, on or before November 1 of*
21 *1978 and of every year thereafter, determine and publish*
22 *in the Federal Register the amount of wages and self-*
23 *employment income which an individual must have in order*
24 *to be credited with a quarter of coverage in the succeeding*

1 *calendar year. The amount required for a quarter of cov-*
2 *erage shall be the larger of—*

3 *“(A) the amount in effect in the calendar year in*
4 *which the determination under this subsection is made, or*

5 *“(B) the product of the amount prescribed in para-*
6 *graph (1) which is required for a quarter of coverage*
7 *in 1978 and the ratio of the average of the total wages*
8 *(as defined in regulations of the Secretary and computed*
9 *without regard to the limitations specified in section 209*
10 *(a)) reported to the Secretary of the Treasury or his*
11 *delegate for the calendar year before the year in which*
12 *the determination under this paragraph is made to the*
13 *average of the total wages (as so defined and computed)*
14 *reported to the Secretary of the Treasury or his delegate*
15 *for 1976 (as published in the Federal Register in*
16 *accordance with section 215(a)(1)(D)),*

17 *with such product, if not a multiple of \$10, being rounded*
18 *to the next higher multiple of \$10 where such amount is a*
19 *multiple of \$5 but not of \$10 and to the nearest multiple of*
20 *\$10 in any other case.”.*

21 *(c) The amendments made by this section shall be*
22 *effective January 1, 1978.*

TECHNICAL AND CONFORMING AMENDMENTS

1 *SEC. 603. (a)(1) Section 203(f)(8)(B)(i) of the*
2 *Social Security Act is amended by striking out "was" wher-*
3 *ever it appears and inserting in lieu thereof "is".*

4 *(2) Section 203(f)(8)(B)(ii) of such Act is amended*
5 *to read as follows:*

6 *"(ii) the product of the exempt amount de-*
7 *scribed in clause (i) and the ratio of (I) the aver-*
8 *age of the total wages (as defined in regulations of*
9 *the Secretary and computed without regard to the*
10 *limitations specified in section 209(a)) reported to*
11 *the Secretary of the Treasury or his delegate for the*
12 *calendar year before the calendar year in which the*
13 *determination under subparagraph (A) is made to*
14 *(II) the average of the total wages (as so defined*
15 *and computed) reported to the Secretary of the*
16 *Treasury or his delegate for the calendar year*
17 *before the most recent calendar year in which*
18 *an increase in the exempt amount was en-*
19 *acted or a determination resulting in such an in-*
20 *crease was made under subparagraph (A), with*
21 *such product, if not a multiple of \$10, being*
22 *rounded to the next higher multiple of \$10*
23 *where such product is a multiple of \$5 but not*

1 of \$10 and to the nearest multiple of \$10 in any
2 other case.”.

3 (b)(1) The first sentence of section 218(c)(8) of such
4 Act is amended by striking out “quarter” wherever it ap-
5 pears and inserting in lieu thereof “year”, and by striking
6 out “\$50” and inserting in lieu thereof “\$100”.

7 (2) Section 218(q)(4)(B) of such Act is amended
8 by striking out “any calendar quarters” and inserting in lieu
9 thereof “a calendar year”, and by striking out “such calendar
10 quarters” and inserting in lieu thereof “such calendar year”.

11 (3) Section 218(q)(6)(B) of such Act is amended
12 by striking out “calendar quarters designated by the State in
13 such wage reports as the” and inserting in lieu thereof
14 “period or periods designated by the State in such wage
15 reports as the period or”.

16 (4) Section 218(r)(1) of such Act is amended—

17 (A) by striking out “quarter” in the matter before
18 clause (A) and inserting in lieu thereof “year”,

19 (B) by striking out “in which occurred the calendar
20 quarter” in clause (A), and

21 (C) by striking out “quarter” in clause (B) and
22 inserting in lieu thereof “year”.

23 (c)(1) Effective with respect to estimates for calen-
24 dar years beginning after December 31, 1977, section 224
25 (a) of such Act is amended by striking out the last sentence.

1 (2) Section 224(f)(2) of such Act is amended to read
2 as follows:

3 “(2) In making the redetermination required by para-
4 graph (1), the individual’s average current earnings (as
5 defined in subsection (a)) shall be deemed to be the
6 product of—

7 “(A) his average current earnings as initially
8 determined under subsection (a);

9 “(B) the ratio of (i) the average of the total wages
10 (as defined in regulations of the Secretary and computed
11 without regard to the limitations specified in section
12 209(a)) reported to the Secretary of the Treasury or
13 his delegate for the calendar year before the year in
14 which such redetermination is made to (ii) the average
15 of the total wages (as so defined and computed) re-
16 ported to the Secretary of the Treasury or his delegate
17 for calendar year 1977 or, if later, the calendar year
18 before the year in which the reduction was first com-
19 puted (but not counting any reduction made in benefits
20 for a previous period of disability); and

21 “(C) in any case in which the reduction was first
22 computed before 1978, the ratio of (i) the average of
23 the taxable wages reported to the Secretary for the
24 first calendar quarter of 1977 to (ii) the average of the
25 taxable wages reported to the Secretary for the first

1 *calendar quarter of the calendar year before the year in*
2 *which the reduction was first computed (but not count-*
3 *ing any reduction made in benefits for a previous period*
4 *of disability).*

5 *Any amount determined under this paragraph which is not*
6 *a multiple of \$1 shall be reduced to the next lower multiple*
7 *of \$1.”.*

8 *(d) Section 229(a) of such Act is amended—*

9 *(1) by striking out “shall be deemed to have been*
10 *paid, in each calendar quarter occurring after 1956 in*
11 *which he” and inserting in lieu thereof “, if he”, and*

12 *(2) by striking out “wages (in addition to the*
13 *wages actually paid to him for such service) of \$300.”*
14 *at the end thereof and inserting in lieu thereof the*
15 *following: “shall be deemed to have been paid—*

16 *“(1) in each calendar quarter occurring after 1956*
17 *and before 1978 in which he was paid such wages, addi-*
18 *tional wages of \$300, and*

19 *“(2) in each calendar year occurring after 1977*
20 *in which he was paid such wages, additional wages of*
21 *\$100 for each \$300 of such wages, up to a maximum*
22 *of \$1,200 of additional wages for any calendar year.”.*

23 *(e)(1) Section 230(b) of such Act is amended by*
24 *striking out the last sentence.*

1 (2) Section 230(b)(1) of such Act is amended to
2 read as follows:

3 “(1) the contribution and benefit base which is in
4 effect with respect to remuneration paid in (and taxable
5 years beginning in) the calendar year in which the
6 determination under subsection (a) is made, and”.

7 (3) Section 230(b)(2) of such Act is amended to
8 read as follows:

9 “(2) the ratio of (A) the average of the total
10 wages (as defined in regulations of the Secretary and
11 computed without regard to the limitations specified in
12 section 209(a)) reported to the Secretary of the Treas-
13 ury or his delegate for the calendar year before the
14 calendar year in which the determination under subsec-
15 tion (a) is made to (B) the average of the total wages
16 (as so defined and computed) reported to the Secretary
17 of the Treasury or his delegate for the calendar year
18 before the most recent calendar year in which an in-
19 crease in the contribution and benefit base was enacted
20 or a determination resulting in such an increase was
21 made under subsection (a),”.

22 (f)(1) Effective with respect to convictions after De-
23 cember 31, 1977, section 202(u)(1)(C) of such Act is
24 amended by striking out “quarter” wherever it appears and
25 inserting in lieu thereof “year”.

1 (2)(A) Section 205(c)(1) of such Act is amended by
2 striking out “(as defined in section 211(e))”.

3 (B) Section 205(c)(1) of such Act is further amended
4 by adding at the end thereof the following new subpara-
5 graph:

6 “(D) The term ‘period’ when used with respect to
7 self-employment income means a taxable year and when
8 used with respect to wages means—

9 “(i) a quarter if wages were reported or should
10 have been reported on a quarterly basis on tax
11 returns filed with the Secretary of the Treasury or
12 his delegate under section 6011 of the Internal Rev-
13 enue Code of 1954 or regulations thereunder (or
14 on reports filed by a State under section 218(e)
15 or regulations thereunder),

16 “(ii) a year if wages were reported or should
17 have been reported on a yearly basis on such tax
18 returns or reports, or

19 “(iii) the half year beginning January 1 or
20 July 1 in the case of wages which were reported or
21 should have been reported for calendar year 1937.”.

22 (C) Section 205(o) of such Act is amended by insert-
23 ing “before 1978” after “calendar year”.

24 (g) The amendments made by subsection (b) of this
25 section shall apply with respect to remuneration paid after

1 December 31, 1977. The amendments made by subsections
2 (d) and (f)(2) shall be effective January 1, 1978. Except
3 as otherwise specifically provided, the remaining amend-
4 ments made by this section shall be effective January 1,
5 1979.

6 PART B—AMENDMENTS TO THE INTERNAL REVENUE
7 CODE OF 1954

8 DEDUCTION OF TAX FROM WAGES

9 SEC. 611. (a) Section 3102(a) of the Internal Reve-
10 nue Code of 1954 is amended by striking out “or (C) or
11 (10)”, and by inserting after “is less than \$50;” the fol-
12 lowing: “and an employer who in any calendar year pays
13 to an employee cash remuneration to which paragraph (7)
14 (C) or (10) of section 3121(a) is applicable may deduct
15 an amount equivalent to such tax from any such payment of
16 remuneration, even though at the time of payment the total
17 amount of such remuneration paid to the employee by the
18 employer in the calendar is less than \$100;”.

19 (b)(1) Paragraphs (1) and (2) of section 3102(c)
20 of such Code are each amended by striking out “quarter”
21 wherever it appears and by inserting in lieu thereof “year”.

22 (2) Paragraph (3) of section 3102(c) of such Code
23 is amended—

24 (A) by striking out “quarter of the” in subpara-
25 graph (A); and

1 (B) by striking out "quarter" wherever it appears
2 in subparagraphs (B) and (C) and inserting in lieu
3 thereof "year".

4 (c) The amendments made by this section shall apply
5 with respect to remuneration paid and to tips received after
6 December 31, 1977.

7 TECHNICAL AND CONFORMING AMENDMENTS

8 SEC. 612. (a) Sections 3121(a)(7)(C) and 3121
9 (a)(10) of the Internal Revenue Code of 1954 are each
10 amended by striking out "quarter" wherever it appears and
11 inserting in lieu thereof "year", and by striking out "\$50"
12 and inserting in lieu thereof "\$100".

13 (b) Section 3121(a) of such Code is amended by strik-
14 ing out "or" at the end of paragraph (14), by striking out
15 the period at the end of paragraph (15) and inserting in lieu
16 thereof "; or", and by adding after paragraph (15) the
17 following new paragraph:

18 "(16) remuneration paid by an organization
19 exempt from income tax under section 501(a) (other
20 than an organization described in section 401(a)) or
21 under section 521 in any calendar year to an employee
22 for service rendered in the employ of such organization,
23 if the remuneration paid in such year by the organiza-
24 tion to the employee for such service is less than \$100."

1 *TITLE VII—MISCELLANEOUS PROVISIONS*2 *ACTUARIAL REDUCTION OF BENEFIT INCREASES TO BE*3 *APPLIED AS OF TIME OF ORIGINAL ENTITLEMENT*

4 *SEC. 701. (a) Effective with respect to monthly benefits*
5 *payable for months after December 1977, section 202(q)(4)*
6 *of the Social Security Act is amended by striking out all that*
7 *follows subparagraph (B) and inserting in lieu thereof the*
8 *following:*

9 *“then the amount of the reduction of such benefit (after the*
10 *application of any adjustment under paragraph (7).) for*
11 *each month beginning with the month of such increase in the*
12 *primary insurance amount shall be computed under para-*
13 *graph (1) or (3), whichever applies, as though the increased*
14 *primary insurance amount had been in effect for and after*
15 *the month for which the individual first became entitled to*
16 *such monthly benefit reduced under such paragraph (1) or*
17 *(3).”.*

18 *(b) For purposes of applying section 202(q)(4) of*
19 *the Social Security Act, as amended by subsection (a) of*
20 *this section, to monthly benefits payable for any month after*
21 *December 1977 in the case of an individual who was*
22 *entitled to a monthly benefit as reduced under section 202*
23 *(q) (1) or (3) of such Act prior to January 1978, the*

1 amount of reduction in such benefit for the first month for
2 which such benefit is increased by reason of an increase in
3 the primary insurance amount of the individual on whose
4 wages and self-employment income such benefit is based and
5 for all subsequent months (and similarly for all subsequent
6 increases) shall be increased by a percentage equal to the
7 percentage of the increase in such primary insurance amount
8 (such increase being made in accordance with the provi-
9 sions of section 202(q)(8) of such Act). Where such indi-
10 vidual's benefit, reduced under section 202(q) of such Act,
11 is increased as a result of the use of an adjusted reduction
12 period or an additional adjusted reduction period (in ac-
13 cordance with paragraphs (1) and (3) of such section 202
14 (q)), then for the first month for which such increase is
15 effective and for all subsequent months, the amount of such
16 reduction (after the application of the previous sentence,
17 if an increase in the primary insurance amount is appli-
18 cable) shall be determined—

19 (1) in the case of old-age and spouse's insurance
20 benefits, by multiplying such amount by the ratio of (A)
21 the number of months in the adjusted reduction period
22 to (B) the number of months in the reduction period,

23 (2) in the case of widow's and widower's insurance
24 benefits for the month in which such individual attains
25 age 62, by multiplying such amount by the ratio of

1 (A) the number of months in the reduction period
2 beginning with age 62 multiplied by $1\frac{9}{40}$ of 1 per
3 centum, plus the number of months in the adjusted reduc-
4 tion period prior to age 62 multiplied by $1\frac{9}{40}$ of 1 per
5 centum, plus the number of months in the adjusted
6 additional reduction period multiplied by $4\frac{3}{240}$ of 1 per
7 centum to (B) the number of months in the reduction
8 period multiplied by $1\frac{9}{40}$ of 1 per centum, plus the
9 number of months in the additional reduction period
10 multiplied by $4\frac{3}{240}$ of 1 per centum, and

11 (3) in the case of widow's and widower's insurance
12 benefits for the month in which such individual attains
13 age 65, by multiplying such amount by the ratio of (A)
14 the number of months in the adjusted reduction period
15 multiplied by $1\frac{9}{40}$ of 1 per centum, plus the number of
16 months in the adjusted additional reduction period mul-
17 tiplied by $4\frac{3}{240}$ of 1 per centum to (B) the number of
18 months in the reduction period beginning with age 62
19 multiplied by $1\frac{9}{40}$ of 1 per centum, plus the number of
20 months in the adjusted reduction period prior to age 62
21 multiplied by $1\frac{9}{40}$ of 1 per centum, plus the number
22 of months in the adjusted additional reduction period
23 multiplied by $4\frac{3}{240}$ of 1 per centum,

24 with each such decrease being made in accordance with the
25 provisions of section 202(q) (8) of such Act.

1 (c) *When an individual is entitled to more than one*
2 *monthly benefit under title II of the Social Security Act for*
3 *any month and one or more of such benefits are reduced under*
4 *section 202(q) of the Social Security Act, as amended by*
5 *this Act, subsection (b) of this section shall apply separately*
6 *to each such benefit before the application of section 202(k)*
7 *of such Act (pertaining to the method by which monthly bene-*
8 *fits are offset when an individual is entitled to more than one*
9 *kind of benefit), and the application of this subsection shall*
10 *operate in conjunction with section 202(q)(3) of the Social*
11 *Security Act.*

12 (d) (1) *Section 202(q)(7)(C) of the Social Security*
13 *Act is amended by striking out "because" and all that follows*
14 *and inserting in lieu thereof "because of the occurrence*
15 *of an event that terminated her or his entitlement to such*
16 *benefits,".*

17 (2) *Section 202(q)(3)(H) of such Act is amended*
18 *by inserting "for that month or" after "first entitled".*

19 **ELIMINATION OF CERTAIN OPTIONAL PAYMENT PROCE-**
20 **DURES UNDER THE OLD-AGE, SURVIVORS, AND DISA-**
21 **BILITY INSURANCE PROGRAM**

22 **SEC. 702. (a)(1)** *The first sentence of section 202(j)*
23 *(1) of the Social Security Act is amended by striking out*
24 *"An individual" and inserting "Subject to the limitations*
25 *contained in paragraph (4), an individual" in lieu thereof.*

1 (2) Section 202(j) of such Act is further amended by
2 inserting at the end thereof the following new paragraph:

3 “(4)(A) Except as provided in subparagraph (B), no
4 individual shall be entitled to benefits under subsection (a),
5 (b), (c), (e), or (f) for any month prior to the month
6 in which he or she files an application for such benefits if the
7 effect of such payment would be to reduce, pursuant to
8 subsection (q), the monthly benefits to which such indi-
9 vidual would otherwise be entitled.

10 “(B)(i) If the individual applying for retroactive
11 benefits is applying for such benefits under subsection (a),
12 and there are one or more other persons who would, except
13 for subparagraph (A), be entitled for any month, on the
14 basis of the wages and self-employment income of such in-
15 dividual and because of such individual’s entitlement to such
16 retroactive benefits, to retroactive benefits under subsection
17 (b), (c), or (d) not subject to reduction under subsection
18 (q), then subparagraph (A) shall not apply with respect
19 to such month or any subsequent month.

20 “(ii) If the individual applying for retroactive benefits
21 is a surviving spouse, or surviving divorced spouse who is
22 under a disability (as defined in section 223(d)), and such
23 individual would, except for subparagraph (A), be entitled
24 to retroactive benefits as a disabled surviving spouse, or
25 surviving divorced spouse for any month before he or she

1 attained the age of 60, then subparagraph (A) shall not
2 apply with respect to such month or any subsequent month.

3 “(iii) If the individual applying for retroactive benefits
4 has excess earnings (as defined in section 203(f)) in the
5 year in which he or she files an application for such benefits
6 which could, except for subparagraph (A), be charged to
7 months in such year prior to the month of application, then
8 subparagraph (A) shall not apply to so many of such
9 months immediately preceding the month of application as
10 are required to charge such excess earnings to the maximum
11 extent possible.”.

12 (3) Section 226(h) of such Act is amended by adding
13 at the end thereof the following new paragraph:

14 “(4) For the purposes of determining entitlement to
15 hospital insurance benefits under subsection (b) in the case
16 of an individual described in clause (iii) of subsection (b)
17 (2)(A), the entitlement of such individual to widow’s or
18 widower’s insurance benefits under section 202(e) or (f)
19 by reason of a disability shall be deemed to be the entitle-
20 ment to such benefits that would result if such entitlement
21 were determined without regard to the provisions of sec-
22 tion 202(j) (4).”.

23 (b) The amendments made by this section shall be
24 effective with respect to applications for benefits under title

1 *II of the Social Security Act filed on or after January 1,*
2 *1978.*

3 *EARLY MAILING OF BENEFIT CHECKS WHERE REGULARLY*
4 *SCHEDULED DELIVERY DAY FALLS ON SATURDAY,*
5 *SUNDAY, OR LEGAL HOLIDAY*

6 *SEC. 703. (a) Title VII of the Social Security Act is*
7 *amended by adding at the end thereof the following new*
8 *section:*

9 *“TIME FOR DELIVERY OF BENEFIT CHECKS WHEN REGULAR*
10 *DELIVERY DAY FALLS ON A SATURDAY, SUNDAY, OR*
11 *LEGAL HOLIDAY*

12 *“SEC. 708. (a) If the day regularly designated for the*
13 *delivery of benefit checks under title II or title XVI falls on a*
14 *Saturday, Sunday, or legal public holiday (as defined in*
15 *section 6103 of title 5, United States Code) in any month,*
16 *the benefit checks which would otherwise be delivered on*
17 *such day shall be mailed in time for delivery, and delivered,*
18 *on the first day preceding such day which is not a Saturday,*
19 *Sunday, or legal public holiday (as so defined), without re-*
20 *gard to whether the delivery of such checks would as a re-*
21 *sult have to be made before the end of the month for which*
22 *such checks are issued.*

23 *“(b) If more than the correct amount of payment under*
24 *title II or XVI is made to any individual as a result of the*

1 receipt of a benefit check pursuant to subsection (a) before
2 the end of the month for which such check is issued, no action
3 shall be taken (under section 204 or 1631(b) or otherwise)
4 to recover such payment or the incorrect portion thereof.”.

5 (b) The amendment made by subsection (a) of this
6 section shall apply with respect to benefit checks the
7 regularly designated day for delivery of which occurs on or
8 after the thirtieth day after the date of the enactment of this
9 Act.

10

DEFINITION

11 *SEC. 704. As used in this Act and the amendments to*
12 *the Social Security Act made by this Act, the term “Sec-*
13 *retary” means, unless the context otherwise requires, the*
14 *Secretary of Health, Education, and Welfare.*

COVERAGE OF FEDERAL EMPLOYEES WITHIN
THE SOCIAL SECURITY SYSTEM

REPORT

OF THE

COMMITTEE ON POST OFFICE AND
CIVIL SERVICE

ON

H.R. 9346

TO AMEND THE SOCIAL SECURITY ACT AND THE INTERNAL REVENUE CODE OF 1954 TO STRENGTHEN THE FINANCING OF THE SOCIAL SECURITY SYSTEM, TO REDUCE THE EFFECT OF WAGE AND PRICE FLUCTUATION ON THE SYSTEM'S BENEFIT STRUCTURE, TO PROVIDE COVERAGE UNDER THE SYSTEM FOR OFFICERS AND EMPLOYEES OF THE UNITED STATES, OF THE STATE AND LOCAL GOVERNMENTS, AND OF NONPROFIT ORGANIZATIONS, TO INCREASE THE EARNINGS LIMITATION, TO ELIMINATE CERTAIN GENDER-BASED DISTINCTIONS AND PROVIDE FOR A STUDY OF PROPOSALS TO ELIMINATE DEPENDENCY AND SEX DISCRIMINATION FROM THE SOCIAL SECURITY PROGRAM, AND FOR OTHER PURPOSES



OCTOBER 17, 1977.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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WASHINGTON : 1977

COVERAGE OF FEDERAL EMPLOYEES WITHIN THE
SOCIAL SECURITY SYSTEM

OCTOBER 17, 1977.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. NIX, from the Committee on Post Office and Civil Service,
submitted the following

REPORT

[To accompany H.R. 9346]

The Committee on Post Office and Civil Service, to whom was referred the bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide coverage under the system for officers and employees of the United States, of the State and local governments, and of nonprofit organizations, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Page 164, strike out line 20 and all that follows down through line 3 on page 168 and insert in lieu thereof the following:

STUDY CONCERNING MANDATORY COVERAGE OF FEDERAL
EMPLOYEES

SEC. 301. (a) As soon as possible after the date of the enactment of this Act, the Chairman of the Civil Service Commission, the Secretaries of the Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget, shall jointly undertake and carry out a detailed study with respect to coverage of Federal employees within the old-age, survivors, and disability insurance system.

(b) The study to be undertaken under subsection (a) shall include—

(1)

(1) a review of the methods by which full coverage of Federal employees within the old-age, survivors, and disability insurance system could be attained;

(2) an analysis of the adjustments to such system (as well as to the civil service retirement and disability system and other Federal employee retirement systems involved, including the foreign service, judiciary, Central Intelligence Agency, and District of Columbia retirement systems) which are necessary under each such method to provide such coverage, particularly—

(A) adjustments in age, service, and other eligibility requirements; and

(B) adjustments in the nature and level of disability, death, and survivor benefits (taking into account any related factors, such as the taxability of such benefits);

(3) a comparison of the financial aspects of each such method, particularly—

(A) the adjustments required by each such method in the contributions by Federal employees, the Government (whether by specific contribution or by appropriation), and others involved;

(B) the adjustments required by each such method in the manner in which benefits are financed under the retirement systems involved; and

(C) the effects of each such method on the solvency of the retirement systems involved;

(4) the effects of each such method of coverage on—

(A) recruitment and retention of Federal employees;

(B) other employee benefits (such as health benefits coverage provided for civil service annuitants); and

(C) Federal, State, and local income tax systems;

(5) a review of the methods by which partial coverage of Federal employees within the old-age, survivors, and disability insurance system could be attained, together with consideration of the factors described in paragraphs (2), (3), and (4) as they would relate to such partial coverage; and

(6) alternatives to providing coverage of Federal employees within the old-age, survivors, and disability insurance system which would improve the solvency of the old-age, survivors, and disability insurance system.

In connection with such study, interested parties, including Federal employee organizations, associations of retired Federal employees, and heads of agencies administering Federal employee retirement systems, shall be allowed to submit views, arguments, and data.

(c) Upon the completion of the study under subsection (a) and in any event no later than 2 years after the date of the enactment of this Act, the Chairman of the Civil Service Commission, the Secretaries of the Treasury and Health, Educa-

tion, and Welfare, and the Director of the Office of Management and Budget shall submit to the President and to the appropriate committees of each House of the Congress a joint report on the results of such study together with their recommendations. Any such recommendation which includes adjustments of existing statutes shall be accompanied with draft legislation accomplishing such adjustments.

(d) With respect to Federal employees under the Federal employee retirement systems, the study and the report under this section shall include at least one method of coverage of such employees within the old-age, survivors, and disability insurance system which provides—

(1) that the benefits available to such Federal employees would not be less favorable than the benefits which are then currently available to such employees under the Federal employee retirement systems; and

(2) that the contributions required of such Federal employees would not be greater than the contributions which are then currently required of such employees under the Federal employee retirement systems.

(e) For purposes of this section, the term "Federal employee" means—

(1) an employee, as defined in section 2105 of title 5, United States Code;

(2) an officer or employee of the United States Postal Service or of the Postal Rate Commission; and

(3) any other individual in the employ of the United States or any instrumentality of the United States.

Page 175, line 4, strike out "Federal, State," and insert "State".

Page 175, line 11, strike out "Federal, State" and insert "State".

Page 175 strike out line 15 and all that follows down through line 23.

Page 175, line 24, strike out "(2) (A)" and insert "(1) (A)".

Page 176, line 9, strike out "(3) (A)" and insert "(2) (A)".

Page 176, beginning on line 21, strike out "paragraph (1), (2), or (3)" and insert in lieu thereof "paragraph (1) or (2)".

Page 188, beginning on line 21, strike out "redesignating paragraphs (8) through (20) as paragraphs (5) through (17)" and insert "redesignating paragraphs (7) through (20) as paragraphs (5) through (18)".

Page 189, line 2, strike out "210(a) (6)" and insert "210(a) (7)".

Page 189, line 5, strike out "paragraph (6)" and insert "paragraph (7)".

Page 189, line 9, strike out "210(a) (11) (B)" and insert "210(a) (12) (B)".

Page 189, line 12, strike out "210(a) (13)" and insert "210(a) (14)".

Page 189, line 15, strike out "210(a) (8), (9) or (12)" and insert "210(a) (9), (10), or (13)".

Page 189, line 18, strike out "210(a) (17)" and insert "210(a) (18)".

Page 189, beginning on line 22, strike out "redesignating paragraphs (8) through (20) as paragraphs (5) through (17)" and insert "redesignating paragraphs (7) through (20) as paragraphs (5) through (18)".

Page 190, line 5, strike out "3121(b)(11)(B)" and insert "3121(b)(12)(B)".

Page 190, line 8, strike out "3121(b)(13)" and insert "3121(b)(14)".

Page 190, line 11, strike out "3121(b)(8), (9) or (12)" and insert "3121(b)(9), (10), or (13)".

Page 190, line 14, strike out "3121(b)(17)" and insert "3121(b)(18)".

Page 190, line 18, strike out "(b)(6)" and insert "(b)(7)".

Page 190, beginning in line 22, strike out "(b)(5)" and "section 210(a)(5)" and insert "(b)(6)" and "section 210(a)(6)".

Page 191, beginning in line 2, strike out "3121(b)(6)" and insert "3121(b)(7)".

Page 191, line 7, strike out "210(a)(6)" and insert "210(a)(7)".

SUMMARY OF COMMITTEE AMENDMENTS

The committee amendment strikes out those provisions of H.R. 9346, as reported by the Committee on Ways and Means, which require mandatory social security coverage for Federal employees, and those provisions which relate to a study by the Secretary of Health, Education, and Welfare.

Instead, the committee amendment provides for a joint study by the Chairman of the Civil Service Commission and the Secretary of Health, Education, and Welfare (the agencies which administer the two systems primarily affected) and, in addition, the Secretary of Treasury and Director of OMB. The study is required to be completed not later than 2 years after the date of enactment of H.R. 9346, and the Chairman, the Director, and the Secretaries, are required to consider the views of interested parties, including Federal organizations, associations of retired Federal employees, and heads of agencies administering Federal retirement systems, for example, CIA, Secretary of State.

The amendment details specific issues which must be considered, including alternative financing methods (particularly, necessary adjustments in contribution rates by the Government, employees, and others, and the costs of various alternatives); alternative methods of providing coverage; the effect on solvency of the various systems affected; and the effects on Federal, State, and local income tax systems.

The amendment requires that the report must include at least one alternative which provides that Federal employees' benefits will not be reduced and contributions will not be increased.

Finally, the amendment makes necessary conforming changes in other sections of the bill.

A detailed explanation of the committee amendment is set forth below under the heading "Analysis of Committee Amendment".

COMMITTEE ACTION

On October 13, 1977, the Committee on Post Office and Civil Service ordered H.R. 9346 reported to the House, with an amendment, by a unanimous voice vote.

The committee amendment was adopted by a record vote of 25-0.

SEQUENTIAL REFERRAL

H.R. 9346, the "Social Security Financing Amendments of 1977", was introduced on September 27, 1977, and was referred solely to the Committee on Ways and Means. An earlier version of the Social Security Financing Amendments, H.R. 8218, had been considered by the Subcommittee on Social Security of the Committee on Ways and Means. H.R. 8218, as introduced, did not contain provisions relating to social security coverage for Federal employees.

During its markup of H.R. 8218, the Subcommittee on Social Security adopted a provision to require mandatory social security coverage for Federal employees beginning in 1980. This provision was included as section 301 of a clean bill, H.R. 9346, which the subcommittee on September 23, 1977, approved for consideration by the full Committee on Ways and Means.

Under clause 1(o) of House Rule X, the Committee on Post Office and Civil Service has jurisdiction over all matters relating to the "status of officers and employees of the United States including their compensation, classification, and retirement". Accordingly, by letter dated September 29, 1977, Chairman Robert N. C. Nix advised Chairman Al Ullman of the Committee on Ways and Means of this committee's concern with respect to the provisions of H.R. 9346 relating to Federal employees and detailed several specific objections of the committee. Subsequently, during markup by the full Ways and Means Committee, an amendment was adopted changing the effective date of mandatory coverage for Federal employees from 1980 to 1982, and requiring that a study be conducted by the Secretary of HEW to determine the method by which such coverage would be attained.

On October 4, 1977, Chairman Nix formally advised the Speaker of the committee's concern with section 301 of H.R. 9346, expressed his views with respect to this committee's jurisdiction over such matters, and requested that H.R. 9346 be sequentially referred to this committee. On October 5, 1977, following a meeting of the caucus of the Democratic members of the Committee on Post Office and Civil Service, Chairman Nix again wrote to the Speaker regarding the committee's concern with section 301 and requested sequential referral. The October 5 letter was cosigned by 22 of the remaining 24 members of the committee.

On October 12, the Committee on Ways and Means reported H.R. 9346, and the bill was sequentially referred by the Speaker to the Committee on Post Office and Civil Service for a period ending no later than October 17, 1977. As noted above, under the heading "Committee Action", this committee ordered H.R. 9346 reported to the House, with an amendment, on October 13, 1977.

STATEMENT

The committee unanimously recommends against approval, at this time, of mandatory coverage under the Social Security Act for Federal employees.

At the outset we wish to emphasize that our opposition is not based on the judgment that such social security coverage is not proper, desir-

able and equitable, but on the grounds that the precipitous action taken by the committee on ways and means, which seeks to cure, may, in fact, complicate the myriad problems presently troubling the Social Security System. Further, such mandatory coverage may have an adverse and detrimental effect on the various financially sound retirement systems for Federal civilian employees.

We seriously doubt that any one is of the opinion that Federal employees should be included under the Social Security System regardless of whether a plan, fair and equitable to all parties, can be developed and subsequently implemented.

Simply stated, extending mandatory coverage, at this time, without assurance that it is workable, is putting the cart before the horse.

Issues to be considered

The issues to be addressed and considered before a rational judgment can be made on the question of extending social security coverage to Federal employees include the following:

The financial problems of the Social Security Fund may not be resolved by integrating the civil service retirement system with social security. The fiscal ramifications of integrating the Civil Service Retirement System with social security are complex and must be studied thoroughly before such a move is taken. Integration could result in greater costs to the Government, unless present benefits available to Federal employees under both systems are reduced. Apparently, this latter condition has been rejected by the Committee on Ways and Means when it states in its report on H.R. 9346:

The bill directs the Secretary of Health, Education, and Welfare to conduct a study with the Civil Service Commission to make recommendations for coordinating benefits and costs of the OASDI and Civil Service Retirement programs in such a way that Federal workers will be no worse off so far as costs and benefits are concerned compared to their treatment under present law.

There are 12 principle retirement systems for Federal employees of which the civil service system is by far the largest. The Foreign Service, the Central Intelligence Agency, and other agencies have separate retirement systems. Each of these systems should be carefully examined to determine how they should be restructured if social security is extended to the employees now subject to each system.

To cover Federal employees under social security without adjusting their coverage under civil service retirement or another retirement system for Federal employees would result in both employees and the Government having to contribute a substantial amount to both systems. Dual payments into both systems by both employees and Government would discourage employees, particularly at the lower grades, and limit the Government's ability to attract employees in the labor market.

How is integration to be accomplished? There are at least five basic alternatives:

- (1) Offset existing civil service retirement annuity when annuitant becomes eligible for social security benefits, like many private pension plans do.

(2) Restructure civil service retirement as an add-on to the social security benefits.

(3) Create a two tier, dual payment system, as was done with the railroad retirement system.

(4) Leave present system intact for present employees and extend mandatory social security coverage only to new employees.

(5) Eliminate civil service retirement for new employees, and contribute to their participation in Individual Retirement Accounts instead.

How will civil service retirement benefits be financed after integration? Once social security contributions reach 7.45 percent as proposed for 1990, will it be practically possible to require that an additional percentage be withheld from an employee's pay to finance civil service retirement benefits? Or, will it become necessary for the Government to assume the full cost of financing the continuation of the civil service retirement system?

Technical problems in extending social security to cover Federal employees abound. For instance:

Persons who are eligible for social security are also usually eligible for medicare. Would Federal employees become eligible for medicare? If so, the Federal Employees' Health Benefits program would have to offer a medicare supplement plan for all retirees, and for employees at age 65.

Federal employees are eligible for workers compensation benefits from the Office of Workers Compensation, Department of Labor. If Federal employees are brought under social security, which has differing disability benefits than civil service retirement, would Federal employee eligibility for compensation benefits have to be modified?

Civil service retirement benefits are subject to Federal income tax, while social security benefits are not. Any integration of benefits under the two systems is likely to have significant tax consequences for both employees and the Government. What impact would this have on the real value of benefits paid to former employees?

Social security contributions may not be refunded, but civil service retirement contributions may be refunded. Will employees continue to be able to withdraw retirement refunds and still qualify for social security?

What about those persons who have already acquired a "fully" insured social security benefit prior to becoming Federal employees subject to the civil service retirement system? Will they lose the benefit which they have already earned?

In the event that Federal employees are still eligible to retire under current provisions of the civil service retirement law after having been covered under social security, would the annuity be treated as earnings for the purposes of the earnings limitation under social security? If so, this could effectively bar any receipt of social security until age 72, at least.

Numerous administrative problems would also have to be resolved before civil service retirement or other Federal retirement systems could be integrated with social security. The record keeping systems differ. Should civil service retirement continue to be separately administered?

No final action should be taken by the House on the question of mandatory social security coverage for Federal employees until the Congress has answers to the issues and questions hereinbefore presented.

Further questions of intent raised

In the brief period (5 days) that the committee has had to consider H.R. 9346, as reported, it has become clear that the precipitous action by the Committee on Ways and Means in adopting section 301 actually goes far beyond the intent evidenced by that section's heading—"Coverage of Federal Employees".

Section 301(a)(1) of the reported bill strikes out paragraphs (5) and (6) of section 210(a) of the Social Security Act. Currently, these paragraphs exclude from social security coverage Federal employees. Specifically, paragraph (6)(A) excludes "service performed in the employ of the United States, if such service is covered by a retirement system established by a law of the United States." These paragraphs, however, also exclude numerous other types of "service performed in the employ of the United States," types of service which it may or may not be appropriate to bring under social security coverage.

For example, if section 301 is enacted, work performed in a Federal penal institution by an inmate will be creditable for social security purposes. It also appears that inmates would be eligible to receive credit for past service performed while serving time in a Federal prison as provided in section 304 of the bill as provided. Presumably then, an individual serving a life term will begin drawing social security benefits at age 62, or perhaps age 65, and receive retroactive quarter-of-coverage credit for prior time served.

Section 301 of the bill, as reported by Ways and Means, would also bring under social security the President, the Vice President, and Members of Congress, all of whom are now excluded under paragraph (6)(C)(i) of section 210(a) of the Social Security Act. More importantly, section 301 apparently would bring Federal judges under social security, and it is arguable that such an action would constitute an unconstitutional reduction in pay for sitting judges within the meaning of section 1 of Article III of the Constitution which provides:

The Judges, both of the supreme and inferior Courts, shall hold their Offices during good Behaviour, and shall, at stated Times, receive for their Services, a Compensation, *which shall not be diminished during their Continuance in Office.*

[Emphasis added.]

Perhaps there is merit for providing social security coverage, making social security benefits available to all of these individuals who have not had them, and providing credit for past service to Federal employees, Members of Congress, judges, the President, the Vice President, and all the other individuals who, under the Ways and Means Committee bill, would become eligible in 1982. The Committee, however, does not have a sufficient record on which to make a decision at this time with respect to coverage for those individuals under its sole jurisdiction (Federal employees) and it seriously doubts if there is sufficient record available to make such a decision at this time with respect to other individuals who will be brought into the system under the bill, as reported.

The report of the Committee on Ways and Means indicates that sufficient evidence is not available at the present time to properly determine whether social security coverage for these various groups of individuals is appropriate. That committee's report states as follows:

Whether coverage should be extended to these specifically excepted groups is a complex question which your Commission (sic) has not been able to resolve in the time available.—
(H. Rept. No. 95-702 Pt. 1, 95th Cong., 1st Sess. p. 34).

Similarly, that committee notes that although it has in the past directed studies concerning social security coverage for the Federal sector and that such studies were made in 1960, 1965, and 1972, "none of the proposals advanced has proved acceptable to all concerned" (H. Rept. No. 95-702 Pt. 1, *supra*, p. 35).

This committee in the brief time available has only been able to quickly review the hearings held by the Subcommittee on Social Security regarding this legislation. Perhaps a good case can be made for social security coverage for Federal employees, the President, the Vice President, Members of Congress, legislative employees, inmates of Federal penal institutions, certain student employees of Federal hospitals, and temporary emergency employees. Perhaps a good case cannot be made for coverage for all or some of these individuals. In any event, this committee believes that the issue should be studied before social security coverage and retroactive quarter-of-coverage credit for these different groups of individuals is mandated.

Previous experience on similar legislative issue

To illustrate the complexity of the proposition to integrate the benefits of the civil service retirement system with those of the social security system, it might be helpful to review a similar situation concerning the coordination of Medicare and the Federal Employees Health Benefits program.

The committee believes an analogy can be drawn between the unsuccessful attempt in 1972 to mandate coordination of Medicare and the Federal Employees Health Benefits program without the benefit of an adequate study to determine the feasibility of effecting such a change, and the attempt now in 1977 to integrate the benefits of the social security system with the civil service retirement system—the two largest retirement systems in the country—without a comprehensive study as contemplated by our committee amendment.

In 1972, the House Committee on Ways and Means adopted an amendment to H.R. 1 (Public Law 92-603, Social Security Amendments) providing that as of January 1, 1975, medicare payments would not be made for items and services covered under a beneficiary's Federal Employees Health Benefits Program plan unless, prior to that date, the Federal Employees Health Benefits program was modified to provide plans that supplement medicare coverage. The purpose of this provision was to focus attention on the need to consider improved coordination of Medicare and the Federal Employees Health Benefits program.

In the interim period (Oct. 30, 1972 to Jan. 1, 1975) full implementation of this requirement was to be accomplished. However, in 1974,

because of the lack of progress toward coordination, the effective date was extended for another year to January 1, 1976 (Public Law 93-480). This law also provided for a joint progress report by the Department of Health, Education, and Welfare and the Civil Service Commission, to be submitted no later than March 1, 1975. This report, submitted on February 26, 1975, along with the recommendations of the General Accounting Office, outlined the problems of meeting the requirements of section 1862(c) of Public Law 92-603.

In the report, the Department of Health, Education, and Welfare and the Civil Service Commission maintained "that the modifications of Federal Employees Health Benefits Program in accordance with section 1862(c) would not be in the best interests of dually entitled Federal Employees Health Benefits and medicare beneficiaries, and would create expensive and unnecessary administrative problems." The reasons for this conclusion were expressed in a letter to Chairman David Henderson, House Committee on Post Office and Civil Service, from Secretary Casper Weinberger of the Department of Health, Education, and Welfare, and Chairman Robert Hampton of the Civil Service Commission, as follows:

The Civil Service Commission actuarial estimates are that if, as section 1862(c) implies, the premiums for the supplemental plans were based solely on the health experience of the aged and disabled who are entitled to medicare, rather than on the health experience of all Federal Employees Health Benefits enrollees, a Federal Employees Health Benefits option to supplement part B alone would offer the same benefits as now for a higher premium. An option to supplement part A alone would offer the same benefits for about the same premium. Stated differently, an option to supplement when an individual has only part A appears unnecessary, while an option to supplement when an individual has only part B would disadvantage those Federal Employees Health Benefits enrollees who subscribe to it.

Section 1862(c) requires that the Government's full standard contribution to Federal Employees Health Benefits Coverage (as calculated annually under 5 U.S.C. 8906) be applied to pay the beneficiary's premium for the supplemental Federal Employees Health Benefits option, has part B premiums or both, but does not provide for crediting any portion of the Government Federal Employees Health Benefits contribution toward the premium of the employee's or annuitant's spouse (or child) who may be covered under a Federal Employees Health Benefits family enrollment but not under medicare.

Twelve additional options would be needed under each of the 46 plans participating in the Federal Employees Health Benefits Program to supplement (a) Part A of Medicare, (b) Part B of Medicare, and (c) Parts A and B of Medicare, each for four family groupings: (1) for self only enrollees, (2) families where only the dependents are covered by medicare—making over 500 additional options. Thus, the Federal Employees Health Benefits Program would be greatly complicated.

The Comptroller General offered an alternative to achieve coordination which called for the Government to simply pay Medicare Part B premiums for all eligible Federal Employees Health Benefits enrollees. The Comptroller General's report also suggested continuation without change of the existing system for coordinating the benefits of the two programs.

After careful consideration of the various alternatives to coordinate the benefits under Medicare and the Federal Employees Health Benefits program, the Committee on Ways and Means reported in 1975 that it "is not convinced that equity requires the Government to substantially increase its expenditures under the two programs in an effort to accomplish this."

The committee, therefore, concluded that the existing relationship between Medicare and the Federal Employees Health Benefits Program should be maintained. Public Law 94-182, repealed section 1862 (c) of the Social Security Act on December 31, 1975, bringing to a close this legislative adventure.

The idea of better coordinating the benefits of Medicare with those of the Federal Employees Health Benefits Program was useful, and obviously the House Committee on Ways and Means felt it could be done by the mandated date of January 1, 1975, which was over 2 years from the date of enactment. However, as this entire issue was more carefully studied by the Department of Health, Education, and Welfare and the Civil Service Commission, it became increasingly evident that no easy method could be found to implement the legislative mandate. The Congress, seeing the futility of this requirement of law, wisely repealed it rather than attempt the cumbersome and overly costly approach of amending the Medicare and the Federal Employees Health Benefits laws.

To avoid a recurrence of this type of legislative procedure, we strongly suggest a careful comprehensive study be undertaken to determine the feasibility of integrating the Civil Service Retirement System and the Social Security System before mandating such integration.

Conclusion

The issues related to mandatory social security coverage for Federal employees are complex and cannot be properly and rationally resolved without further study by both the Executive Branch and the Congress.

The Civil Service Commission, the Office of Management and Budget, and the Social Security Administration, must have time to develop and present a feasible plan to Congress on how these important policy, technical, and administrative problems can or should be resolved. Major changes in the civil service retirement system have always followed adequate congressional and administrative study. The Civil Service Retirement Act of 1956 followed a comprehensive study of the civil service retirement system and the needs for refinancing the fund. The civil service retirement amendments of 1969 followed the report of the Cabinet Committee on Federal Staff Retirement Systems of 1966.

Thus, we must necessarily conclude that the time has not yet come for coverage under social security for Federal employees. We would wholeheartedly concur that the time has come to conduct a complete

and comprehensive study of the issue. Upon completion of that study in 1980, as recommended by this committee, when we have found answers to the many important policy issues, to both the substantive and technical problems which must be resolved first, then the Congress can make a reasoned and accurate judgment on the question.

Anyone remotely familiar with the complexities of retirement systems understands that this study must necessarily be a condition precedent to any satisfactory integration of the different systems involved. To enact legislation disrupting the largest staff retirement system in the country without first laying a firm foundation for how the conversion can be made would be totally irresponsible.

ANALYSIS OF COMMITTEE AMENDMENT

The committee amendment strikes all of the provisions of section 301 of H.R. 9346, as reported by the Committee on Ways and Means, and substitutes an entirely new text for those provisions. Section 301, as reported by the Ways and Means Committee, provides for mandatory coverage of Federal employees within the old-age, survivors, and disability insurance system beginning in January 1982. The section also requires the Secretary of Health, Education, and Welfare, in consultation with the Civil Service Commission, to undertake a detailed study of how best to coordinate the benefits of the civil service retirement system and those of the social security system. In addition, section 301 calls for a study of how best to coordinate the Medicare program and the Federal Employees Health Benefits program. A report on the results of the two studies, together with a detailed plan for coordinating the benefits under the two systems, must be submitted to the Congress no later than January 1, 1980.

As amended by this committee, section 301 of H.R. 9346 does not provide for mandatory coverage of Federal employees under social security but requires that a comprehensive study concerning such coverage be undertaken and completed within two years after the date of the enactment of the legislation.

Specifically, subsection (a) of section 301 provides that the Chairman of the Civil Service Commission, the Secretaries of the Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget, shall jointly conduct a detailed study with respect to the coverage of Federal employees under the old-age, survivors, and disability insurance system. The committee intentionally has refrained from designating a lead agency for purposes of the study and believes that the four agency heads are in the best position to decide which agency should have the overall responsibility for directing and coordinating the study.

Subsection (b) of section 301 sets forth specific matters which must be included in the joint study. (This listing should not preclude the consideration of other matters deemed appropriate by the four agency heads.)

First, paragraph (1) of subsection (b) provides that the joint study must include a review of the methods by which full coverage of Federal employees under social security could be attained. By "full coverage" this committee means coverage of all Federal employees for all purposes within the old-age, survivors, and disability insurance sys-

tem. H.R. 9346, as reported by the Committee on Ways and Means, would mandate such full social security coverage for Federal employees beginning in 1982. This committee believes that the various methods of attaining such full coverage should be carefully explored so that the Congress will have a sound basis for determining whether full coverage of Federal employees is feasible and, if so, how can it best be effected.

For example, one method of accomplishing social security coverage of Federal employees might be to offset their Federal employee retirement system benefits when they become eligible for social security benefits. Another method might involve restructuring the various Federal employee retirement systems so as to supplement social security benefits.

Paragraph (2) of subsection (b) provides that for each method of attaining full coverage of Federal employees under social security the study must include an analysis of all of the adjustments which would be necessary to effect such coverage. This analysis must include not only the necessary adjustments to the social security system, but those that would be required for the civil service retirement system and the other principal Federal employee retirement systems that would be affected, such as the foreign service, the Central Intelligence Agency, the District of Columbia, and the system covering Federal judges.

In particular, the committee believes that the joint study should focus on the adjustments under each method that would be necessary in the age, service, and other eligibility requirements for benefits under the various systems. Among the Federal employee retirement systems and the social security system there is a wide variety of eligibility requirements for voluntary, involuntary and disability retirement, death benefits, and survivor benefits. (For example, some Federal employees may retire as early as age 50 if they have completed 20 years of service.) Subparagraph (A) of subsection (b)(2) requires an analysis of the necessary adjustments in eligibility requirements and subparagraph (B) requires a similar analysis of the adjustments that would be necessary in the nature and level of disability, death, and survivor benefits. This analysis should take into consideration all of the benefits which are provided under Federal employee disability and retirement systems, such as lump-sum refunds, cost-of-living adjustments, Federal employee compensation benefits, and related factors such as income limitations and the taxability of benefits.

Paragraph (3) of subsection (b) requires that the joint study include a comparison of the financial aspects of each method of attaining full social security coverage of Federal employees. Subparagraph (A) of paragraph (3) requires a comparison of the adjustments in contributions which would be required under each method. Federal employees under the civil service retirement system now contribute seven percent of their pay to the retirement fund. A matching contribution is made by the Government. Under H.R. 9346, the social security contribution rate also will reach seven percent by 1990. Can Federal employees be expected to fully contribute to both systems? The adjustments in such contribution rates and the sources of such contributions must be thoroughly considered in connection with each method of bringing Federal employees under social security.

Subparagraph (B) of paragraph (3) requires an analysis of the adjustments which would be required under each method in the manner in which benefits are financed under the various Federal employee retirement systems and under the social security system. Social security benefits are financed entirely by employer-employee contributions. Civil service retirement benefits are financed through a combination of contributions and appropriations. It will be important to know what adjustments in these financing methods will be necessary. Also, consideration must be given to the manner in which existing benefits for those who have already retired will continue to be financed.

Most significant is the requirement of subparagraph (C) of paragraph (3) that the joint study must include an analysis of the effects of each method of attaining full social security coverage on the solvency of the retirement systems involved.

Paragraph (4) of subsection (b) requires the joint study to include an analysis of the effects of each method of social security coverage for Federal employees on (A) the recruitment and retention of Federal employees; (B) other employee benefits, such as health benefits for retirees; and (C) Federal, State, and local income tax systems. The committee believes that all of these matters warrant careful consideration. The civil service retirement system, as well as most other employee retirement systems, has been carefully developed and improved over many years and plays a vital role in the recruitment and retention of competent workers. The Congress should know what effects any adjustments in civil service retirement benefits or other Federal employee retirement benefits will have on the recruitment and retention of talented people. Since social security beneficiaries are eligible for Medicare benefits, it would appear that some adjustments would have to be made in the Federal Employees Health Benefits program which covers most Federal retirees. The effects of social security coverage on this program and on any other Federal employee benefits program need to be studied. Finally, since civil service retirement benefits are fully taxable and social security benefits are not, any method of integrating or coordinating the two systems will most likely have a significant impact on Federal, State, and local income tax systems. The Congress should be aware of the magnitude of such impact before reaching a final decision on this subject.

Paragraph (5) of subsection (b) requires the joint study to include a review of the methods by which partial coverage of Federal employees under the social security system could be attained. Partial coverage would cover alternatives such as (1) extending social security coverage only to new Federal employees; (2) extending social security coverage only to certain classes of Federal employees; or (3) covering all Federal employees under the social security system but only for certain purposes, such as disability and survivors' benefits. In reviewing each method of partial coverage, paragraph (5) requires that consideration be given to all of the factors described in paragraphs (2), (3), and (4) of subsection (b), discussed above.

Paragraph (6) of subsection (b) provides that the joint study shall include a review of alternatives to providing coverage (either full or partial) of Federal employees under the social security system which would improve the solvency of that system. The committee believes

that there may be ways of improving the financial status of the social security system other than by extending coverage to Federal employees. These alternatives must be considered in the event coverage of Federal employees proves to be infeasible.

Obviously, any decision to extend social security coverage to Federal employees will have a substantial impact on present employees, retirees, and on the various Federal employee retirement systems. Therefore, subsection (b) provides that in connection with the joint study, representatives of Federal employees and retirees and the heads of agencies which administer the various Federal employee retirement systems shall be allowed to submit views and data. In addition, other parties which have a significant interest in this matter should be allowed to submit their views and pertinent data.

Subsection (c) of section 301 provides that upon completion of the joint study (but in any event no later than two years after the enactment of the legislation) the four agency heads shall submit a joint report on the results of the study together with their recommendations. The report shall be submitted to the President and to the appropriate committees of each House of the Congress. As discussed above, subsection (b) requires a review of the various methods by which full coverage and partial coverage of Federal employees under social security could be attained. The report to be submitted under subsection (c) should include the detailed findings of the joint study with respect to each method of coverage and, particularly, the results of the analyses and comparisons required by paragraphs (2), (3), and (4) of subsection (b). Subsection (c) further provides that any recommendations included in the joint report shall be accompanied by draft legislation if such recommendations would require changes in existing statutes.

Subsection (d) of section 301 requires that the joint study conducted under subsection (b) and the joint report submitted under subsection (c) include at least one method of extending social security coverage to Federal employees which will result in a program of benefits that, overall, are no less favorable than the benefits which are then currently available to such employees under the Federal employee retirement systems. In addition, this method of coverage must assure that the contributions required of Federal employees will be no greater than the contributions then currently required of such employees under their Federal employee retirement systems.

The committee realizes that, in view of the many differences in benefits that exist between the Federal employee retirement systems and the social security system, it would be impossible to develop a method which extends social security coverage to Federal employees but, at the same time, preserves each and every benefit available to employees under the various Federal employee retirement systems. Such a matching of benefits is not intended by the committee under subsection (d). Rather, the committee contemplates a method of social security coverage which results in a package of retirement, disability and survivor benefits that, on the whole, compare favorably to those provided Federal employees under their existing retirement systems.

Subsection (e) of section 301 defines the term "Federal employee" for purposes of that section. The term is defined as meaning (1) an employee as defined in section 2105 of title 5, United States Code

(which includes most officers and employees appointed to positions in the three branches of the Federal Government); (2) an officer or employee of the Postal Service or of the Postal Rate Commission; and (3) any other individual in the employ of the United States or any instrumentality of the United States. As so defined, the term "Federal employee" is intended to cover any individual that has an employer-employee relationship with the United States or any instrumentality thereof.

The remaining committee amendments are conforming amendments necessitated by the committee amendment to section 301 of the bill.

Cost

It is the view of the committee that the study and report which are required under its amendment to H.R. 9346 can be completed without any significant additional cost to the Government. In addition, the committee amendment makes no changes in existing law but merely continues existing law with respect to the exclusion of Federal employees from social security coverage. Accordingly, the enactment of the amendment to H.R. 9346, as proposed by this committee, should not result in any additional cost to the Government.

By letter of October 14, 1977, Chairman Nix requested that a cost estimate be furnished by the Congressional Budget Office pursuant to section 403 of the Congressional Budget Act. The short period of time allowed under the terms of the sequential referral, however, precluded the Congressional Budget Office from providing the requested cost estimate in time to be included in the committee report on H.R. 9346.

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C., October 14, 1977.

DR. ALICE M. RIVLIN,
*Director, Congressional Budget Office, House of Representatives,
Washington, D.C.*

DEAR DR. RIVLIN: On October 13, 1977, our committee ordered reported H.R. 9346 ("Social Security Financing Amendments of 1977") with an amendment, a copy of which is enclosed.

The committee amendment strikes out those provisions of H.R. 9346, as reported by the Committee on Ways and Means, which would require mandatory social security coverage for Federal employees effective January 1982, and those provisions relating to a study by the Secretary of Health, Education, and Welfare.

In lieu of those provisions, our amendment calls for a joint study to be conducted by the Chairman of the Civil Service Commission, the Secretaries of the Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget. Although the study is to be comprehensive, it is the view of this committee that the four agencies will be able to conduct the study with existing personnel and without any significant additional cost to the Government.

However, in accordance with section 403 of the Congressional Budget Act of 1974, I would appreciate your estimate of the costs, if any, which would be incurred in carrying out the provisions of the committee amendment.

Your staff may contact Bob Lockhart for any additional information relating to this matter.

Sincerely,

ROBERT N. C. NIX, *Chairman.*

Enclosures.

OVERSIGHT

Under the House rules the Committee on Post Office and Civil Service is vested with legislative and oversight jurisdiction of the subject matter covered by the committee amendment. The committee received no report of oversight findings or recommendations from the Committee on Government Operations pursuant to clause 4(c)(2) of House Rule X.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(1)(4) of House Rule XI the committee has concluded that the enactment of the committee amendment to H.R. 9346 will have no inflationary impact on the national economy. This conclusion is based on the fact that this committee's amendment to H.R. 9346, as reported by the Committee on Ways and Means, makes no change in existing law.

PERTINENT CORRESPONDENCE

Set forth below are the letters from Chairman Robert N. C. Nix to Chairman Al Ullman concerning this committee's concern with respect to H.R. 9346 and Chairman Nix's letters to the Speaker requesting sequential referral of H.R. 9346.

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C., September 29, 1977.

HON. AL ULLMAN,
Chairman, Committee on Ways and Means, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Section 301 of H.R. 9346 extends the Social Security Act to employees of the United States who are covered by other Federal retirement systems effective December, 1979. Because the pay, fringe benefits, and employment policies of the Government generally for Federal employees come within the jurisdiction of the Committee on Post Office and Civil Service, I am writing to express my deep concern about the effect of this proposal as well as to state the committee's responsibility for jurisdiction over the issue.

Unless advocates of this proposal merely wish to provide more money for Federal employees during their retirement the apparent reasons for extending coverage to Federal employees would be to ac-

quire the \$43 billion assets of the Civil Service Retirement and Disability Fund (as of July 30, 1976) and to plan some future merger of the systems and reduce the combined benefits. I object on both grounds. First, the financial problems of the Social Security Fund would not be resolved by acquiring the assets of the Civil Service Retirement and Disability Fund: along with the \$43 billion assets, the retirement fund has an unfunded liability of \$107 billion. Second, unlike social security, the Civil Service Retirement System is designed to sustain the purchasing power of a career Federal employee at a respectable level after 30 years of more of Federal service. Career staff retirement systems should not be combined with social security.

Current civilian pay exceeds \$45 billion annually. Assuming a modest 6 percent increase in Federal salaries, the Government (employer) contribution to the Social Security Fund for Federal employees would require an additional budgetary outlay of at least \$2.6 billion in 1980 if section 301 is approved. Federal employees, who now pay 7 percent of their gross salary for retirement benefits, would pay an additional 5.1 percent in 1980. An employee earning \$12,000 a year would pay \$1,440 or 12 percent of his total earnings, for social security and civil service retirement coverage.

Employees and employee organizations have expressed strong opposition to social security coverage at this time, and our committee has no plans to consider legislation combining civil service retirement with any other annuity program during the 95th Congress.

I would appreciate your making these views known to the committee members.

Sincerely,

ROBERT N. C. NIX, *Chairman.*

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C., October 4, 1977.

HON. THOMAS P. O'NEILL, JR.,
The Speaker, U.S. House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: The Committee on Ways and Means is presently considering, and expects to report this week, H.R. 9346, the Social Security Financing Amendments of 1977. Section 301 of that bill would extend coverage of the Social Security Act to Federal employees, effective December, 1981.

As you know, under House Rule X(o)(5) this committee has jurisdiction over all legislative matters relating to the "status of officers and employees of the United States, including their compensation, classification, and retirement". While it is argued that section 301 does not change or alter the existing civil service retirement system, and technically this is true, section 301, if enacted, would clearly require this committee to take some action to merge the civil service retirement system with the social security system. Failure of this committee to take some action prior to the 1982 "universal coverage" effective date would result in the absurd situation of Federal employees being cov-

ered by two separate (and totally unrelated) systems and would require both the Federal employee and the Federal Government to contribute to both systems.

I have detailed this committee's objections with respect to the merits of section 301 in a letter of September 29 to Chairman Ullman (copy enclosed). I think it is clear that section 301, although technically not amending or altering the civil service retirement system, does clearly and dramatically mandate changes in that system. Also, providing social security coverage for Federal employees in fact establishes a new retirement system, that is, social security, for those employees.

The Committee on Ways and Means has explicitly recognized that "universal coverage" will require changes in the civil service retirement law and has in fact provided for a Commission to study and report back in 1980 what changes are necessary. It seems to me that such an approach, that is, mandating a change and then attempting to find a means to accomplish the change is putting the cart before the horse.

Such matters are under the jurisdiction of this committee, and accordingly, should H.R. 9346 be reported with section 301 intact, I respectively request that it be sequentially referred to this committee for a period of time sufficient for this committee to consider the merits of that portion of the legislation which pertains to this committee's jurisdiction.

With kindest regards,
Sincerely,

ROBERT N. C. NIX, *Chairman.*

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C., October 5, 1977.

HON. THOMAS P. O'NEILL, JR.,
The Speaker, U.S. House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: This is in further reference to my letter of October 4 regarding H.R. 9346.

At a meeting of the caucus of the Democratic Members of the Post Office and Civil Service Committee held today, it was decided unanimously to send you this letter, cosigned by all the majority members of the committee, as well as most of the minority members, to urge you once again to sequentially refer H.R. 9346 to this committee.

We want to make it clear that it is not our intention to cause any delay in the timetable for consideration of this bill by the House. In this regard, we understand that the timeframe for a sequential referral would be governed by that fact. If it is necessary that the bill be considered in this session, thus permitting only limited time for referral, we assure you that we would act expeditiously. If, however, it is planned not to schedule this bill until the next session, we respectfully suggest a referral until early next January so that the committee can

conduct hearings and follow the normal and orderly legislative process.

In any event, the committee is of the unanimous opinion that the action taken by the Ways and Means Committee, relating to mandatory social security coverage for Federal employees and integration of the civil service retirement and social security systems, grossly infringes upon a major portion of this committee's jurisdiction. The ramifications of section 301 of H.R. 9346 are of major and perhaps tragic proportions to Federal employees and the civil service retirement system, and such a matter should not be acted on by the House without full input by this committee.

If the committee structure in the House is to work as the House Rules intend it to, we believe it is imperative that the bill be sequentially referred to this Committee for appropriate action.

With kind personal regards,

Sincerely yours,

Robert N. S. Nix, Chairman; Pat Schroeder; Gladys Spellman; William L. Clay; Richard C. White; Bill Lehman; William D. Ford; Charles Wilson; Stephen Solarz; Mo Udall; Herbert E. Harris II; Leo J. Ryan; Jim Hanley; Ralph H. Metcalfe; Cee Hertel; Jim Howard; Michael O. Myers; Trent Lott; Jim Leach; Tom Corcoran; John H. Rousselot; Gene Taylor; Edward J. Derwinski.

ADMINISTRATION VIEWS

Set forth below is a letter from the Chairman of the Civil Service Commission expressing the Administration's views with respect to H.R. 9346, and supporting the approach taken by this committee's amendment to that bill.

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C.

HON. ROBERT N. C. NIX,
Chairman, Committee on Post Office and Civil Service, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The Civil Service Commission has carefully reviewed the action taken by the Ways and Means Committee to include in H.R. 9346, the "Social Security Financing Amendments of 1977," a provision which mandates social security coverage for Federal employees beginning January 1, 1982 and requires the Secretary, Health, Education, and Welfare in consultation with the Civil Service Commission to prepare a detailed study of methods for integrating the Civil Service Retirement system with social security by January 1, 1980. We are concerned about this provision as we believe that a step of this magnitude and complexity requires a thorough study of the benefits and financing of each system, full consideration of a range of methods for integrating the systems, and perhaps most importantly specific recommendations and proposals for a "phase-in" or transition period to protect the integrity of the systems and the equity of the individual's rights and benefits under each system.

While such a study is broader than that provided in H.R. 9346, we believe that it could be completed within the time frame required by the bill. We strongly believe that such a study is the necessary first step before establishing the timing of mandatory coverage.

We are not opposed to the concept of mandatory social security coverage for Federal employees. However, the Commissioners as trustees of the Civil Service Retirement Fund have, by law, an obligation to assure that contractual interests of current and former employees in the retirement fund are protected. Similarly the Commission believes we must have a total compensation package which enables the Government to attract and retain personnel.

We believe it is important that any changes in the Civil Service retirement system keep those objectives in mind.

The Office of Management and Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this letter.

Please let us know if there is anything we can do to assist your committee's review of this important matter.

Sincerely yours,

ALAN K. CAMPBELL, *Chairman.*

CHANGES IN EXISTING LAW

Since the amendment proposed by this committee makes no changes in existing law, the requirements of clause 3 of House Rule XIII are inapplicable to this report.

○

H. R. 9346

[Report No. 95-702, Parts I and II]

SEPTEMBER 27, 1977

Mr. ULLMAN introduced the following bill; which was referred to the Committee on Ways and Means

OCTOBER 12, 1977

Reported with an amendment, referred to the Committee on Post Office and Civil Service for a period ending not later than October 17, 1977, for consideration of section 301 of the bill and amendment as reported by the Committee on Ways and Means, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

OCTOBER 17, 1977

Reported from the Committee on Post Office and Civil Service with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part printed in italic and struck through; and insert the part printed in boldface italic]

A BILL

To amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide coverage under the system for officers and employees of the United States, of the State and local governments, and of nonprofit organizations, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 ~~That this Act, with the following table of contents, may be~~
4 ~~cited as the "Social Security Financing Amendments of~~
5 ~~1977".~~

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~~TITLE I PROVISIONS TO IMPROVE THE FINANCING OF
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- ~~Sec. 103. Increases in earnings base.~~
- ~~Sec. 104. Standby guarantee of trust fund levels.~~
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~~TITLE II STABILIZATION OF REPLACEMENT RATES IN
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- ~~Sec. 201. Computation of primary insurance amount.~~
- ~~Sec. 202. Maximum benefits.~~
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~~TITLE III COVERAGE UNDER THE OLD AGE, SURVIVORS,
AND DISABILITY INSURANCE PROGRAM~~

- ~~Sec. 301. Coverage of Federal employees.~~
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- ~~Sec. 304. Crediting of certain Federal, State, and local service, and certain service for nonprofit organizations, performed prior to the effective date of coverage.~~
- ~~Sec. 305. Exclusion from coverage of certain limited partnership income.~~
- ~~Sec. 306. Tax on employers of individuals who receive income from tips.~~
- ~~Sec. 307. Conforming amendments.~~

~~TITLE IV ELIMINATION OF GENDER BASED DISTINC
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ABILITY INSURANCE PROGRAM~~~~PART A EQUALIZATION OF TREATMENT OF MEN AND WOMEN
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- ~~Sec. 403. Illegitimate children.~~
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viving divorced spouses.~~
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- ~~Sec. 421. Study of proposals to eliminate dependency and sex discrimi-
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~~TITLE V CHANGES IN EARNINGS TEST UNDER THE
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- ~~Sec. 501. Liberalization of earnings test.~~
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~~PART B AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1954~~

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~~PART C CONFORMING AMENDMENT TO THE RAILROAD RETIREMENT
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- ~~Sec. 621. Computation of employee annuities.~~

~~TITLE VII MISCELLANEOUS PROVISIONS~~

- ~~Sec. 701. Elimination of certain optional payment procedures under the
old age, survivors, and disability insurance program.~~
~~Sec. 702. Early mailing of benefit checks where regularly scheduled deliv-
ery day falls on Saturday, Sunday, or legal holiday.~~
~~Sec. 703. Definition.~~

1 ~~TITLE I PROVISIONS TO IMPROVE THE FINANC-~~
2 ~~ING OF THE OLD AGE, SURVIVORS, AND DIS-~~
3 ~~ABILITY INSURANCE PROGRAM~~

4 ~~ADJUSTMENTS IN TAX RATES~~

5 ~~SEC. 101. (a) (1) Section 3101(a) of the Internal~~
6 ~~Revenue Code of 1954 (relating to rate of tax on employees~~
7 ~~for purposes of old age, survivors, and disability insurance)~~
8 ~~is amended by striking out paragraphs (1) and (2) and~~
9 ~~inserting in lieu thereof the following:~~

10 ~~“(1) with respect to wages received during the~~
11 ~~calendar years 1974 through 1977, the rate shall be~~
12 ~~4.95 percent;~~

13 ~~“(2) with respect to wages received during the~~
14 ~~calendar years 1978 through 1980, the rate shall be~~
15 ~~5.10 percent;~~

16 ~~“(3) with respect to wages received during the~~
17 ~~calendar years 1981 through 1984, the rate shall be~~
18 ~~5.25 percent;~~

19 ~~“(4) with respect to wages received during the~~
20 ~~calendar years 1985 through 1989, the rate shall be~~
21 ~~5.55 percent; and~~

22 ~~“(5) with respect to wages received after Decem-~~
23 ~~ber 31, 1989, the rate shall be 6.15 percent.”.~~

24 ~~(2) Section 3111(a) of such Code (relating to rate~~
25 ~~of tax on employers for purposes of old age, survivors, and~~

1 ~~disability insurance) is amended by striking out paragraphs~~
2 ~~(1) and (2) and inserting in lieu thereof the following:~~

3 ~~“(1) with respect to wages paid during the cal-~~
4 ~~endar years 1974 through 1977, the rate shall be 4.95~~
5 ~~percent;~~

6 ~~“(2) with respect to wages paid during the cal-~~
7 ~~endar years 1978 through 1980, the rate shall be 5.10~~
8 ~~percent;~~

9 ~~“(3) with respect to wages paid during the calendar~~
10 ~~years 1981 through 1984, the rate shall be 5.25 percent;~~

11 ~~“(4) with respect to wages received during the~~
12 ~~calendar years 1985 through 1989, the rate shall be~~
13 ~~5.55 percent; and~~

14 ~~“(5) with respect to wages paid after December 31,~~
15 ~~1989, the rate shall be 6.15 percent.”.~~

16 ~~(3) Section 1401 (a) of such Code (relating to rate of~~
17 ~~tax on self-employment income for purposes of old age,~~
18 ~~survivors, and disability insurance) is amended by striking~~
19 ~~out “a tax” and all that follows and inserting in lieu thereof~~
20 ~~the following: “a tax as follows:~~

21 ~~“(1) in the case of any taxable year beginning~~
22 ~~before January 1, 1978, the tax shall be equal to 7.0~~
23 ~~percent of the amount of the self-employment income~~
24 ~~for such taxable year;~~

25 ~~“(2) in the case of any taxable year beginning~~

1 ~~after December 31, 1977, and before January 1, 1981,~~
2 ~~the tax shall be equal to 7.15 percent of the amount of~~
3 ~~the self-employment income for such taxable year;~~

4 ~~“(3) in the case of any taxable year beginning~~
5 ~~after December 31, 1980, and before January 1, 1985,~~
6 ~~the tax shall be equal to 7.85 percent of the amount of~~
7 ~~the self-employment income for such taxable year;~~

8 ~~“(4) in the case of any taxable year beginning after~~
9 ~~December 31, 1984, and before January 1, 1990, the~~
10 ~~tax shall be equal to 8.35 percent of the amount of the~~
11 ~~self-employment income for such taxable year; and~~

12 ~~“(5) in the case of any taxable year beginning~~
13 ~~after December 31, 1989, the tax shall be equal to 9.20~~
14 ~~percent of the amount of the self-employment income~~
15 ~~for such taxable year.”.~~

16 ~~(b) (1) Section 3101 (b) of such Code (relating to rate~~
17 ~~of tax on employees for purposes of hospital insurance) is~~
18 ~~amended by striking out paragraphs (1) through (4) and~~
19 ~~inserting in lieu thereof the following:~~

20 ~~“(1) with respect to wages received during the~~
21 ~~calendar years 1974 through 1977, the rate shall be~~
22 ~~0.90 percent;~~

23 ~~“(2) with respect to wages received during the~~
24 ~~calendar years 1978 through 1980, the rate shall be~~
25 ~~0.95 percent;~~

1 ~~“(3) with respect to wages received during the~~
2 ~~calendar years 1981 through 1985, the rate shall be~~
3 ~~1.15 percent; and~~

4 ~~“(4) with respect to wages received after Decem-~~
5 ~~ber 31, 1985, the rate shall be 1.30 percent.”.~~

6 ~~(2) Section 3111 (b) of such Code (relating to rate of~~
7 ~~tax on employers for purposes of hospital insurance) is~~
8 ~~amended by striking out paragraphs (1) through (4) and~~
9 ~~inserting in lieu thereof the following:~~

10 ~~“(1) with respect to wages paid during the cal-~~
11 ~~endar years 1974 through 1977, the rate shall be 0.90~~
12 ~~percent;~~

13 ~~“(2) with respect to wages paid during the cal-~~
14 ~~endar years 1978 through 1980, the rate shall be 0.95~~
15 ~~percent;~~

16 ~~“(3) with respect to wages paid during the cal-~~
17 ~~endar years 1981 through 1985, the rate shall be 1.15~~
18 ~~percent; and~~

19 ~~“(4) with respect to wages paid after December 31,~~
20 ~~1985, the rate shall be 1.30 percent.”.~~

21 ~~(3) Section 1401 (b) of such Code (relating to tax on~~
22 ~~self-employment income for purposes of hospital insurance)~~
23 ~~is amended by striking out paragraphs (1) through (4) and~~
24 ~~inserting in lieu thereof the following:~~

25 ~~“(1) in the case of any taxable year beginning after~~

1 ~~December 31, 1973, and before January 1, 1978, the~~
2 ~~tax shall be equal to 0.90 percent of the amount of the~~
3 ~~self-employment income for such taxable year;~~

4 ~~“(2) in the case of any taxable year beginning after~~
5 ~~December 31, 1977, and before January 1, 1981, the~~
6 ~~tax shall be equal to 0.95 percent of the amount of the~~
7 ~~self-employment income for such taxable year;~~

8 ~~“(3) in the case of any taxable year beginning after~~
9 ~~December 31, 1980, and before January 1, 1986, the~~
10 ~~tax shall be equal to 1.15 percent of the amount of the~~
11 ~~self-employment income for such taxable year; and~~

12 ~~“(4) in the case of any taxable year beginning after~~
13 ~~December 31, 1985, the tax shall be equal to 1.30 per-~~
14 ~~cent of the amount of the self-employment income for~~
15 ~~such taxable year.”.~~

16 ~~ALLOCATIONS TO DISABILITY INSURANCE TRUST FUND~~

17 ~~SEC. 102. (a) (1) Section 201 (b) (1) of the Social~~
18 ~~Security Act is amended by striking out clauses (G)-~~
19 ~~through (J) and inserting in lieu thereof the following:~~
20 ~~“(G) 1.55 per centum of the wages (as so defined) paid~~
21 ~~after December 31, 1977, and before January 1, 1981, and~~
22 ~~so reported, (H) 1.65 per centum of the wages (as so de-~~
23 ~~finied) paid after December 31, 1980, and before Janu-~~
24 ~~ary 1, 1985, and so reported, (I) 1.84 per centum of the~~

1 ~~wages (as so defined) paid after December 31, 1984, and~~
2 ~~before January 1, 1990, and so reported, and (J) 2.30~~
3 ~~per centum of the wages (as so defined) paid after Decem-~~
4 ~~ber 31, 1989, and so reported.”.~~

5 ~~(2) Section 201 (b) (2) of such Act is amended by~~
6 ~~striking out clauses (G) through (J) and inserting in lieu~~
7 ~~thereof the following: “(G) 1.0865 per centum of the~~
8 ~~amount of self-employment income (as so defined) so re-~~
9 ~~ported for any taxable year beginning after December 31,~~
10 ~~1977, and before January 1, 1981, (H) 1.2375 per centum~~
11 ~~of the amount of self-employment income (as so defined) so~~
12 ~~reported for any taxable year beginning after December 31,~~
13 ~~1980, and before January 1, 1985, (I) 1.3800 per centum~~
14 ~~of the amount of self-employment income (as so defined) so~~
15 ~~reported for any taxable year beginning after December 31,~~
16 ~~1984, and before January 1, 1990, and (J) 1.7250 per~~
17 ~~centum of the amount of self-employment income (as so~~
18 ~~defined) so reported for any taxable year beginning after~~
19 ~~December 31, 1989.”.~~

20 ~~INCREASES IN EARNINGS BASE~~

21 ~~SEC. 103. (a) Section 230 (b) of the Social Security~~
22 ~~Act is amended by striking out “shall be” in the matter~~
23 ~~preceding paragraph (1) and inserting in lieu thereof “shall~~
24 ~~(subject to subsection (c)) be”.~~

1 ~~(b) Section 230 (c) of such Act is amended—~~

2 ~~(1) by inserting “(1)” immediately before “the~~
3 ~~‘contribution and benefit base’”; and—~~

4 ~~(2) by striking out “section.” and inserting in lieu~~
5 ~~thereof the following:~~

6 ~~“section, and (2) the ‘contribution and benefit base’ with~~
7 ~~respect to remuneration paid (and taxable years beginning) —~~

8 ~~“(A) in 1978 shall be \$17,700,~~

9 ~~“(B) in 1979 shall be \$20,000,~~

10 ~~“(C) in 1980 shall be \$24,400, and~~

11 ~~“(D) in 1981 shall be \$27,900.~~

12 ~~For purposes of determining under subsection (b) the ‘con-~~
13 ~~tribution and benefit base’ with respect to remuneration paid~~
14 ~~(and taxable years beginning) in 1982 and subsequent years,~~
15 ~~the dollar amounts specified in clause (2) of the preceding~~
16 ~~sentence shall be considered to have resulted from the applica-~~
17 ~~tion of such subsection (b) and to be the amount determined~~
18 ~~(with respect to the years involved) under that subsection.”.~~

19 ~~(c) (1) The second sentence of section 215 (i) (2) (D)~~
20 ~~(v) of such Act is amended by striking out “is equal to~~
21 ~~one-twelfth of the new contribution and benefit base” and~~
22 ~~inserting in lieu thereof “is equal to, or exceeds by less than~~
23 ~~\$5, one-twelfth of the new contribution and benefit base”.~~

24 ~~(2) The third sentence of section 215 (i) (2) (D) (v)~~
25 ~~of such Act is amended by striking out all that follows~~

1 ~~“clause (iv)” and inserting in lieu thereof “plus 20 per-~~
2 ~~cent of the excess of the second figure in the last line of~~
3 ~~column III as extended under the preceding sentence over~~
4 ~~such second figure for the calendar year in which the table~~
5 ~~of benefits is revised.”.~~

6 ~~STANDBY GUARANTEE OF TRUST FUND LEVELS~~

7 ~~SEC. 104. (a) Section 201 of the Social Security Act is~~
8 ~~amended by adding at the end thereof the following new~~
9 ~~subsection:~~

10 ~~“(j) If at the close of any calendar year after 1976~~
11 ~~the balance remaining in the Federal Old Age and Survi-~~
12 ~~vors Insurance Trust Fund or the Federal Disability Insur-~~
13 ~~ance Trust Fund (as determined by the Secretary of the~~
14 ~~Treasury in the following February) is less than 25 percent~~
15 ~~of the total amount of the payments made from such fund~~
16 ~~under this title during that calendar year, there is hereby~~
17 ~~appropriated to such fund as of the following July 1 an~~
18 ~~amount equal to the difference between (1) such balance,~~
19 ~~and (2) 30 percent of the total amount of such payments.~~
20 ~~Any amount appropriated to either trust fund under the~~
21 ~~preceding sentence shall constitute and be treated as a loan~~
22 ~~to such fund from the general fund of the Treasury, and~~
23 ~~shall be repaid (by transfer from such fund to the general~~
24 ~~fund of the Treasury), with accrued interest, in whole or in~~
25 ~~such part as will not reduce the balance in such fund to less~~

1 ~~than 25 percent of the total amount of the payments made~~
2 ~~from such fund under this title during the calendar year~~
3 ~~involved, on July 1 next succeeding the first subsequent~~
4 ~~calendar year at the close of which (as determined by the~~
5 ~~Secretary of the Treasury in the month of February next~~
6 ~~succeeding that calendar year) the balance remaining in~~
7 ~~such fund equals or exceeds 40 percent of the total amount~~
8 ~~of the payments made from such fund under this title during~~
9 ~~that calendar year. For purposes of the preceding sentence,~~
10 ~~accrued interest shall be computed on each such loan as if it~~
11 ~~were an obligation described in the next to last sentence of~~
12 ~~subsection (d)."~~

13 ~~(b) Section 1817 of such Act is amended by adding at~~
14 ~~the end thereof the following new subsection:~~

15 ~~"(i) If at the close of any calendar year after 1976~~
16 ~~the balance remaining in the Federal Hospital Insurance~~
17 ~~Trust Fund (as determined by the Secretary of the Treasury~~
18 ~~in the following February) is less than 25 percent of the~~
19 ~~total amount of the payments made from such fund under~~
20 ~~this title during that calendar year, there is hereby appro-~~
21 ~~priated to such fund as of the following July 1 an amount~~
22 ~~equal to the difference between (1) such balance and (2)~~
23 ~~30 percent of the total amount of such payments. Any~~
24 ~~amount appropriated to such trust fund under the preceding~~
25 ~~sentence shall constitute and be treated as a loan to such~~
26 ~~fund from the general fund of the Treasury, and shall be~~

~~1 repaid (by transfer from such fund to the general fund of~~
~~2 the Treasury), with accrued interest, in whole or in such~~
~~3 part as will not reduce the balance in such fund to less than~~
~~4 25 percent of the total amount of the payments made from~~
~~5 such fund under this title during the calendar year in-~~
~~6 volved, on July 1 next succeeding the first subsequent~~
~~7 calendar year at the close of which (as determined~~
~~8 by the Secretary of the Treasury in the month of February~~
~~9 next succeeding that calendar year) the balance remaining~~
~~10 in such fund equals or exceeds 40 percent of the total~~
~~11 amount of the payments made from such fund under this~~
~~12 title during that calendar year. For purposes of the preced-~~
~~13 ing sentence, accrued interest shall be computed on each such~~
~~14 loan as if it were an obligation described in the next to last~~
~~15 sentence of subsection (c).”.~~

~~16 EFFECTIVE DATE~~

~~17 SEC. 105. The amendments made by sections 101, 102,~~
~~18 and 103 shall apply with respect to remuneration paid or~~
~~19 received, and taxable years beginning, after 1977.~~

~~20 TITLE II STABILIZATION OF REPLACEMENT~~
~~21 RATES IN THE OLD AGE, SURVIVORS, AND~~
~~22 DISABILITY INSURANCE PROGRAM~~

~~23 COMPUTATION OF PRIMARY INSURANCE AMOUNT~~

~~24 SEC. 201. (a) Section 215 (a) of the Social Security~~
~~25 Act is amended to read as follows:~~

1 ~~“(a) (1) (A) The primary insurance amount of an~~
 2 ~~insured individual shall (except as otherwise provided in this~~
 3 ~~section) be equal to the sum of—~~

4 ~~“(i) 90 percent of the individual’s average indexed~~
 5 ~~monthly earnings (determined under subsection (b))~~
 6 ~~up to the amount established for purposes of this clause~~
 7 ~~by subparagraph (B),~~

8 ~~“(ii) 32 percent of the portion of the individual’s~~
 9 ~~average indexed monthly earnings which exceeds the~~
 10 ~~amount established for purposes of clause (i) but does~~
 11 ~~not exceed the amount established for purposes of this~~
 12 ~~clause by subparagraph (B), and~~

13 ~~“(iii) 15 percent of the individual’s average~~
 14 ~~indexed monthly earnings to the extent that they exceed~~
 15 ~~the amount established for purposes of clause (ii),~~
 16 ~~rounded in accordance with subsection (g), and thereafter~~
 17 ~~increased as provided in subsection (i).~~

18 ~~“(B) (i) For individuals who initially become eligible~~
 19 ~~for old age or disability insurance benefits or die in the cal-~~
 20 ~~endar year 1970, the amounts established for purposes of~~
 21 ~~clauses (i) and (ii) of subparagraph (A) shall be \$180~~
 22 ~~and \$1,085, respectively.~~

23 ~~“(ii) For individuals who initially become eligible for~~
 24 ~~old age or disability insurance benefits or die in any calendar~~
 25 ~~year after 1970, each of the amounts so established shall~~

1 ~~equal the product of the corresponding amount established~~
2 ~~with respect to the calendar year 1979 under clause (i) of~~
3 ~~this subparagraph and the quotient obtained by dividing~~

4 ~~“(I) the average of the total wages (as defined~~
5 ~~in regulations of the Secretary and computed without~~
6 ~~regard to the limitations specified in section 209(a))~~
7 ~~reported to the Secretary of the Treasury or his delegate~~
8 ~~for the second calendar year preceding the calendar~~
9 ~~year for which the determination is made, by~~

10 ~~“(II) the average of the total wages (as so de-~~
11 ~~fin ed and computed) reported to the Secretary of the~~
12 ~~Treasury or his delegate for the calendar year 1977.~~

13 ~~“(iii) Each amount established under clause (ii) for~~
14 ~~any calendar year shall be rounded to the nearest \$1, except~~
15 ~~that any portion so determined which is a multiple of \$0.50~~
16 ~~but not of \$1 shall be rounded to the next higher \$1.~~

17 ~~“(C) (i) No primary insurance amount computed under~~
18 ~~subparagraph (A) may be less than~~

19 ~~“(I) the dollar amount set forth on the first line of~~
20 ~~column IV in the table of benefits contained in this~~
21 ~~subsection as in effect in December 1978, rounded (if~~
22 ~~not a multiple of \$1) to the next higher multiple of \$1,~~
23 ~~or~~

24 ~~“(II) an amount equal to \$11.50 multiplied by the~~
25 ~~individual's years of coverage in excess of 10, or the~~

1 ~~increased amount determined for purposes of this sub-~~
2 ~~division under subsection (i),~~
3 ~~whichever is greater. No increase under subsection (i) shall~~
4 ~~apply to the dollar amount specified in subdivision (I) of~~
5 ~~this clause.~~

6 ~~“(ii) For purposes of clause (i) (II), the term ‘years~~
7 ~~of coverage’ with respect to any individual means the number~~
8 ~~(not exceeding 30) equal to the sum of (I) the number~~
9 ~~(not exceeding 14 and disregarding any fraction) deter-~~
10 ~~mined by dividing (a) the total of the wages credited to~~
11 ~~such individual (including wages deemed to be paid prior~~
12 ~~to 1951 to such individual under section 217, compensation~~
13 ~~under the Railroad Retirement Act of 1937 prior to 1951~~
14 ~~which is creditable to such individual pursuant to this title,~~
15 ~~and wages deemed to be paid prior to 1951 to such individual~~
16 ~~under section 231) for years after 1936 and before 1951~~
17 ~~by (b) \$900, plus (II) the number equal to the number of~~
18 ~~years after 1950 each of which is a computation base year~~
19 ~~(within the meaning of subsection (b) (2) (B) (ii)) and in~~
20 ~~each of which he is credited with wages (including wages~~
21 ~~deemed to be paid to such individual under section 217,~~
22 ~~compensation under the Railroad Retirement Act of 1937 or~~
23 ~~1974 which is creditable to such individual pursuant to this~~
24 ~~title, and wages deemed to be paid prior to 1951 to such~~
25 ~~individual under section 229) and self-employment income~~

1 ~~of not less than 25 percent of the maximum amount which,~~
2 ~~pursuant to subsection (e), may be counted for such year.~~

3 ~~“(D) In each calendar year after 1978 the Secretary~~
4 ~~shall publish in the Federal Register, on or before Novem-~~
5 ~~ber 1, the formula for computing benefits under this para-~~
6 ~~graph and for adjusting wages and self-employment income~~
7 ~~under subsection (b) (3) in the case of an individual who~~
8 ~~becomes eligible for an old age insurance benefit, or (if~~
9 ~~earlier) becomes eligible for a disability insurance benefit~~
10 ~~or dies, in the following year, and the average of the total~~
11 ~~wages (as described in subparagraph (B) (ii) (I)) on~~
12 ~~which that formula is based. With the initial publication re-~~
13 ~~quired by this subparagraph, the Secretary shall also publish~~
14 ~~in the Federal Register the average of the total wages (as~~
15 ~~so described) for each calendar year after 1950.~~

16 ~~“(2) (A) In the case of an individual who was entitled~~
17 ~~to a disability insurance benefit for any of the 12 months~~
18 ~~before the month in which he became entitled to an old age~~
19 ~~insurance benefit, became reentitled to a disability insurance~~
20 ~~benefit, or died, the primary insurance amount for determin-~~
21 ~~ing any benefit attributable to that entitlement, reentitlement,~~
22 ~~or death is the greater of—~~

23 ~~“(i) the primary insurance amount upon which such~~
24 ~~disability insurance benefit was based, increased by the~~
25 ~~amount of each general benefit increase (as defined in~~

1 ~~subsection (i) (3)), and each increase provided under~~
 2 ~~subsection (i) (2), that would have applied to such~~
 3 ~~primary insurance amount had the individual remained~~
 4 ~~entitled to such disability insurance benefit until the~~
 5 ~~month in which he became so entitled or reentitled or~~
 6 ~~died, or~~

7 ~~“(ii) the amount computed under paragraph (1)~~
 8 ~~(C).~~

9 ~~“(B) In the case of an individual who was entitled to~~
 10 ~~a disability insurance benefit for any month, and with respect~~
 11 ~~to whom a primary insurance amount is required to be com-~~
 12 ~~puted at any time after the close of the period of the indi-~~
 13 ~~vidual’s disability (whether because of such individual’s~~
 14 ~~subsequent entitlement to old-age insurance benefits or to a~~
 15 ~~disability insurance benefit based upon a subsequent period~~
 16 ~~of disability, or because of such individual’s death), the~~
 17 ~~primary insurance amount so computed may in no case be~~
 18 ~~less than the primary insurance amount with respect to~~
 19 ~~which such former disability insurance benefit was most re-~~
 20 ~~cently determined.~~

21 ~~“(3) (A) Paragraph (1) applies only to an individual~~
 22 ~~who was not eligible for an old-age insurance benefit prior~~
 23 ~~to January 1979 and who in that or any succeeding month~~

24 ~~“(i) becomes eligible for such a benefit,~~

1 ~~“(ii) becomes eligible for a disability insurance~~
2 ~~benefit, or~~

3 ~~“(iii) dies,~~

4 ~~and (except for subparagraph (C) (i) (II) thereof) it ap-~~
5 ~~plies to every such individual except to the extent otherwise~~
6 ~~provided by paragraph (4).~~

7 ~~“(B) For purposes of this title, an individual is deemed~~
8 ~~to be eligible—~~

9 ~~“(i) for old-age insurance benefits, for months~~
10 ~~beginning with the month in which he attains age 62, or~~

11 ~~“(ii) for disability insurance benefits, for months~~
12 ~~beginning with the month in which his period of dis-~~
13 ~~ability began as described in section 216 (i) (2) (C),~~
14 ~~unless fewer than 12 months have elapsed since the termi-~~
15 ~~nation of a prior period of disability.~~

16 ~~“(4) Paragraph (1) (except for subparagraph (C) (i)~~
17 ~~(II) thereof) does not apply to the computation or re-~~
18 ~~computation of a primary insurance amount for—~~

19 ~~“(A) an individual who was eligible for a disability~~
20 ~~insurance benefit for a month prior to January 1979~~
21 ~~unless, prior to the month in which occurs the event~~
22 ~~described in clause (i), (ii), or (iii) of paragraph (3)~~
23 ~~(A), there occurs a period of at least 12 consecutive~~

1 ~~months for which he was not entitled to a disability~~
2 ~~insurance benefit, or~~

3 ~~“(B) an individual who had wages or self employ-~~
4 ~~ment income credited for one or more years prior to~~
5 ~~1979, and who was not eligible for an old age or disa-~~
6 ~~bility insurance benefit, and did not die, prior to January~~
7 ~~1979, if in the year for which the computation or re-~~
8 ~~computation would be made the individual’s primary~~
9 ~~insurance amount would be greater if computed or~~
10 ~~recomputed—~~

11 ~~“(i) under section 215 (a) as in effect in~~
12 ~~December 1978, for purposes of old age insurance~~
13 ~~benefits in the case of an individual who becomes~~
14 ~~eligible for such benefits prior to 1980, or~~

15 ~~“(ii) as provided by section 215 (d), in the~~
16 ~~case of an individual to whom such section applies.~~

17 ~~In determining whether an individual’s primary insurance~~
18 ~~amount would be greater if computed or recomputed as pro-~~
19 ~~vided in subparagraph (B), (I) the table of benefits in~~
20 ~~effect in December 1978 shall be applied without regard~~
21 ~~to any increases in that table which may become effective~~
22 ~~(in accordance with subsection (i) (4)) for years after~~
23 ~~1978 and prior to the year in which such individual became~~
24 ~~eligible for an old age or disability insurance benefit or died,~~

1 ~~and (II) such individual's average monthly wage shall be~~
 2 ~~computed as provided by subsection (b) (4).~~

3 ~~“(5) For purposes of computing the primary insurance~~
 4 ~~amount (after December 1978) of an individual to whom~~
 5 ~~paragraph (1) does not apply (other than an individual~~
 6 ~~described in paragraph (4) (B)), this section as in effect~~
 7 ~~in December 1978 shall remain in effect, except that, effec-~~
 8 ~~tive for January 1979, the dollar amount specified in para-~~
 9 ~~graph (3) of subsection (a) shall be increased to \$11.50.~~
 10 ~~The table for determining primary insurance amounts and~~
 11 ~~maximum family benefits contained in this section in Decem-~~
 12 ~~ber 1978 shall be revised as provided by subsection (i) for~~
 13 ~~each year after 1978.”~~

14 ~~(b) Section 215 (b) of such Act is amended to read as~~
 15 ~~follows:~~

16 ~~“Average Indexed Monthly Earnings; Average Monthly~~
 17 ~~Wage~~

18 ~~“(b) (1) An individual's average indexed monthly~~
 19 ~~earnings shall be equal to the quotient obtained by dividing~~

20 ~~“(A) the total (after adjustment under paragraph~~
 21 ~~(3)) of his wages paid in and self-employment income~~
 22 ~~credited to his benefit computation years (determined~~
 23 ~~under paragraph (2)), by~~

24 ~~“(B) the number of months in those years.~~

1 ~~“(2) (A) The number of an individual’s benefit com-~~
2 ~~putation years equals the number of elapsed years, reduced~~
3 ~~by five, except that the number of an individual’s benefit~~
4 ~~computation years may not be less than two.~~

5 ~~“(B) For purposes of this subsection with respect to~~
6 ~~any individual—~~

7 ~~“(i) the term ‘benefit computation years’ means~~
8 ~~those computation base years, equal in number to the~~
9 ~~number determined under subparagraph (A), for which~~
10 ~~the total of such individual’s wages and self-employment~~
11 ~~income, after adjustment under paragraph (2), is the~~
12 ~~largest;~~

13 ~~“(ii) the term ‘computation base years’ means the~~
14 ~~calendar years after 1950 and before—~~

15 ~~“(I) in the case of an individual entitled to old-~~
16 ~~age insurance benefits, the year in which occurred~~
17 ~~(whether by reason of section 202 (j) (1) or other-~~
18 ~~wise) the first month of that entitlement; or~~

19 ~~“(II) in the case of an individual who has~~
20 ~~died, the year succeeding the year of his death;~~
21 ~~except that such term excludes any calendar year en-~~
22 ~~tirely included in a period of disability; and~~

23 ~~“(iii) the term ‘number of elapsed years’ means~~
24 ~~(except as otherwise provided by section 104 (j) (2)~~
25 ~~of the Social Security Amendments of 1972) the num-~~

1 ~~ber of calendar years after 1950 (or, if later, the year~~
2 ~~in which the individual attained age 21) and before the~~
3 ~~year in which the individual died, or, if it occurred~~
4 ~~after 1960, the year in which he attained age 62; except~~
5 ~~that such term excludes any calendar year any part of~~
6 ~~which is included in a period of disability.~~

7 ~~“(3) (A) Except as provided by subparagraph (B),~~
8 ~~the wages paid in and self-employment income credited to~~
9 ~~each of an individual’s computation base years for purposes~~
10 ~~of the selection therefrom of benefit computation years under~~
11 ~~paragraph (2) shall be deemed to be equal to the product~~
12 ~~of—~~

13 ~~“(i) the wages and self-employment income actually~~
14 ~~paid in or credited to such year, and~~

15 ~~“(ii) the quotient obtained by dividing—~~

16 ~~“(I) the average of the total wages (as defined~~
17 ~~in regulations of the Secretary and computed with-~~
18 ~~out regard to the limitations specified in section 200~~
19 ~~(a)) reported to the Secretary of the Treasury or~~
20 ~~his delegate for the second calendar year preceding~~
21 ~~the year of the individual’s death or initial eligibility~~
22 ~~for an old age or disability insurance benefit, which-~~
23 ~~ever is earliest (not counting any year as the year~~
24 ~~of the individual’s death or eligibility if the indi-~~
25 ~~vidual was entitled to a disability insurance benefit~~

1 ~~for any of the 12 months immediately preceding~~
2 ~~such year), by~~

3 ~~“(II) the average of the total wages (as so~~
4 ~~defined and computed) reported to the Secretary~~
5 ~~of the Treasury or his delegate for the computation~~
6 ~~base year for which the determination is made.~~

7 ~~“(B) Wages paid in or self employment income~~
8 ~~credited to an individual's computation base year which—~~

9 ~~“(i) occurs after the second calendar year specified~~
10 ~~in subparagraph (A) (ii) (I), or~~

11 ~~“(ii) is a year treated under subsection (f) (2) (C)~~
12 ~~as though it were the last year of the period specified in~~
13 ~~subsection (b) (2) (B) (ii),~~

14 ~~shall be available for use in determining an individual's bene-~~
15 ~~fit computation years, but without applying subparagraph~~
16 ~~(A) of this paragraph.~~

17 ~~“(4) For purposes of determining the average monthly~~
18 ~~wage of an individual whose primary insurance amount is~~
19 ~~computed (after 1978) under section 215 (a) or 215 (d)~~
20 ~~as in effect (except with respect to the tables contained~~
21 ~~therein) in December 1978, by reason of subsection~~
22 ~~(a) (4) (B), this subsection as in effect in December 1978~~
23 ~~shall remain in effect, except that paragraph (2) (C) (as~~
24 ~~then in effect) shall be deemed to provide that 'computation~~
25 ~~base years' include only calendar years in the period after~~

1 ~~1950 (or 1936, if applicable) and prior to the year in~~
2 ~~which occurred the first month for which the individual was~~
3 ~~eligible (as defined in subsection (a) (3) (B) as in effect~~
4 ~~in January 1979) for an old age or disability insurance~~
5 ~~benefit, or died. Any calendar year all of which is included~~
6 ~~in a period of disability shall not be included as a computa-~~
7 ~~tion base year for such purposes."~~

8 ~~(c) Section 215 (c) of such Act is amended to read~~
9 ~~as follows:~~

10 ~~"Application of Prior Provisions in Certain Cases~~

11 ~~"(c) This subsection as in effect in December 1978~~
12 ~~shall remain in effect with respect to an individual to whom~~
13 ~~subsection (a) (1) does not apply by reason of the indi-~~
14 ~~vidual's eligibility for an old age or disability insurance bene-~~
15 ~~fit, or the individual's death, prior to 1979."~~

16 ~~(d) (1) The matter in the text of section 215 (d) of~~
17 ~~such Act which precedes paragraph (1) (C) is amended to~~
18 ~~read as follows:~~

19 ~~"(d) (1) For purposes of column I of the table appear-~~
20 ~~ing in subsection (a), as that subsection was in effect in~~
21 ~~December 1977, an individual's primary insurance benefit~~
22 ~~shall be computed as follows:~~

23 ~~"(A) The individual's average monthly wage shall be~~
24 ~~determined as provided in subsection (b), as in effect in~~
25 ~~December 1977 (but without regard to paragraph (4)~~

1 ~~thereof), except that for purposes of paragraphs (2) (C)~~
2 ~~and (3) of that subsection (as so in effect) 1936 shall be~~
3 ~~used instead of 1950.~~

4 ~~“(B) For purposes of subparagraphs (B) and (C)~~
5 ~~of subsection (b) (2) (as so in effect), the total wages~~
6 ~~prior to 1951 (as defined in subparagraph (C) of this~~
7 ~~paragraph) of an individual who attained age 21 after 1936~~
8 ~~and prior to 1951 shall be divided by the number of years~~
9 ~~(hereinafter in this subparagraph referred to as the ‘divisor’)~~
10 ~~elapsing after the year in which the individual attained age~~
11 ~~21 and prior to the earlier of 1951 or the year of the in-~~
12 ~~dividual’s death. The quotient so obtained shall be deemed~~
13 ~~to be the individual’s wages credited to each of the years~~
14 ~~included in the divisor, except that—~~

15 ~~“(i) if the quotient exceeds \$3,000, only \$3,000~~
16 ~~shall be deemed to be the individual’s wages for each~~
17 ~~of years included in the divisor, and the remainder of~~
18 ~~the individual’s total wages prior to 1951 (I) if less~~
19 ~~than \$3,000, shall be deemed credited to the year in~~
20 ~~which the individual attained age 21, or (II) if \$3,000~~
21 ~~or more, shall be deemed credited, in \$3,000 incre-~~
22 ~~ments, to the year in which the individual attained age~~
23 ~~21 and to each year consecutively preceding that year,~~
24 ~~with any remainder less than \$3,000 being credited to~~

1 ~~the year immediately preceding the earliest year to~~
2 ~~which a full \$3,000 increment was credited; and~~

3 ~~“(ii) no more than \$42,000 may be taken into~~
4 ~~account, for purposes of this subparagraph, as total~~
5 ~~wages after 1936 and prior to 1951.”~~

6 ~~(2) Section 215 (d) (1) (D) of such Act is amended~~
7 ~~to read as follows:~~

8 ~~“(D) The individual’s primary insurance benefit~~
9 ~~shall be 40 percent of the first \$50 of his average~~
10 ~~monthly wage as computed under this subsection, plus~~
11 ~~10 percent of the next \$200 of his average monthly~~
12 ~~wage, increased by 1 percent for each increment year.~~
13 ~~The number of increment years is the number, not more~~
14 ~~than 14 nor less than 4, that is equal to the individual’s~~
15 ~~total wages prior to 1951 divided by \$1,650 (disre-~~
16 ~~garding any fraction).”~~

17 ~~(3) Section 215 (d) (3) of such Act is amended (A)~~
18 ~~by striking out “in the case of an individual” and all that~~
19 ~~follows and inserting in lieu thereof the following: “in the~~
20 ~~case of an individual who had a period of disability which~~
21 ~~began prior to 1951, but only if the primary insurance~~
22 ~~amount resulting therefrom is higher than the primary in-~~
23 ~~surance amount resulting from the application of this section~~

1 ~~(as amended by the Social Security Amendments of 1967)~~
2 ~~and section 220.”~~

3 ~~(4) Section 215 (d) of such Act is further amended by~~
4 ~~adding at the end thereof the following new paragraph:~~

5 ~~“(4) The provisions of this subsection as in effect in~~
6 ~~December 1977 shall be applicable to individuals who be-~~
7 ~~come eligible for old age or disability insurance benefits or~~
8 ~~die prior to 1978.”~~

9 ~~(e) Section 215 (e) of such Act is amended—~~

10 ~~(1) by striking out “average monthly wage” each~~
11 ~~place it appears and inserting in lieu thereof “average~~
12 ~~indexed monthly earnings or, in the case of an individual~~
13 ~~whose primary insurance amount is computed under~~
14 ~~section 215 (a) as in effect prior to January 1979,~~
15 ~~average monthly wage,” and~~

16 ~~(2) by inserting immediately before “of (A)” in~~
17 ~~paragraph (1) the following: “(before the application,~~
18 ~~in the case of average indexed monthly earnings, of sub-~~
19 ~~section (b) (3) (A))”~~

20 ~~(f) (1) Section 215 (f) (2) of this Act is amended to~~
21 ~~read as follows:~~

22 ~~“(2) (A) If an individual has wages or self employ-~~
23 ~~ment income for a year after 1978 for any part of which he~~
24 ~~is entitled to old age or disability insurance benefits, the~~

1 ~~Secretary shall, at such time or times and within such period~~
2 ~~as he may by regulation prescribe, recompute the individual's~~
3 ~~primary insurance amount for that year.~~

4 ~~“(B) For the purpose of applying subparagraph (A)~~
5 ~~of subsection (a) (1) to the average indexed monthly earn-~~
6 ~~ings of an individual to whom that subsection applies and~~
7 ~~who receives a recomputation under this paragraph, there~~
8 ~~shall be used, in lieu of the portions of those earnings taken~~
9 ~~into account for purposes of clauses (i) and (ii) of subpara-~~
10 ~~graph (B) of subsection (a) (1), the portions that were~~
11 ~~(or, in the case of an individual described in subsection (a)~~
12 ~~(4) (B), would have been) used in the computation of~~
13 ~~such individual's primary insurance amount prior to the~~
14 ~~application of this subsection.~~

15 ~~“(C) A recomputation of any individual's primary in-~~
16 ~~surance amount under this paragraph shall be made as pro-~~
17 ~~vided in subsection (a) (1) as though the year with respect~~
18 ~~to which it is made is the last year of the period specified in~~
19 ~~subsection (b) (2) (B) (ii); and subsection (b) (3) (A)~~
20 ~~shall apply with respect to any such recomputation as it~~
21 ~~applied in the computation of such individual's primary in-~~
22 ~~surance amount prior to the application of this subsection.~~

23 ~~“(D) A recomputation under this paragraph with re-~~
24 ~~spect to any year shall be effective—~~

1 ~~“(i) in the case of an individual who did not die~~
2 ~~in that year, for monthly benefits beginning with bene-~~
3 ~~fits for January of the following year; or~~

4 ~~“(ii) in the case of an individual who died in~~
5 ~~that year, for monthly benefits beginning with benefits~~
6 ~~for the month in which he died.”.~~

7 ~~(2) Section 215 (f) (3) of such Act is repealed.~~

8 ~~(3) Section 215 (f) (4) of such Act is amended to read~~
9 ~~as follows:~~

10 ~~“(4) A recomputation shall be effective under this sub-~~
11 ~~section only if it increases the primary insurance amount~~
12 ~~by at least \$1. .~~

13 ~~(4) Section 215 (f) of such Act is further amended by~~
14 ~~adding at the end thereof the following new paragraphs:~~

15 ~~“(7) This subsection as in effect in December 1978~~
16 ~~shall continue to apply to the recomputation of a primary~~
17 ~~insurance amount computed under subsection (a) or (d)~~
18 ~~as in effect (without regard to the table in subsection (a))~~
19 ~~in that month, and, where appropriate, under subsection (d)~~
20 ~~as in effect in December 1977. For purposes of recomputing~~
21 ~~a primary insurance amount determined under subsection~~
22 ~~(a) or (d) (as so in effect) in the case of an individual to~~
23 ~~whom these subsections apply by reason of subsection~~
24 ~~(a) (4) (B) as in effect after December 1978, no remu-~~
25 ~~neration shall be taken into account for the year in which the~~

1 ~~individual initially became eligible for an old-age or dis-~~
2 ~~ability insurance benefit or any year thereafter.~~

3 ~~“(8) The Secretary shall recompute the primary in-~~
4 ~~surance amounts applicable to beneficiaries whose benefits~~
5 ~~are based on a primary insurance amount which was com-~~
6 ~~puted under section 215 (a) (3) effective prior to Janu-~~
7 ~~ary 1979, or would have been so computed if the dollar~~
8 ~~amount specified therein were \$11.50. Such recomputation~~
9 ~~shall be effective January 1979, and shall include the effect~~
10 ~~of the increase in the dollar amount provided by section 215~~
11 ~~(a) (1) (C) (i) (II). Such primary insurance amount shall~~
12 ~~be deemed to be provided under such section for purposes of~~
13 ~~section 215 (i).”.~~

14 ~~(g) (1) Section 215 (i) (2) (A) (ii) of such Act is~~
15 ~~amended to read as follows:~~

16 ~~“(ii) If the Secretary determines that the base quarter~~
17 ~~in any year is a cost-of-living computation quarter, he shall,~~
18 ~~effective with the month of June of that year as provided in~~
19 ~~subparagraph (B), increase—~~

20 ~~“(I) the benefit amount to which individuals are~~
21 ~~entitled for that month under section 227 or 228,~~

22 ~~“(II) the primary insurance amount of each other~~
23 ~~individual on which benefit entitlement is based under~~
24 ~~this title (including a primary insurance amount deter-~~
25 ~~mined under subsection (a) (1) (C) (i)), and~~

1 ~~“(III) the amount of total monthly benefits based~~
2 ~~on any primary insurance amount which is permitted~~
3 ~~under section 203 (and such total shall be increased,~~
4 ~~unless otherwise so increased under another provision of~~
5 ~~this title, at the same time as such primary insurance~~
6 ~~amount) or, in the case of a primary insurance amount~~
7 ~~computed under subsection (a) as in effect (without~~
8 ~~regard to the table contained therein) prior to January~~
9 ~~1979, the amount to which the beneficiaries may be~~
10 ~~entitled under section 203 as in effect in December 1978,~~
11 ~~except as provided by section 203 (a) (6) and (7) as~~
12 ~~in effect after December 1978.~~

13 ~~The increase shall be derived by multiplying each of the~~
14 ~~amounts described in subdivisions (I), (II), and (III)~~
15 ~~(including each of those amounts as previously increased~~
16 ~~under this subparagraph) by the same percentage (rounded~~
17 ~~to the nearest one-tenth of 1 percent) as the percentage by~~
18 ~~which the Consumer Price Index for that cost-of-living com-~~
19 ~~putation quarter exceeds such index for the most recent prior~~
20 ~~calendar quarter which was a base quarter under paragraph~~
21 ~~(1) (A) (ii) or, if later, the most recent cost-of-living~~
22 ~~computation quarter under paragraph (1) (B); and any~~
23 ~~amount so increased that is not a multiple of \$0.10 shall be~~
24 ~~increased to the next higher multiple of \$0.10. Any increase~~
25 ~~under this subsection in a primary insurance amount deter-~~

1 ~~mined under subparagraph (C) (i) (II) of subsection (a)~~
2 ~~(1) shall be applied after the initial determination of such~~
3 ~~primary insurance amount under that subparagraph.”.~~

4 ~~(2) Section 215 (i) (2) (A) of such Act is amended by~~
5 ~~adding at the end thereof the following new clause:~~

6 ~~“(iii) In the case of an individual who becomes eligible~~
7 ~~for an old-age or disability insurance benefit, or who dies prior~~
8 ~~to becoming so eligible, in a year in which there occurs an~~
9 ~~increase provided under clause (ii), the individual’s primary~~
10 ~~insurance amount (without regard to the time of entitlement~~
11 ~~to that benefit) shall be increased (unless otherwise so in-~~
12 ~~creased under another provision of this title) by the amount~~
13 ~~of that increase, but only with respect to benefits payable~~
14 ~~for months after May of that year.”.~~

15 ~~(3) Section 215 (i) (2) (D) of such Act (as amended~~
16 ~~by section 103 of this Act) is amended by striking out all~~
17 ~~that follows the first sentence and inserting in lieu thereof~~
18 ~~the following: “He shall also publish in the Federal Register~~
19 ~~at that time (i) a revision of the range of the primary~~
20 ~~insurance amounts which are possible after the application~~
21 ~~of this subsection based on the dollar amount specified in~~
22 ~~subparagraph (C) (i) (II) of subsection (a) (1) (with~~
23 ~~such revised primary insurance amounts constituting the~~
24 ~~increased amounts determined for purposes of such subpara-~~
25 ~~graph (C) (i) (II) under this subsection), or specified in~~

1 ~~section 215 (a) (3) as in effect prior to 1979, and (ii) a~~
2 ~~revision of the range of family maximum benefits which cor-~~
3 ~~respond to such primary insurance amounts (with such~~
4 ~~maximum benefits being effective notwithstanding section~~
5 ~~203 (a) except for paragraph (3) (B) thereof (or para-~~
6 ~~graph (2) thereof as in effect prior to 1979)).”~~

7 ~~(4) Section 215 (i) of such Act is further amended by~~
8 ~~adding at the end thereof the following new paragraph:~~

9 ~~“(4) This subsection as in effect in December 1978 shall~~
10 ~~continue to apply to subsections (a) and (d), as then in~~
11 ~~effect, for purposes of computing the primary insurance~~
12 ~~amount of an individual to whom subsection (a), as in effect~~
13 ~~after December 1978, does not apply (including an individ-~~
14 ~~ual to whom subsection (a) does not apply in any year by~~
15 ~~reason of paragraph (4) (B) of that subsection (but the~~
16 ~~application of this subsection in such cases shall be modified~~
17 ~~by the application of clause (I) in the last sentence of para-~~
18 ~~graph (4) of that subsection)). For purposes of computing~~
19 ~~primary insurance amounts and maximum family benefits~~
20 ~~(other than primary insurance amounts and maximum~~
21 ~~family benefits for individuals to whom such paragraph (4)~~
22 ~~(B) applies), the Secretary shall publish in the Federal~~
23 ~~Register revisions of the table of benefits contained in sub-~~
24 ~~section (a), as in effect in December 1978, as required by~~
25 ~~paragraph (2) (D) of this subsection as then in effect.”~~

~~MAXIMUM BENEFITS~~

1

2 ~~SEC. 202. Section 203 (a) of the Social Security Act is~~
3 ~~amended to read as follows:~~

4

~~“Maximum Benefits~~

5 ~~“(a) (1) In the case of an individual whose primary~~
6 ~~insurance amount has been computed or recomputed under~~
7 ~~section 215 (a) (1) or (4), or section 215 (d), as in effect~~
8 ~~after December 1978, the total monthly benefits to which~~
9 ~~beneficiaries may be entitled under section 202 or 223 for a~~
10 ~~month on the basis of the wages and self-employment in-~~
11 ~~come of such individual shall, except as provided by para-~~
12 ~~graph (3) (but prior to any increases resulting from its ap-~~
13 ~~plication of paragraph (2) (A) (ii) (III) of section 215~~
14 ~~(i)), be reduced as necessary so as not to exceed—~~

15 ~~“(A) 150 percent of such individual’s primary in-~~
16 ~~surance amount up to the amount established with re-~~
17 ~~spect to this subparagraph by paragraph (2),~~
18 ~~primary insurance amount that is established with re-~~

19 ~~“(B) 272 percent of the portion of such individual’s~~
20 ~~primary insurance amount which exceeds the amount~~
21 ~~established with respect to subparagraph (A) but does~~
22 ~~not exceed the amount established with respect to this~~
23 ~~subparagraph by paragraph (2),~~

24 ~~“(C) 134 percent of the portion of such individ-~~
25 ~~ual’s primary insurance amount which exceeds the~~

1 ~~amount established with respect to subparagraph (B) but~~
2 ~~does not exceed the amount established with respect to~~
3 ~~this subparagraph by paragraph (2), and~~

4 ~~“(D) 175 percent of such individual’s primary~~
5 ~~insurance amount to the extent that it exceeds the amount~~
6 ~~established with respect to subparagraph (C).~~

7 ~~Any such amount that is not a multiple of \$0.10 shall be~~
8 ~~increased to the next higher multiple of \$0.10.~~

9 ~~“(2) (A) For individuals who initially become eligible~~
10 ~~for old age or disability insurance benefits or die in the calen-~~
11 ~~dar year 1979, the amounts established with respect to sub-~~
12 ~~paragraphs (A), (B), and (C) of paragraph (1) shall be~~
13 ~~\$230, \$332, and \$433, respectively.~~

14 ~~“(B) For individuals who initially become eligible for~~
15 ~~old age or disability insurance benefits or die in any calendar~~
16 ~~year after 1979, each of the amounts so established shall~~
17 ~~equal the product of the corresponding amount established~~
18 ~~for the calendar year 1979 by subparagraph (A) of this~~
19 ~~paragraph and the quotient obtained under subparagraph~~
20 ~~(B) (ii) of section 215 (a) (1), with such product being~~
21 ~~rounded in the manner prescribed by section 215 (a) (1)~~
22 ~~(B) (iii).~~

23 ~~“(C) In each calendar year after 1978 the Sec-~~
24 ~~retary shall publish in the Federal Register, on or before~~
25 ~~November 1, the formula which (except as provided in sec-~~

1 ~~tion 215 (i) (2) (D)) is to be applicable under this para-~~
2 ~~graph to individuals who become eligible for old age or~~
3 ~~disability insurance benefits, or die, in the following calendar~~
4 ~~year.~~

5 ~~“(D) A year shall not be counted as the year of an~~
6 ~~individual’s death or eligibility for purposes of this para-~~
7 ~~graph in any case where such individual was entitled to a~~
8 ~~disability insurance benefit for any of the 12 months imme-~~
9 ~~diately preceding such year (but there shall be counted~~
10 ~~instead the year of the individual’s eligibility for the dis-~~
11 ~~ability insurance benefits to which he was entitled during~~
12 ~~such 12 months).~~

13 ~~“(3) (A) When an individual who is entitled to bene-~~
14 ~~fits on the basis of the wages and self employment income~~
15 ~~of any insured individual and to whom this subsection~~
16 ~~applies would (but for the provisions of section 202 (k) (2)~~
17 ~~(A)) be entitled to child’s insurance benefits for a month~~
18 ~~on the basis of the wages and self employment income of~~
19 ~~one or more other insured individuals, the total monthly~~
20 ~~benefits to which all beneficiaries are entitled on the basis~~
21 ~~of such wages and self employment income shall not be~~
22 ~~reduced under this subsection to less than the smaller of—~~

23 ~~“(i) the sum of the maximum amounts of bene-~~
24 ~~fits payable on the basis of the wages and self employ-~~
25 ~~ment income of all such insured individuals, or~~

1 ~~“(ii) an amount equal to the product of 1.75 and~~
2 ~~the primary insurance amount that would be computed~~
3 ~~under section 215 (a) (1) for that month with respect~~
4 ~~to average indexed monthly earnings equal to one-~~
5 ~~twelfth of the contribution and benefit base determined~~
6 ~~for that year under section 230.~~

7 ~~“(B) When two or more persons were entitled (with-~~
8 ~~out the application of section 202 (j) (1) and section 223~~
9 ~~(b)) to monthly benefits under section 202 or 223 for~~
10 ~~January 1971 or any prior month on the basis of the wages~~
11 ~~and self-employment income of such insured individual and~~
12 ~~the provisions of this subsection as in effect for any such~~
13 ~~month were applicable in determining the benefit amount~~
14 ~~of any persons on the basis of such wages and self em-~~
15 ~~ployment income, the total of benefits for any month after~~
16 ~~January 1971 shall not be reduced to less than the largest~~
17 ~~of—~~

18 ~~“(i) the amount determined under this subsection~~
19 ~~without regard to this paragraph,~~

20 ~~“(ii) the largest amount which has been deter-~~
21 ~~mined for any month under this subsection for persons~~
22 ~~entitled to monthly benefits on the basis of such insured~~
23 ~~individual's wages and self employment income, or~~

24 ~~“(iii) if any persons are entitled to benefits on the~~
25 ~~basis of such wages and self employment income for~~

1 ~~the month before the effective month (after September~~
2 ~~1972) of a general benefit increase under this title (as~~
3 ~~defined in section 215 (i) (3)) or a benefit increase~~
4 ~~under the provisions of section 215 (i), an amount equal~~
5 ~~to the sum of amounts derived by multiplying the benefit~~
6 ~~amount determined under this title (excluding any part~~
7 ~~thereof determined under section 202 (w)) for the~~
8 ~~month before such effective month (including this sub~~
9 ~~section, but without the application of section 222 (b),~~
10 ~~section 202 (q), and subsections (b), (c), and (d) of~~
11 ~~this section), for each such person for such month, by~~
12 ~~a percentage equal to the percentage of the increase~~
13 ~~provided under such benefit increase (with any such~~
14 ~~increased amount which is not a multiple of \$0.10 being~~
15 ~~rounded to the next higher multiple of \$0.10);~~
16 ~~but in any such case (I) paragraph (1) of this subsection~~
17 ~~shall not be applied to such total of benefits after the appli~~
18 ~~cation of clause (ii) or (iii), and (II) if section 202 (k)~~
19 ~~(2) (A) was applicable in the case of any such benefits~~
20 ~~for a month, and ceases to apply for a month after such~~
21 ~~month, the provisions of clause (ii) or (iii) shall be applied,~~
22 ~~for and after the month in which section 202 (k) (2) (A)~~
23 ~~ceases to apply, as though paragraph (1) had not been~~
24 ~~applicable to such total of benefits for the last month for~~
25 ~~which clause (ii) or (iii) was applicable.~~

1 ~~“(C) When any of such individuals is entitled to~~
2 ~~monthly benefits as a divorced spouse under section 202~~
3 ~~(b) or (c) or as a surviving divorced spouse under section~~
4 ~~202 (e) or (f) for any month, the benefit to which he or she~~
5 ~~is entitled on the basis of the wages and self-employment~~
6 ~~income of such insured individual for such month shall be~~
7 ~~determined without regard to this subsection, and the bene-~~
8 ~~fits of all other individuals who are entitled for such month~~
9 ~~to monthly benefits under section 202 on the wages and~~
10 ~~self-employment income of such insured individual shall be~~
11 ~~determined as if no such divorced spouse or surviving di-~~
12 ~~vorced spouse were entitled to benefits for such month.~~

13 ~~“(4) In any case in which benefits are reduced pursu-~~
14 ~~ant to the preceding provisions of this subsection, the reduc-~~
15 ~~tion shall be made after any deductions under this section~~
16 ~~and after any deductions under section 222 (b). Whenever~~
17 ~~a reduction is made under this subsection in the total of~~
18 ~~monthly benefits to which individuals are entitled for any~~
19 ~~month on the basis of the wages and self-employment in-~~
20 ~~come of an insured individual, each such benefit other than~~
21 ~~the old age or disability insurance benefit shall be propor-~~
22 ~~tionately decreased.~~

23 ~~“(5) Notwithstanding any other provision of law,~~
24 ~~when—~~

25 ~~“(A) two or more persons are entitled to monthly~~

1 ~~benefits for a particular month on the basis of the wages~~
2 ~~and self-employment income of an insured individual~~
3 ~~and (for such particular month) the provisions of this~~
4 ~~subsection are applicable to such monthly benefits, and~~
5 ~~“(B) such individual’s primary insurance amount~~
6 ~~is increased for the following month under any provision~~
7 ~~of this title,~~

8 ~~then the total of monthly benefits for all persons on the basis~~
9 ~~of such wages and self-employment income for such particular~~
10 ~~month, as determined under the provisions of this subsection,~~
11 ~~shall for purposes of determining the total monthly benefits~~
12 ~~for all persons on the basis of such wages and self employ-~~
13 ~~ment income for months subsequent to such particular month~~
14 ~~to be considered to have been increased by the smallest~~
15 ~~amount that would have been required in order to assure that~~
16 ~~the total of monthly benefits payable on the basis of such~~
17 ~~wages self-employment income for any such subsequent~~
18 ~~month will not be less (after the application of the other pro-~~
19 ~~visions of this subsection and section 202 (q)) than the total~~
20 ~~of monthly benefits (after the application of the other pro-~~
21 ~~visions of this subsection and section 202 (q)) payable on~~
22 ~~the basis of such wages and self-employment income for such~~
23 ~~particular month.~~

24 ~~“(6) In the case of any individual who is entitled for~~
25 ~~any month to benefits based upon the primary insurance~~

1 ~~amounts of two or more insured individuals, one or more of~~
2 ~~which primary insurance amounts were determined under~~
3 ~~section 215 (a) or 215 (d) as in effect (without regard to~~
4 ~~the table contained therein) prior to January 1979 and one~~
5 ~~or more of which primary insurance amounts were deter-~~
6 ~~mined under section 215 (a) (1) or (4), or section 215 (d),~~
7 ~~as in effect after December 1978, the total benefits payable~~
8 ~~to that individual and all other individuals entitled to benefits~~
9 ~~for that month based upon those primary insurance amounts~~
10 ~~shall be reduced to an amount equal to the product of 1.75~~
11 ~~and the primary insurance amount that would be computed~~
12 ~~under section 215 (a) (1) for that month with respect to~~
13 ~~average indexed monthly earnings equal to one twelfth of~~
14 ~~the contribution and benefits base determined for the year~~
15 ~~in which that month occurs under section 230.~~

16 ~~“(7) Subject to paragraph (6), this subsection as in~~
17 ~~effect in December 1978 shall remain in effect with respect~~
18 ~~to a primary insurance amount computed under section~~
19 ~~215 (a) or (d), as in effect (without regard to the table~~
20 ~~contained therein) in December 1978, except that a primary~~
21 ~~insurance amount so computed with respect to an individual~~
22 ~~who first becomes eligible for an old-age or disability insur-~~
23 ~~ance benefit, or dies, after December 1978, shall instead be~~
24 ~~governed by this section as in effect after December 1978.”~~

1 ~~INCREASE IN OLD AGE BENEFIT AMOUNTS~~
2 ~~FOR DELAYED RETIREMENT~~

3 ~~SEC. 203. Section 202 (w) (1) (A) of the Social Secu-~~
4 ~~rity Act is amended by inserting after "such amount," the~~
5 ~~following: "or, in the case of an individual who first becomes~~
6 ~~eligible for an old age insurance benefit after December~~
7 ~~1978, one quarter of 1 percent of such amount,".~~

8 ~~CONFORMING AMENDMENTS~~

9 ~~SEC. 204. (a) Section 202 (m) (1) of the Social Secu-~~
10 ~~rity Act is amended to read as follows:~~

11 ~~"(1) In any case in which an individual is entitled to~~
12 ~~a monthly benefit under this section on the basis of a pri-~~
13 ~~mary insurance amount computed under section 215 (a) or~~
14 ~~(d), as in effect after December 1978, on the basis of the~~
15 ~~wages and self-employment income of a deceased individual~~
16 ~~for any month and no other person is (without the applica-~~
17 ~~tion of subsection (j) (1)) entitled to a monthly benefit~~
18 ~~under this section for that month on the basis of such wages~~
19 ~~and self-employment income, the individual's benefit amount~~
20 ~~for that month, prior to reduction under subsection (k) (3),~~
21 ~~shall not be less than that provided by subparagraph (C)~~
22 ~~(i) (I) of section 215 (a) (1) and increased under section~~
23 ~~215 (i) for months after the month of initial entitlement as~~
24 ~~though such benefit were a primary insurance amount."~~

1 ~~(b) Section 202 (w) of such Act is amended—~~

2 ~~(1) by inserting after “section 215 (a) (3)” in~~
3 ~~paragraph (1) (in the matter preceding subparagraph~~
4 ~~(A)) the following: “as in effect in December 1978~~
5 ~~or section 215 (a) (1) (C) (II) as in effect thereafter”;~~

6 ~~(2) by inserting “as in effect in December 1978,~~
7 ~~or section 215 (a) (1) (C) (II) as in effect thereafter,”~~
8 ~~after “paragraph (3) of section 215 (a)” in paragraph~~
9 ~~(5); and~~

10 ~~(3) by inserting “(whether before, in, or after~~
11 ~~December 1978)” after “determined under section 215~~
12 ~~(a)” in paragraph (5).~~

13 ~~(c) Section 217 (b) (1) of such Act is amended by~~
14 ~~inserting “as in effect in December 1978” after “section 215~~
15 ~~(c)” each place it appears, and after “section 215 (d)”.~~

16 ~~(d) Section 224 (a) of such Act is amended by insert-~~
17 ~~ing “(determined under section 215 (b) as in effect prior to~~
18 ~~January 1979)” after “(A) the average monthly wage”~~
19 ~~in the matter following paragraph (8).~~

20 ~~(e) Section 1839 (c) (3) (B) of such Act is amended~~
21 ~~to read as follows:~~

22 ~~“(B) the monthly premium rate most recently~~
23 ~~promulgated by the Secretary under this paragraph,~~
24 ~~increased by a percentage determined as follows: The~~

1 ~~Secretary shall ascertain the primary insurance amount~~
2 ~~computed under section 215 (a) (1), based upon aver-~~
3 ~~age indexed monthly earnings of \$900, that applied to~~
4 ~~individuals who became eligible for and entitled to old-~~
5 ~~age insurance benefits on May 1 of the year of the~~
6 ~~promulgation. He shall increase the monthly premium~~
7 ~~rate by the same percentage by which that primary~~
8 ~~insurance amount is increased when, by reason of the~~
9 ~~law in effect at the time the promulgation is made, it~~
10 ~~is so computed to apply to those individuals on the~~
11 ~~following May 1.”.~~

12 ~~(f) Section 104 (j) (2) of the Social Security Amend-~~
13 ~~ments of 1972 is amended by striking out “215 (b) (2)”~~
14 ~~and inserting in lieu thereof “215 (b) (2) (B) (iii)”.~~

15 ~~EFFECTIVE DATE~~

16 ~~SEC. 205. The amendments made by the provisions of~~
17 ~~this title other than section 201 (d) shall be effective with~~
18 ~~respect to monthly benefits and lump sum death payments~~
19 ~~under title II of the Social Security Act payable for months~~
20 ~~after December 1978. The amendments made by section 201~~
21 ~~(d) shall be effective with respect to monthly benefits of an~~
22 ~~individual who becomes eligible for an old age or disability~~
23 ~~insurance benefit, or dies, after December 1977.~~

1 ~~TITLE III COVERAGE UNDER THE OLD AGE,~~
2 ~~SURVIVORS, AND DISABILITY INSURANCE~~
3 ~~PROGRAM~~

4 ~~COVERAGE OF FEDERAL EMPLOYEES~~

5 ~~SEC. 301. (a) (1) Section 210 (a) of the Social Secu-~~
6 ~~rity Act is amended by striking out paragraphs (5) and~~
7 ~~(6).~~

8 ~~(2) (A) Section 210 (1) (1) of such Act is amended to~~
9 ~~read as follows:~~

10 ~~“(1) Except as provided in paragraph (4), the term~~
11 ~~‘employment’ shall include service (other than service per-~~
12 ~~formed while on leave without pay) which is performed by~~
13 ~~an individual as a member of a uniformed service on active~~
14 ~~duty after December 1956, whether performed before, on, or~~
15 ~~after the effective date of the repeal of paragraphs (5) and~~
16 ~~(6) of subsection (a) by section 301 of the Social Security~~
17 ~~Financing Amendments of 1977, notwithstanding the provi-~~
18 ~~sions of subsection (a) as in effect before the repeal of such~~
19 ~~paragraphs. For purposes of sections 202 (i), 205 (p) (1),~~
20 ~~209, 215 (h), and 229 (a), service described in the preced-~~
21 ~~ing sentence shall be considered service to which the provi-~~
22 ~~sions of this paragraph are applicable.”~~

23 ~~(B) Section 210 (c) of such Act is amended by striking~~
24 ~~out “, notwithstanding the provisions of subsection (a),”~~

1 ~~(C) Section 229 (a) of such Act is amended by striking~~
2 ~~out “service as a member of a uniformed service (as defined~~
3 ~~in section 210 (m)) which was included in the term ‘employ-~~
4 ~~ment’ as defined in section 210 (a) as a result of the provi-~~
5 ~~sions of section 210 (1) ” and inserting in lieu thereof “service,~~
6 ~~as a member of a uniformed service, to which the provisions~~
7 ~~of section 210 (1) (1) are applicable”.~~

8 ~~(b) (1) Section 3121 (b) of the Internal Revenue~~
9 ~~Code of 1954 (relating to definition of employment) is~~
10 ~~amended by striking out paragraphs (5) and (6).~~

11 ~~(2) (A) Section 3121 (m) (1) of such Code (relating~~
12 ~~to service in the uniformed services) is amended to read as~~
13 ~~follows:~~

14 ~~“(1) INCLUSION OF SERVICE. The term ‘employ-~~
15 ~~ment’ shall include service (other than service per-~~
16 ~~formed while on leave without pay) which is performed~~
17 ~~by an individual as a member of a uniformed service~~
18 ~~on active duty after December 1956, whether performed~~
19 ~~before, on, or after the effective date of the repeal of~~
20 ~~paragraphs (5) and (6) of subsection (b) by section~~
21 ~~301 of the Social Security Financing Amendments of~~
22 ~~1977, notwithstanding the provisions of subsection (b)~~
23 ~~as in effect before the repeal of such paragraphs. For~~
24 ~~purposes of section 3122 and subsection (i) (2) of this~~

1 ~~section, service described in the preceding sentence~~
 2 ~~shall be considered service to which the provisions of~~
 3 ~~this paragraph are applicable.”~~

4 ~~(B) Section 3121 (p) of such Code (relating to Peace~~
 5 ~~Corps volunteer service) is amended by striking out “, not~~
 6 ~~withstanding the provisions of subsection (b) of this sec-~~
 7 ~~tion,”~~

8 ~~(c) The amendments made by this section shall apply~~
 9 ~~with respect to service performed after December 1979.~~

10 ~~COVERAGE OF STATE AND LOCAL EMPLOYEES~~

11 ~~SEC. 302. (a) Section 218 (g) of the Social Security~~
 12 ~~Act is amended—~~

13 ~~(1) by striking out “Upon” in paragraph (1) and~~
 14 ~~“If” in paragraph (2), and by inserting in lieu thereof~~
 15 ~~“Subject to paragraph (1), upon” and “Subject to~~
 16 ~~paragraph (4), if”, respectively; and~~

17 ~~(2) by adding at the end thereof the following~~
 18 ~~new paragraph:~~

19 ~~“(4) No agreement under this section may be termi-~~
 20 ~~nated under paragraph (1) or paragraph (2) (either in~~
 21 ~~its entirety or with respect to any coverage group) unless~~
 22 ~~the applicable notice referred to in such paragraph is given~~
 23 ~~on or before September 13, 1977.”~~

24 ~~(b) Effective with respect to service performed after~~
 25 ~~December 1979—~~

1 ~~(B) The table of sections for chapter 21 of such Code~~
2 ~~is amended by striking out the last two items and inserting~~
3 ~~in lieu thereof the following:~~

~~“Sec. 3125. Returns in the case of State and local govern-
mental employees.~~

~~“Sec. 3126. Returns in the case of governmental employees
in Guam, American Samoa, and the District
of Columbia.~~

~~“Sec. 3127. Short title.”~~

4 ~~(2) (A) Section 6205 (a) of such Code (relating to~~
5 ~~adjustment of tax) is amended—~~

6 ~~(i) by striking out “3125” in paragraphs (3) and~~
7 ~~(4) and inserting in lieu thereof “3126”;~~

8 ~~(ii) by redesignating paragraphs (3) and (4) as~~
9 ~~paragraphs (4) and (5), respectively; and~~

10 ~~(iii) by inserting after paragraph (2) the follow-~~
11 ~~ing new paragraph:~~

12 ~~“(3) STATE AS EMPLOYER. For purposes of this~~
13 ~~subsection, in the case of remuneration received during~~
14 ~~any calendar year from a State or political subdivision~~
15 ~~thereof or any instrumentality which is wholly owned~~
16 ~~thereby, the Governor of the State and each agent des-~~
17 ~~ignated by him who makes a return pursuant to sec-~~
18 ~~tion 3125 shall be deemed a separate employer.”~~

19 ~~(B) Section 6413 (a) of such Code (relating to ad-~~
20 ~~justment of tax) is amended—~~

21 ~~(i) by striking out “3125” in paragraphs (3) and~~

1 ~~(4) and inserting in lieu thereof "3126";~~

2 ~~(ii) by redesignating paragraphs (3) and (4) as~~
3 ~~paragraphs (4) and (5), respectively; and~~

4 ~~(iii) by inserting after paragraph (2) the follow-~~
5 ~~ing new paragraph:~~

6 ~~"(3) STATE AS EMPLOYER.—For purposes of this~~
7 ~~subsection, in the case of remuneration received during~~
8 ~~any calendar year from a State or political subdivision~~
9 ~~thereof or any instrumentality which is wholly owned~~
10 ~~thereby, the Governor of the State and each agent des-~~
11 ~~ignated by him who makes a return pursuant to sec-~~
12 ~~tion 3125 shall be deemed a separate employer."~~

13 ~~(C) Section 6413(c)(2) of such Code (relating to~~
14 ~~applicability in case of certain governmental employees) is~~
15 ~~amended—~~

16 ~~(i) by striking out subparagraph (B) and inserting~~
17 ~~in lieu thereof the following new subparagraph:~~

18 ~~"(B) STATE EMPLOYEES.—For purposes of~~
19 ~~this subsection, in the case of remuneration received~~
20 ~~during any calendar year from a State or political~~
21 ~~subdivision thereof or any instrumentality which is~~
22 ~~wholly owned thereby, the Governor of the State~~
23 ~~and each agent designated by him who makes a~~
24 ~~return pursuant to section 3125 shall be deemed a~~
25 ~~separate employer."; and~~

1 ~~(ii) by striking out “3125 (a)”, “3125 (b)”, and~~
2 ~~“3125 (c)” in subparagraphs (D), (E), and (F) and~~
3 ~~inserting in lieu thereof “3126 (a)”, “3126 (b)”, and~~
4 ~~“3126 (c)”, respectively.~~

5 ~~(3) Section 230 (e) of the Social Security Act is~~
6 ~~amended by inserting “3126”, after “3125”.~~

7 ~~(d) (1) Section 205 (c) (5) (F) (iii) of such Act is~~
8 ~~amended by striking out “are made” and inserting in lieu~~
9 ~~thereof “were made”.~~

10 ~~(2) Section 209 (i) of such Act is amended by striking~~
11 ~~out “(as defined in section 218 (b) (2))”.~~

12 ~~(3) Section 210 (a) (10) (B) (ii) of such Act is~~
13 ~~amended by striking out “, unless” and all that follows and~~
14 ~~inserting in lieu thereof a semicolon.~~

15 ~~(4) Section 210 (k) of such Act is repealed.~~

16 ~~(5) Section 211 (e) (1) of such Act is amended by~~
17 ~~striking out “and in which” and all that follows and insert-~~
18 ~~ing in lieu thereof a semicolon.~~

19 ~~(6) Section 211 (e) (2) (E) of such Act is amended~~
20 ~~by striking out “with respect to fees” and all that follows~~
21 ~~and inserting in lieu thereof “, and”.~~

22 ~~(e) (1) Clause (A) in the second sentence of section~~
23 ~~1402 (b) of the Internal Revenue Code of 1954 is amended~~
24 ~~by striking out “under an agreement” where it first appears~~

1 ~~and all that follows down through "employees), or", and~~
2 ~~by striking out the comma before "as would be wages".~~

3 ~~(2) Section 1402 (c) (1) of such Code is amended by~~
4 ~~striking out "and in which" and all that follows and insert-~~
5 ~~ing in lieu thereof a semicolon.~~

6 ~~(3) Section 1402 (c) (2) (E) of such Code is amended-~~
7 ~~by striking out "with respect to fees" and all that follows~~
8 ~~and inserting in lieu thereof ", and".~~

9 ~~(4) Section 3121 (b) (10) (B) (ii) of such Code is~~
10 ~~amended by striking out ", unless" and all that follows and~~
11 ~~inserting in lieu thereof a semicolon.~~

12 ~~(5) Section 3121 (j) of such Code is repealed.~~

13 ~~(6) Section 6511 (d) (5) of such Code is repealed.~~

14 ~~(f) The amendments and repeals made by subsections~~
15 ~~(b), (c), (d), and (e) (1) through (5) of this section~~
16 ~~shall apply with respect to services performed after Decem-~~
17 ~~ber 1979. Subsection (e) (6) shall apply with respect to~~
18 ~~claims accruing after December 1979.~~

19 ~~COVERAGE OF EMPLOYEES OF NONPROFIT ORGANIZATIONS~~

20 ~~SEC. 303. (a) (1) Section 3121 (k) (1) of the Internal~~
21 ~~Revenue Code of 1954 (relating to waiver of exemption by~~
22 ~~organization) is amended—~~

23 ~~(A) by striking out "The period" in the first sen-~~
24 ~~tence of subparagraph (D) and inserting in lieu thereof~~
25 ~~"Subject to subparagraph (G), the period"; and~~

1 ~~(B) by adding at the end thereof the following new~~
2 ~~subparagraph:~~

3 ~~“(G) No period for which a certificate is effec-~~
4 ~~tive may be terminated under subparagraph (D) or~~
5 ~~paragraph (2) unless the applicable advance notice~~
6 ~~referred to in such subparagraph or paragraph is~~
7 ~~given on or before September 13, 1977.”~~

8 ~~(2) Section 3121(k)(2) of such Code (relating to~~
9 ~~termination of waiver period by Secretary) is amended by~~
10 ~~striking out “If” and inserting in lieu thereof “Subject to~~
11 ~~paragraph (1)(G), if”~~

12 ~~(b) Effective with respect to service performed after~~
13 ~~December 1970~~

14 ~~(1) section 210(a)(8) of the Social Security Act~~
15 ~~is amended~~

16 ~~(A) by striking out “(A)” immediately after~~
17 ~~“(8)”~~,

18 ~~(B) by striking out “this subparagraph” where~~
19 ~~it first appears and inserting in lieu thereof “this~~
20 ~~paragraph”, and~~

21 ~~(C) by striking out subparagraph (B);~~

22 ~~(2) section 3121(b)(8) of the Internal Revenue~~
23 ~~Code of 1954 is amended~~

24 ~~(A) by striking out “(A)” immediately after~~
25 ~~“(8)”~~,

1 ~~-(B) by striking out "this subparagraph" where~~
 2 ~~it first appears and inserting in lieu thereof "this~~
 3 ~~paragraph", and~~

4 ~~-(C) by striking out subparagraph (B); and~~
 5 ~~(3) section 3121(k) of such Code (relating to~~
 6 ~~exemption of religious, charitable, and certain other or-~~
 7 ~~ganizations) is repealed.~~

8 ~~CREDITING OF CERTAIN FEDERAL, STATE, AND LOCAL SERV-~~
 9 ~~ICE, AND CERTAIN SERVICE FOR NONPROFIT ORGANIZA-~~
 10 ~~TIONS, PERFORMED PRIOR TO THE EFFECTIVE DATE OF~~
 11 ~~COVERAGE~~

12 ~~SEC. 304. Section 213 of the Social Security Act is~~
 13 ~~amended by adding at the end thereof the following new sub-~~
 14 ~~section:~~

15 ~~"Crediting of Certain Federal, State, and Local Service,~~
 16 ~~and Certain Service for Nonprofit Organizations, Per-~~
 17 ~~formed Prior to Effective Date of Coverage~~

18 ~~"(d) In the case of any individual who—~~

19 ~~"(1) (A) performs service in the employ of the~~
 20 ~~United States or any instrumentality thereof (and de-~~
 21 ~~rives at least six quarters of coverage therefrom) on or~~
 22 ~~after the effective date of the repeal of section 210 (a)~~
 23 ~~(5) and (6) by section 301 of the Social Security Fi-~~
 24 ~~nancing Amendments of 1977, and~~

25 ~~"(B) also performed service in the employ of the~~

1 ~~United States or any instrumentality thereof prior to~~
2 ~~such date, or~~

3 ~~“(2) (A) performs service in the employ of a State~~
4 ~~or political subdivision or any instrumentality of any~~
5 ~~one or more of the foregoing which is wholly owned~~
6 ~~thereby (and derives at least six quarters of coverage~~
7 ~~therefrom) on or after the effective date of the repeal of~~
8 ~~section 210 (a) (7) by section 302 of the Social Security~~
9 ~~Financing Amendments of 1977, and~~

10 ~~“(B) also performed service in the employ of a~~
11 ~~State or political subdivision or any such instrumentality~~
12 ~~prior to such date, or~~

13 ~~“(3) (A) performs service in the employ of a~~
14 ~~religious, charitable, educational, or other organization~~
15 ~~described in section 501 (c) (3) of the Internal Revenue~~
16 ~~Code of 1954 which is exempt from income tax under~~
17 ~~section 501 (a) of such Code (and derives at least six~~
18 ~~quarters of coverage therefrom) on or after the effective~~
19 ~~date of the repeal of section 210 (a) (8) (B) by section~~
20 ~~303 of the Social Security Financing Amendments of~~
21 ~~1977, and~~

22 ~~“(B) also performed service in the employ of such~~
23 ~~an organization prior to such date,~~

24 ~~each calendar quarter in which such individual performed~~
25 ~~service described in subparagraph (B) of paragraph (1),~~

1 ~~(2), or (3) (whichever is applicable) shall, if it is not~~
 2 ~~otherwise a quarter of coverage, be treated as a quarter of~~
 3 ~~coverage for all the purposes of this title if (as determined~~
 4 ~~under regulations prescribed by the Secretary) it would have~~
 5 ~~constituted a quarter of coverage for such purposes had the~~
 6 ~~repeal referred to in subparagraph (A) of such paragraph~~
 7 ~~been effective on the first day of such calendar quarter.”.~~

8 ~~EXCLUSION FROM COVERAGE OF CERTAIN LIMITED~~

9 ~~PARTNERSHIP INCOME~~

10 ~~SEC. 305. (a) Section 211 (a) of the Social Security~~
 11 ~~Act is amended—~~

12 ~~(1) by striking out “and” at the end of paragraph~~
 13 ~~(9);~~

14 ~~(2) by striking out the period at the end of para-~~
 15 ~~graph (10) and inserting in lieu thereof “; and”; and~~

16 ~~(3) by inserting after paragraph (10) the following~~
 17 ~~new paragraph:~~

18 ~~“(11) There shall be excluded the distributive~~
 19 ~~share of any item of income or loss of a limited~~
 20 ~~partner, as such, other than guaranteed payments de-~~
 21 ~~scribed in section 707 (e) of the Internal Revenue Code~~
 22 ~~of 1954 to that partner for services actually rendered~~
 23 ~~to or on behalf of the partnership to the extent that those~~
 24 ~~payments are established to be in the nature of remunera-~~
 25 ~~tion for those services.”.~~

1 ~~(b) Section 1402 (a) of the Internal Revenue Code of~~
2 ~~1954 (relating to definition of net earnings from self em-~~
3 ~~ployment) is amended—~~

4 ~~(1) by striking out “and” at the end of paragraph~~
5 ~~(10);~~

6 ~~(2) by striking out the period at the end of para-~~
7 ~~graph (11) and inserting in lieu thereof “; and”; and~~

8 ~~(3) by inserting after paragraph (11) the follow-~~
9 ~~ing new paragraph:~~

10 ~~“(12) there shall be excluded the distributive share~~
11 ~~of any item of income or loss of a limited partner, as~~
12 ~~such, other than guaranteed payments described in~~
13 ~~section 707 (e) to that partner for services actually~~
14 ~~rendered to or on behalf of the partnership to the extent~~
15 ~~that those payments are established to be in the na-~~
16 ~~ture of remuneration for those services.”.~~

17 ~~(c) The amendments made by this section shall apply~~
18 ~~with respect to taxable years beginning after December 31,~~
19 ~~1977.~~

20 ~~TAX ON EMPLOYERS OF INDIVIDUALS WHO RECEIVE~~

21 ~~INCOME FROM TIPS~~

22 ~~SEC. 306. (a) Section 3121 of the Internal Revenue~~
23 ~~Code of 1954 (definitions under Federal Insurance Cen-~~

1 ~~tributions Act) is amended by adding at the end thereof the~~
2 ~~following new subsection:~~

3 ~~“(s) SPECIAL RULE FOR DETERMINING WAGES SUB-~~
4 ~~JECT TO EMPLOYER TAX IN CASE OF CERTAIN EM-~~
5 ~~PLOYERS WHOSE EMPLOYEES RECEIVE INCOME FROM~~
6 ~~TIPS. If the wages paid by an employer with respect to~~
7 ~~the employment during any month of an individual who~~
8 ~~(for services performed in connection with such employ-~~
9 ~~ment) receives tips which constitute wages, and to which~~
10 ~~section 3102 (a) applies, are less than the total amount~~
11 ~~which would be payable (with respect to such employment)~~
12 ~~at the minimum wage rate applicable to such individual under~~
13 ~~section 6 (a) (1) of the Fair Labor Standards Act of 1938~~
14 ~~(determined without regard to section 3 (m) of such Act),~~
15 ~~the wages so paid shall be deemed for purposes of section~~
16 ~~3111 to be equal to such total amount.”.~~

17 ~~(b) Section 3111 of such Code is amended by inserting~~
18 ~~“and (s)” after “3121 (a)” in subsections (a) and (b).~~

19 ~~(c) The amendments made by this section shall apply~~
20 ~~with respect to wages paid with respect to employment~~
21 ~~performed in months after December 1977.~~

22 ~~CONFORMING AMENDMENTS~~

23 ~~SEC. 307. (a) (1) Section 210 (a) of the Social Security~~
24 ~~Act (as amended by the preceding provisions of this title~~

1 ~~and by section 601) is further amended by redesignating~~
2 ~~paragraphs (8) through (20) as paragraphs (5) through~~
3 ~~(17), respectively.~~

4 ~~(2) (A) Section 205 (e) of such Act is amended by~~
5 ~~striking out “section 210 (a) (9)” and inserting in lieu~~
6 ~~thereof “section 210 (a) (6)”.~~

7 ~~(B) Section 210 (b) of such Act is amended by striking~~
8 ~~out “paragraph (9) of subsection (a)” and inserting in lieu~~
9 ~~thereof “paragraph (6) of subsection (a)”.~~

10 ~~(C) Section 211 (e) (2) of such Act is amended—~~

11 ~~(i) by striking out “section 210 (a) (14) (B)” in~~
12 ~~subparagraph (A) and inserting in lieu thereof “section~~
13 ~~210 (a) (11) (B)”;~~

14 ~~(ii) by striking out “section 210 (a) (16)” in sub-~~
15 ~~paragraph (B) and inserting in lieu thereof “section~~
16 ~~210 (a) (13)”;~~

17 ~~(iii) by striking out “section 210 (a) (11), (12),~~
18 ~~or (15)” in subparagraph (C) and inserting in lieu~~
19 ~~thereof “section 210 (a) (8), (9), or (12)”;~~ and

20 ~~(iv) by striking out “section 210 (a) (20)” in sub-~~
21 ~~paragraph (F) and inserting in lieu thereof “section~~
22 ~~210 (a) (17)”.~~

23 ~~(b) (1) Section 3121 (b) of the Internal Revenue~~

1 ~~Code of 1954 (relating to definition of employment), as~~
2 ~~amended by the preceding provisions of this title and by~~
3 ~~section 612, is further amended by redesignating paragraphs~~
4 ~~(8) through (20) as paragraphs (5) through (17),~~
5 ~~respectively.~~

6 ~~(2) (A) Section 1402 (e) (2) of such Code (relating~~
7 ~~to definition of trade or business) is amended—~~

8 ~~(i) by striking out “section 3121 (b) (14) (B)”~~
9 ~~in subparagraph (A) and inserting in lieu thereof “sec-~~
10 ~~tion 3121 (b) (11) (B)”;~~

11 ~~(ii) by striking out “section 3121 (b) (16)” in~~
12 ~~subparagraph (B) and inserting in lieu thereof “section~~
13 ~~3121 (b) (13)”;~~

14 ~~(iii) by striking out “section 3121 (b) (11), (12),~~
15 ~~or (15)” in subparagraph (C) and inserting in lieu~~
16 ~~thereof “section 3121 (b) (8), (9), or (12)”;~~ and

17 ~~(iv) by striking out “section 3121 (b) (20)” in~~
18 ~~subparagraph (F) and inserting in lieu thereof “section~~
19 ~~3121 (b) (17)”.~~

20 ~~(B) Section 1402 (g) of such Code (relating to treat-~~
21 ~~ment of certain remuneration erroneously reported as net~~
22 ~~earnings from self employment) is amended by striking out~~
23 ~~“section 3121 (b) (8)”, “section 3121 (b) (8) (A)”, and~~

1 ~~“section 3121 (b) (8) (B) (ii) and (iii)” and inserting in~~
2 ~~lieu thereof “section 3121 (b) (5)”, “section 3121 (b) (5)~~
3 ~~(A)”, and “section 3121 (b) (5) (B) (ii) and (iii)”, re-~~
4 ~~spectively.~~

5 ~~(C) Section 3121 (e) of such Code (relating to in-~~
6 ~~cluded and excluded service) is amended by striking out “by~~
7 ~~subsection (b) (9)” and inserting in lieu thereof “by sub-~~
8 ~~section (b) (6)”.~~

9 ~~(D) Section 3121 (r) (3) of such Code (relating to~~
10 ~~election of coverage by religious orders) is amended by~~
11 ~~striking out “subsection (b) (8) (A)” and “section 210 (a)~~
12 ~~(8) (A)” and inserting in lieu thereof “subsection (b)~~
13 ~~(5)” and “section 210 (a) (5)”, respectively.~~

14 ~~(E) Section 3124 of such Code (relating to estimate~~
15 ~~of revenue reduction) is amended by striking out “section~~
16 ~~3121 (b) (9)” and inserting in lieu thereof “section 3121 (b)~~
17 ~~(6)”.~~

18 ~~(e) Section 18 (2) of the Railroad Retirement Act of~~
19 ~~1974 is amended by striking out “section 210 (a) (9) of the~~
20 ~~Social Security Act” and inserting in lieu thereof “section~~
21 ~~210 (a) (6) of the Social Security Act”.~~

22 ~~(d) The amendments made by this section shall apply~~
23 ~~with respect to service performed after December 1979.~~

1 ~~TITLE IV ELIMINATION OF GENDER-BASED~~
2 ~~DISTINCTIONS UNDER THE OLD AGE, SUR-~~
3 ~~VIVORS, AND DISABILITY INSURANCE PRO-~~
4 ~~GRAM~~

5 ~~PART A EQUALIZATION OF TREATMENT OF MEN AND~~
6 ~~WOMEN UNDER THE PROGRAM~~
7 ~~DIVORCED HUSBANDS~~

8 ~~SEC. 401. (a) (1) Section 202 (e) (1) of the Social~~
9 ~~Security Act is amended, in the matter preceding subpara-~~
10 ~~graph (A), by inserting "and every divorced husband (as~~
11 ~~defined in section 216 (d))" before "of an individual" and~~
12 ~~inserting "or such divorced husband" after "if such hus-~~
13 ~~band".~~

14 ~~(2) Section 202 (e) (1) of such Act is further~~
15 ~~amended~~

16 ~~(A) by redesignating subparagraphs (C) and (D)~~
17 ~~as subparagraphs (D) and (E), and by inserting after~~
18 ~~subparagraph (B) the following new subparagraph:~~

19 ~~"(C) in the case of a divorced husband, is not~~
20 ~~married,";~~

21 ~~(B) by striking out "after August 1950" in the~~
22 ~~matter following subparagraph (E) (as so redesi-~~
23 ~~gnated); and~~

1 ~~(C) by striking out "the month in which any of~~
2 ~~the following occurs:" and all that follows and insert-~~
3 ~~ing in lieu thereof the following:~~

4 ~~"the first month in which any of the following occurs:~~

5 ~~"(F) he dies,~~

6 ~~"(G) such individual dies,~~

7 ~~"(H) in the case of a husband, they are divorced~~
8 ~~and either (i) he has not attained age 62, or (ii) he~~
9 ~~has attained age 62 but has not been married to such~~
10 ~~individual for a period of 20 years immediately before~~
11 ~~the divorce became effective,~~

12 ~~"(I) in the case of a divorced husband, he marries~~
13 ~~a person other than such individual,~~

14 ~~"(J) he becomes entitled to an old age or dis-~~
15 ~~ability insurance benefit based on a primary insurance~~
16 ~~amount which is equal to or exceeds one half of the~~
17 ~~primary insurance amount of such individual, or~~

18 ~~"(K) such individual is not entitled to disability~~
19 ~~insurance benefits and is not entitled to old age insur-~~
20 ~~ance benefits."~~

21 ~~(3) Section 202(e)(3) of such Act is amended by~~
22 ~~inserting "(or, in the case of a divorced husband, his former~~
23 ~~wife)" before "for such month".~~

24 ~~(4) Section 202(e) of such Act is amended by adding~~
25 ~~after paragraph (3) the following new paragraph:~~

1 ~~“(4) In the case of any divorced husband who~~
2 ~~marries—~~

3 ~~“(A) an individual entitled to benefits under~~
4 ~~subsection (b), (c), (g), or (h) of this section, or~~

5 ~~“(B) an individual who has attained the age~~
6 ~~of 18 and is entitled to benefits under subsection~~
7 ~~(d),~~

8 ~~such divorced husband’s entitlement to benefits under~~
9 ~~this subsection shall, notwithstanding the provisions of~~
10 ~~paragraph (1) (but subject to subsection (s)), not~~
11 ~~be terminated by reason of such marriage.”—~~

12 ~~(5) Section 202 (c) (2) of such Act is amended by~~
13 ~~striking out “(C)” in the matter immediately preceding~~
14 ~~subparagraph (A) and inserting in lieu thereof “(D)”.~~

15 ~~(6) Section 202 (b) (3) (A) of such Act is amended~~
16 ~~by striking out “(f)” and inserting in lieu thereof “(c),~~
17 ~~(f),”.~~

18 ~~(7) Section 202 (c) (1) (E) of such Act (as re-~~
19 ~~designated by paragraph (2) of this subsection) is amended~~
20 ~~by striking out “his wife” and inserting in lieu thereof~~
21 ~~“such individual”.~~

22 ~~(b) (1) Section 202 (f) (1) of such Act is amended,~~
23 ~~in the matter preceding subparagraph (A), by inserting~~
24 ~~“and every surviving divorced husband (as defined in section~~

1 ~~216 (d))” before “of an individual” and inserting “or~~
2 ~~such surviving divorced husband” after “if such widower”.~~

3 ~~(2) Section 202 (f) (1) of such Act is further amended~~
4 ~~by striking out “his deceased wife” in subparagraph (E)~~
5 ~~and in the matter following subparagraph (G) and insert-~~
6 ~~ing in lieu thereof “such deceased individual”.~~

7 ~~(3) Paragraphs (3), (4), (6), and (7) of section 202~~
8 ~~(f) of such Act are each amended by inserting “or surviving~~
9 ~~divorced husband” after “widower” wherever it appears.~~

10 ~~(4) Paragraph (3) of section 202 (f) of such Act is~~
11 ~~further amended by striking out “his deceased wife” wherever~~
12 ~~it appears and by inserting in lieu thereof “such deceased~~
13 ~~individual”, and by striking out “wife” wherever it appears~~
14 ~~and inserting in lieu thereof “individual”.~~

15 ~~(5) Section 202 (f) (4) of such Act is further amended~~
16 ~~by striking out “remarries” and inserting in lieu thereof~~
17 ~~“marries”, and by inserting “or surviving divorced hus-~~
18 ~~band’s” after “widower’s”.~~

19 ~~(6) Section 202 (e) (3) (A) of such Act is amended by~~
20 ~~striking out “(f)” and inserting in lieu thereof “(e), (f)”.~~

21 ~~(7) Section 202 (g) (3) (A) of such Act is amended by~~
22 ~~inserting “(e),” before “(f),”.~~

23 ~~(8) Section 202 (h) (4) (A) of such Act is amended by~~
24 ~~inserting “(e),” before “(e),”.~~

1 ~~(e) (1) Section 216 (d) of such Act is amended by re-~~
 2 ~~designating paragraph (4) as paragraph (6), and by insert-~~
 3 ~~ing after paragraph (3) the following new paragraphs:—~~

4 ~~“(4) The term ‘divorced husband’ means a man di-~~
 5 ~~vorced from an individual, but only if he has been married to~~
 6 ~~such individual for a period of 20 years immediately before~~
 7 ~~the date the divorce became effective.~~

8 ~~“(5) The term ‘surviving divorced husband’ means a~~
 9 ~~man divorced from an individual who has died, but only if he~~
 10 ~~has been married to the individual for a period of 20 years~~
 11 ~~immediately before the divorce became effective.”.~~

12 ~~(2) The heading of section 216 (d) of such Act is~~
 13 ~~amended to read as follows:~~

14 ~~“Divorced Spouses; Divorce”.~~

15 ~~(d) (1) Section 205 (b) of such Act is amended by~~
 16 ~~inserting “divorced husband,” after “husband,” and “surviv-~~
 17 ~~ing divorced husband,” after “widower,”.~~

18 ~~(2) Section 205 (c) (1) (C) of such Act is amended~~
 19 ~~by inserting “surviving divorced husband,” after “wife,”.~~

20 ~~REMARriage OF SURVIVING SPOUSE BEFORE AGE 60-~~

21 ~~SEC. 402. Section 202 (f) (1) (A) of the Social Security~~
 22 ~~Act is amended by striking out “has not remarried” and~~
 23 ~~inserting in lieu thereof “is not married”.~~

~~ILLEGITIMATE CHILDREN~~

1

2 ~~SEC. 403. (a) Section 216 (h) (3) of the Social Secu-~~
 3 ~~rity Act is amended by inserting "mother or" before "father"~~
 4 ~~wherever it appears.~~

5 ~~(b) Section 216 (h) (3) (A) (i) of such Act is~~
 6 ~~amended by striking out "daughter," at the end of clause~~
 7 ~~(III) and all that follows and inserting in lieu thereof~~
 8 ~~"daughter; or",~~

9 ~~(c) Section 216 (h) (3) (A) (ii) of such Act is~~
 10 ~~amended by striking out everything after "time" and in-~~
 11 ~~serting in lieu thereof "such applicant's application for~~
 12 ~~benefits was filed;"~~

13 ~~(d) Section 216 (h) (3) (B) (i) of such Act is amend-~~
 14 ~~ed by striking out "daughter," at the end of clause (III)~~
 15 ~~and all that follows and inserting in lieu thereof "daughter;~~
 16 ~~or",~~

17 ~~(e) Section 216 (h) (3) (B) (ii) of such Act is amend-~~
 18 ~~ed by striking out "such period of disability began" and~~
 19 ~~inserting in lieu thereof "such applicant's application for~~
 20 ~~benefits was filed".~~

21 ~~TRANSITIONAL INSURED STATUS~~

22 ~~SEC. 404. (a) Section 227 (a) of the Social Security~~
 23 ~~Act is amended—~~

24 ~~(1) by striking out "wife" wherever it appears and~~
 25 ~~inserting in lieu thereof "spouse";~~

1 ~~(2) by striking out "wife's" wherever it appears~~
 2 ~~and inserting in lieu thereof "spouse's";~~

3 ~~(3) by striking out "she" wherever it appears and~~
 4 ~~inserting in lieu thereof "he"; and~~

5 ~~(4) by inserting "or section 202 (e)" after "sec-~~
 6 ~~tion 202 (b)" wherever it appears.~~

7 ~~(b) Section 227 (b) and section 227 (c) of such Act~~
 8 ~~are amended--~~

9 ~~(1) by striking out "widow" wherever it appears~~
 10 ~~and inserting in lieu thereof "surviving spouse";~~

11 ~~(2) by striking out "widow's" wherever it appears~~
 12 ~~and inserting in lieu thereof "surviving spouse's";~~

13 ~~(3) by striking out "her" wherever it appears and~~
 14 ~~inserting in lieu thereof "the"; and~~

15 ~~(4) by inserting "or section 202 (f)" after "section~~
 16 ~~202 (e)" wherever it appears.~~

17 ~~(c) Section 216 of such Act (as amended by the~~
 18 ~~preceding provisions of the Act) is further amended by in-~~
 19 ~~serting before subsection (b) the following new subsection:~~

20 ~~"Spouse; Surviving Spouse~~

21 ~~"(a) (1) The term 'spouse' means a wife as defined~~
 22 ~~in subsection (b) or a husband as defined in subsection (f).~~

23 ~~"(2) The term 'surviving spouse' means a widow as~~
 24 ~~defined in subsection (c) or a widower as defined in sub-~~
 25 ~~section (g)."~~

1 ~~EQUALIZATION OF BENEFITS UNDER SECTION 228~~

2 ~~SEC. 405. (a) Section 228 (b) (2) of the Social Secu-~~
3 ~~rity Act is amended—~~

4 ~~(1) by striking out “the husband’s benefit” and~~
5 ~~inserting in lieu thereof “each of their benefits”;~~

6 ~~(2) by striking out “\$64.40” and inserting in lieu~~
7 ~~thereof “\$48.30”; and~~

8 ~~(3) by striking out everything after “section~~
9 ~~215 (i)” the first time it appears and inserting in lieu~~
10 ~~thereof a period.~~

11 ~~(b) Section 228 (c) (3) of such Act is amended to~~
12 ~~read as follows:~~

13 ~~“(3) In the case of a husband or wife, both of whom~~
14 ~~are entitled to benefits under this section for any month, the~~
15 ~~benefit amount of each, after any reduction under paragraph~~
16 ~~(1), shall be further reduced (but not below zero) by the~~
17 ~~excess (if any) of (A) the total amount of any periodic~~
18 ~~benefits under governmental pension systems for which the~~
19 ~~other is eligible for such month, over (B) the larger of~~
20 ~~\$48.30 or the amount most recently established in lieu~~
21 ~~thereof under section 215 (i).”.~~

22 ~~(c) The Secretary shall increase the amounts specified~~
23 ~~in section 228 of the Social Security Act, as amended by~~
24 ~~this section, to take account of any general benefit increases~~
25 ~~(as referred to in section 215 (i) (3) of such Act), and~~

1 ~~any increases under section 215 (i) of such Act, which~~
 2 ~~occur after June 1974.~~

3 ~~FATHER'S INSURANCE BENEFITS~~

4 ~~SEC. 406. (a) Section 202 (g) of the Social Security~~
 5 ~~Act is amended—~~

6 ~~(1) by striking out "widow" wherever it appears~~
 7 ~~and inserting in lieu thereof "surviving spouse";~~

8 ~~(2) by striking out "widow's" wherever it appears~~
 9 ~~and inserting in lieu thereof "surviving spouse's";~~

10 ~~(3) by striking out "wife's insurance benefits" in~~
 11 ~~paragraph (1) (D) and inserting in lieu thereof "a~~
 12 ~~spouse's insurance benefit";~~

13 ~~(4) by striking out "her" wherever it appears and~~
 14 ~~inserting in lieu thereof "his";~~

15 ~~(5) by striking out "she" wherever it appears and~~
 16 ~~inserting in lieu thereof "he";~~

17 ~~(6) by striking out "mother" wherever it appears~~
 18 ~~and inserting in lieu thereof "parent";~~

19 ~~(7) by inserting "or father's" after "mother's"~~
 20 ~~wherever it appears;~~

21 ~~(8) by striking out "after August 1950"; and~~

22 ~~(9) by inserting "this subsection or" before "sub-~~
 23 ~~section (a)" in paragraph (3) (A).~~

24 ~~(b) The heading of section 202 (g) of such Act is~~
 25 ~~amended by inserting "and Father's" after "Mother's".~~

1 ~~(e) Section 216 (d) of such Act (as amended by section~~
2 ~~401 (e) (1) of this Act) is further amended by redesignating~~
3 ~~paragraph (6) as paragraph (8), and by inserting after~~
4 ~~paragraph (5) the following new paragraphs:~~

5 ~~“(6) The term ‘surviving divorced father’ means a man~~
6 ~~divorced from an individual who has died, but only if (A)~~
7 ~~he is the father of her son or daughter, (B) he legally~~
8 ~~adopted her son or daughter while he was married to her~~
9 ~~and while such son or daughter was under the age of 18,~~
10 ~~(C) she legally adopted his son or daughter while he was~~
11 ~~married to her and while such son or daughter was under the~~
12 ~~age of 18, or (D) he was married to her at the time both of~~
13 ~~them legally adopted a child under the age of 18.~~

14 ~~“(7) The term ‘surviving divorced parent’ means a sur-~~
15 ~~viving divorced mother as defined in paragraph (3) of this~~
16 ~~subsection or a surviving divorced father as defined in para-~~
17 ~~graph (6).”.~~

18 ~~(d) Section 202 (e) (1) of such Act (as amended by~~
19 ~~section 401 (a) (2) of this Act) is further amended by in-~~
20 ~~serting “(subject to subsection (s))” before “be entitled~~
21 ~~to” in the matter following subparagraph (E) and pre-~~
22 ~~ceding subparagraph (F).~~

23 ~~(e) Section 202 (e) (1) (B) of such Act is amended by~~
24 ~~inserting after “62” the following: “or (in the case of a~~

1 ~~husband) has in his care (individually or jointly with such~~
 2 ~~individual) at the time of filing such application a child en-~~
 3 ~~titled to child's insurance benefits on the basis of the wages~~
 4 ~~and self employment income of such individual”.~~

5 ~~(f) Section 202 (e) (1) of such Act (as amended by~~
 6 ~~section 401 (a) (2) (B) of this Act) is further amended by~~
 7 ~~redesignating the new subparagraphs (J) and (K) as sub-~~
 8 ~~paragraphs (K) and (L), respectively, and by adding after~~
 9 ~~subparagraph (I) the following new subparagraph:~~

10 ~~“(J) in the case of a husband who has not attained~~
 11 ~~age 62, no child of such individual is entitled to a child's~~
 12 ~~insurance benefit,”.~~

13 ~~(g) Section 202 (f) (1) (C) of such Act is amended by~~
 14 ~~inserting “(i)” after “(C)”, by adding “or” after “223,”,~~
 15 ~~and by inserting at the end thereof the following new clause:~~

16 ~~“(ii) was entitled, on the basis of such wages and~~
 17 ~~self employment income, to father's insurance benefits~~
 18 ~~for the month preceding the month in which he attained~~
 19 ~~age 65,”.~~

20 ~~(h) Section 202 (f) (6) of such Act is amended by~~
 21 ~~striking out “or” at the end of subparagraph (A), by adding~~
 22 ~~“or” after the comma at the end of subparagraph (B), and~~
 23 ~~by adding after and below subparagraph (B) the following~~
 24 ~~new subparagraph:~~

1 ~~subsection (d) unless she ceases to be so entitled by reason~~
2 ~~of her death”.~~

3 ~~(b) Section 202 (f) (4) of such Act is amended by in-~~
4 ~~serting before the period at the end thereof the following:~~
5 ~~“; except that, in the case of such a marriage to an individual~~
6 ~~entitled to benefits under subsection (d), the preceding pro-~~
7 ~~visions of this paragraph shall not apply with respect to~~
8 ~~benefits for months after the last month for which such in-~~
9 ~~dividual is entitled to such benefits under subsection (d)~~
10 ~~unless she ceases to be so entitled by reason of her death”.~~

11 ~~(c) Section 202 (h) (4) of such Act is amended by~~
12 ~~striking out “a male individual” in the matter following~~
13 ~~clause (B) and inserting in lieu thereof “an individual”.~~

14 ~~(d) The amendments made by this section shall be~~
15 ~~effective with respect to benefits under title II of the Social~~
16 ~~Security Act for months after December 1977, but only in~~
17 ~~cases where the “last month” referred to in section 202 (e)~~
18 ~~(4), 202 (f) (4), 202 (g) (3), or 202 (h) (4) is a month~~
19 ~~after December 1977.~~

20 ~~TREATMENT OF SELF EMPLOYMENT INCOME IN~~

21 ~~COMMUNITY PROPERTY STATES~~

22 ~~SEC. 409. (a) Section 211 (a) (5) (A) of the Social~~
23 ~~Security Act and section 1402 (a) (5) (A) of the Internal~~
24 ~~Revenue Code of 1954 are each amended by striking out~~
25 ~~“husband unless the wife exercises substantially all of the~~

1 ~~management and control of such trade or business, in which~~
2 ~~case all of such gross income and deductions shall be treated~~
3 ~~as the gross income and deductions of the wife” and inserting~~
4 ~~in lieu thereof “spouse who exercises the greater manage-~~
5 ~~ment and control over the trade or business”.~~

6 ~~(b) The amendments made by subsection (a) shall be~~
7 ~~effective with respect to taxable years beginning after De-~~
8 ~~cember 1977.~~

9 ~~CREDIT FOR CERTAIN MILITARY SERVICE~~

10 ~~SEC. 410. Section 217 (f) of the Social Security Act~~
11 ~~is amended by striking out “widow” each place it appears~~
12 ~~and inserting in lieu thereof “surviving spouse”, and by~~
13 ~~striking out “her” each place it appears in paragraph (2)~~
14 ~~and inserting in lieu thereof “his”.~~

15 ~~CONFORMING AMENDMENTS~~

16 ~~SEC. 411. (a) Section 202 (b) (3) (A) of the Social~~
17 ~~Security Act (as amended by section 401 (a) (6) of this~~
18 ~~Act) is further amended by inserting “(g),” after “(f),”.~~

19 ~~(b) Section 202 (p) (1) of such Act is amended by~~
20 ~~striking out “subparagraph (C) of subsection (e) (1)”~~
21 ~~and inserting in lieu thereof “subparagraph (D) of sub-~~
22 ~~section (e) (1)”.~~

23 ~~(c) Section 202 (q) (3) of such Act is amended by~~
24 ~~inserting “or surviving divorced husband” after “widower”~~
25 ~~in subparagraphs (E), (F), and (G).~~

- 1 ~~(d) Section 202 (q) (5) of such Act is amended—~~
2 ~~(1) by inserting “husband’s or” before “wife’s”~~
3 ~~each place it appears;~~
4 ~~(2) by inserting “he or” before “she” each place~~
5 ~~it appears;~~
6 ~~(3) by inserting “his or” before “her” each place~~
7 ~~it appears;~~
8 ~~(4) by striking out “woman” each place it ap-~~
9 ~~pears and inserting in lieu thereof “individual”; and~~
10 ~~(5) in subparagraph (D), by inserting “widower’s~~
11 ~~or” before “widow’s”; by inserting “wife or” before~~
12 ~~“husband” each place it appears; by inserting “wife’s~~
13 ~~or” before “husband’s” each place it appears; and by~~
14 ~~inserting “father’s or” before “mother’s”.~~
- 15 ~~(e) (1) Section 202 (q) (6) (A) (i) of such Act is~~
16 ~~amended by striking out “or husband’s insurance” in sub-~~
17 ~~division (I), and by inserting “or husband’s” after “wife’s”~~
18 ~~in subdivision (II).~~
- 19 ~~(2) Section 202 (q) (7) of such Act is amended, in~~
20 ~~subparagraph (B), by inserting “husband’s or” before~~
21 ~~“wife’s”, by inserting “he or” before “she”, and by insert-~~
22 ~~ing “his or” before “her”, and in subparagraph (D) by~~
23 ~~inserting “or widower’s” after “widow’s”.~~
- 24 ~~(f) (1) Section 202 (s) (1) of such Act is amended~~
25 ~~by inserting “(c) (1),” after “(b) (1),”.~~

1 ~~(2) Section 202 (s) (2) of such Act is amended by~~
2 ~~inserting “(c) (4),” after “(b) (3),”.~~

3 ~~(3) Section 202 (s) (3) of such Act is amended by~~
4 ~~inserting “(c) (4),” after “(b) (3),” and by inserting~~
5 ~~“(f) (4),” after “(e) (3),”.~~

6 ~~(g) Section 203 (a) (3) of such Act is amended by~~
7 ~~inserting “, or as a divorced husband under section 202 (c)~~
8 ~~or as a surviving divorced husband under section 202 (f),”~~
9 ~~after “section 202 (e),” by striking out “she” and inserting~~
10 ~~in lieu thereof “he or she”, and by inserting “or divorced~~
11 ~~husband or surviving divorced husband” after “such divorced~~
12 ~~wife or surviving divorced wife”.~~

13 ~~(h) The third sentence of section 203 (b) of such Act~~
14 ~~is amended by inserting “or father’s” after “mother’s”.~~

15 ~~(i) The text of section 203 (e) of such Act is amended~~
16 ~~to read as follows —~~

17 ~~“(c) Deductions, in such amounts and at such time or~~
18 ~~times as the Secretary shall determine, shall be made from~~
19 ~~any payment or payments under this title to which an indi-~~
20 ~~vidual is entitled, until the total of such deductions equals~~
21 ~~such individual’s benefits or benefit under section 202 for~~
22 ~~any month —~~

23 ~~“(1) in which such individual is under the age of~~
24 ~~seventy two and on seven or more different calendar~~

1 ~~days of which such individual engaged in noncovered re-~~
2 ~~munerative activity outside the United States; or~~

3 ~~“(2) in which such individual, if a wife or husband~~
4 ~~under age sixty five entitled to a wife’s or husband’s~~
5 ~~insurance benefit, did not have in his or her care (in-~~
6 ~~dividually or jointly with his or her spouse) a child of~~
7 ~~such spouse entitled to a child’s insurance benefit and~~
8 ~~such wife’s or husband’s insurance benefit for such~~
9 ~~month was not reduced under the provisions of section~~
10 ~~202 (q); or~~

11 ~~“(3) in which such individual, if a widow or wid-~~
12 ~~ower entitled to a mother’s or father’s insurance benefit,~~
13 ~~did not have in his or her care a child of his or her de-~~
14 ~~ceased spouse entitled to a child’s insurance benefit; or~~

15 ~~“(4) in which such an individual, if a surviving~~
16 ~~divorced mother or father entitled to a mother’s or~~
17 ~~father’s insurance benefit, did not have in his or her~~
18 ~~care a child of his deceased former spouse who (A) is~~
19 ~~his or her son, daughter, or legally adopted child and~~
20 ~~(B) is entitled to a child’s insurance benefit on the basis~~
21 ~~of the wages and self employment income of such de-~~
22 ~~ceased former spouse.~~

23 ~~For purposes of paragraphs (2), (3), and (4) of this sub-~~
24 ~~section, a child shall not be considered to be entitled to a~~

1 ~~child's insurance benefit for any month in which paragraph~~
2 ~~(1) of section 202 (s) applies or an event specified in sec-~~
3 ~~tion 222 (b) occurs with respect to such child. Subject to~~
4 ~~paragraph (3) of such section 202 (s), no deductions shall~~
5 ~~be made under this subsection from any child's insurance~~
6 ~~benefit for the month in which the child entitled to such~~
7 ~~benefit attained the age of eighteen or any subsequent month;~~
8 ~~nor shall any deduction be made under this subsection from~~
9 ~~any widow's insurance benefits for any month in which the~~
10 ~~widow or surviving divorced wife is entitled and has not~~
11 ~~attained age sixty five (but only if she became so entitled~~
12 ~~prior to attaining age sixty), or from any widower's insur-~~
13 ~~ance benefit for any month in which the widower or surviv-~~
14 ~~ing divorced husband is entitled and has not attained age~~
15 ~~sixty five (but only if he became so entitled prior to attain-~~
16 ~~ing age sixty)."~~

17 ~~(j) Section 203 (d) of such Act is amended by inserting~~
18 ~~"divorced husband," after "husband," in paragraph (1),~~
19 ~~and by inserting "or father's" after "mother's" each place it~~
20 ~~appears in paragraph (2).~~

21 ~~(k) (1) Section 205 (b) of such Act (as amended by~~
22 ~~section 401 (d) (1) of this Act) is further amended by~~
23 ~~inserting "surviving divorced father," after "mother,".~~

24 ~~(2) Section 205 (c) (1) (C) of such Act (as amended~~
25 ~~by section 401 (d) (2) of this Act) is further amended by~~

1 ~~inserting “surviving divorced father,” after “surviving~~
2 ~~divorced mother,”.~~

3 ~~(l) Section 216 (f) of such Act is amended by inserting~~
4 ~~“(e),” before “(f)” in clause (3) (A).~~

5 ~~(m) Section 216 (g) of such Act is amended by insert-~~
6 ~~ing “(e),” before “(f)” in clause (6) (A).~~

7 ~~(n) Section 222 (b) (1) of such Act is amended by~~
8 ~~striking out “or surviving divorced wife” and inserting in~~
9 ~~lieu thereof “, surviving divorced wife, or surviving divorced~~
10 ~~husband”.~~

11 ~~(o) Section 222 (b) (3) of such Act is amended by~~
12 ~~inserting “divorced husband,” after “husband,”.~~

13 ~~(p) Section 222 (b) (2) of such Act is amended by~~
14 ~~inserting “or father’s” after “mother’s” each place it appears.~~

15 ~~(q) Section 222 (d) (1) of such Act is amended by~~
16 ~~inserting “and surviving divorced husbands” after “for~~
17 ~~widowers” in the matter following clause (iii).~~

18 ~~(r) Section 223 (d) (2) of such Act is amended by~~
19 ~~striking out “or widower” where that term appears in sub-~~
20 ~~paragraphs (A) and (B) and inserting in lieu thereof~~
21 ~~“widower, or surviving divorced husband”.~~

22 ~~(s) Section 225 of such Act is amended by inserting “or~~
23 ~~surviving divorced husband” after “widower”.~~

24 ~~(t) (1) Section 226 (h) (3) of such Act is amended to~~
25 ~~read as follows:~~

1 ~~“(3) For purposes of determining entitlement to hos-~~
2 ~~pital insurance benefits under subsection (b), any disabled~~
3 ~~widow age 50 or older who is entitled to mother’s insurance~~
4 ~~benefits (and who would have been entitled to widow’s~~
5 ~~insurance benefits by reason of disability if she had filed~~
6 ~~for such widow’s benefits), and any disabled widower who~~
7 ~~is entitled to father’s insurance benefits (and who would~~
8 ~~have been entitled to widower’s insurance benefits by reason~~
9 ~~of disability if he had filed for such widower’s benefits),~~
10 ~~shall, upon application for such hospital insurance bene-~~
11 ~~fits be deemed to have filed for such widow’s or widower’s~~
12 ~~benefits.”.~~

13 ~~(2) For purposes of determining entitlement to hospital~~
14 ~~insurance benefits under section 226 (h) (3) of the Social~~
15 ~~Security Act, as amended by paragraph (1) of this subsec-~~
16 ~~tion, an individual becoming entitled to such hospital insur-~~
17 ~~ance benefits as a result of the amendment made by such~~
18 ~~paragraph shall, upon furnishing proof of such disability~~
19 ~~within twelve months after the month of enactment of this~~
20 ~~Act, under such procedures as the Secretary may prescribe,~~
21 ~~be deemed to have been entitled to the widow’s or widower’s~~
22 ~~benefits referred to in such section 226 (h) (3), as so~~
23 ~~amended, as of the time such individual would have been~~
24 ~~entitled to such widow’s or widower’s benefits if he or she~~
25 ~~had filed a timely application therefor.~~

1 ~~EFFECTIVE DATE~~

2 ~~SEC. 412. Except as otherwise specifically provided in~~
 3 ~~this part, the amendments made by this part shall apply only~~
 4 ~~with respect to monthly benefits payable under title II of the~~
 5 ~~Social Security Act for months after December 1977.~~

6 ~~PART B—EFFECT OF MARRIAGE, REMARRIAGE, AND~~
 7 ~~DIVORCE ON BENEFIT ELIGIBILITY~~

8 ~~ELIMINATION OF MARRIAGE OR REMARRIAGE AS FACTOR~~
 9 ~~TERMINATING OR REDUCING BENEFITS~~

10 ~~SEC. 415. (a) (1) Section 202 (b) (1) of the Social~~
 11 ~~Security Act is amended—~~

12 ~~(A) by adding “and” at the end of subparagraph~~
 13 ~~(B),~~

14 ~~(B) by striking out subparagraph (C),~~

15 ~~(C) by striking out subparagraph (H), and~~

16 ~~(D) by redesignating subparagraphs (D), (E),~~

17 ~~(F), (G), (I), (J), and (K) as subparagraphs (C),~~

18 ~~(D), (E), (F), (G), (H), and (I), respectively.~~

19 ~~(2) Section 202 (b) of such Act is further amended by~~
 20 ~~striking out paragraph (3).~~

21 ~~(b) (1) Section 202 (c) (1) of such Act (as amended~~
 22 ~~by sections 401 (a) (2) and 406 (f) of this Act) is~~
 23 ~~amended—~~

24 ~~(A) by striking out subparagraph (C),~~

25 ~~(B) by striking out subparagraph (I), and~~

1 ~~(C) by redesignating subparagraphs (D), (E),~~
2 ~~(F), (G), (H), (J), (K), and (L) as subparagraphs~~
3 ~~(C), (D), (E), (F), (G), (H), (I), and (J),~~
4 ~~respectively.~~

5 ~~(2) Section 202 (c) of such Act is further amended by~~
6 ~~striking out paragraph (4) (as added by section 401 (a)~~
7 ~~(4) of this Act and amended by section 408 (a)).~~

8 ~~(3) Section 202 (c) (2) of such Act (as amended by~~
9 ~~section 401 (a) (5) of this Act) is further amended by~~
10 ~~striking out “(D)” in the matter immediately preceding~~
11 ~~subparagraph (A) and inserting in lieu thereof “(C)”.~~

12 ~~(c) (1) Section 202 (d) (1) of such Act is amended—~~
13 ~~(A) by striking out “was unmarried and” in sub-~~
14 ~~paragraph (B), and~~

15 ~~(B) by striking out “or marries,” in subparagraph~~
16 ~~(D).~~

17 ~~(2) Section 202 (d) of such Act is further amended by~~
18 ~~striking out paragraph (5), and by redesignating paragraphs~~
19 ~~(6) through (9) as paragraphs (5) through (8),~~
20 ~~respectively.~~

21 ~~(d) (1) Section 202 (c) (1) of such Act is amended—~~
22 ~~(A) by striking out subparagraph (A),~~
23 ~~(B) by striking out “paragraph (5)” in subpara-~~
24 ~~graph (B) and inserting in lieu thereof “paragraph~~
25 ~~(3)”.~~

1 ~~(C) by striking out “subparagraph (B)” in sub-~~
2 ~~paragraph (E) and inserting in lieu thereof “subpara-~~
3 ~~graph (A)”~~,

4 ~~(D) by striking out “subparagraph (B)”~~, ~~“para-~~
5 ~~graph (6)”~~, and ~~“paragraph (5)” in subparagraph (F)~~
6 ~~and inserting in lieu thereof “subparagraph (A)”~~,
7 ~~“paragraph (4)”~~, and ~~“paragraph (3)”~~, respectively,

8 ~~(E) by striking out “remarries, dies,” in the matter~~
9 ~~following subparagraph (F) and inserting in lieu there-~~
10 ~~of “dies, or”~~, and

11 ~~(F) by redesignating subparagraphs (B) through~~
12 ~~(F) as subparagraphs (A) through (E), respectively.~~

13 ~~(2) Section 202 (e) (2) (A) of such Act is amended by~~
14 ~~striking out “, paragraph (4) of this subsection,”.~~

15 ~~(3) Section 202 (e) of such Act is further amended by~~
16 ~~striking out paragraphs (3) and (4), and by redesignating~~
17 ~~paragraphs (5), (6), and (7) as paragraphs (3), (4), and~~
18 ~~(5), respectively.~~

19 ~~(4) The paragraph of section 202 (e) of such Act re-~~
20 ~~designated as paragraph (3) by paragraph (3) of this sub-~~
21 ~~section is amended by striking out “(1) (B) (ii)” and in-~~
22 ~~serting in lieu thereof “(1) (A) (ii)”.~~

23 ~~(5) The paragraph of section 202 (e) of such Act re-~~
24 ~~designated as paragraph (4) by paragraph (3) of this sub-~~
25 ~~section is amended—~~

1 ~~(A) by striking out "paragraph (1) (F)" and in-~~
2 ~~serting in lieu thereof "paragraph (1) (E)", and~~

3 ~~(B) by striking out "paragraph (5)" and inserting~~
4 ~~in lieu thereof "paragraph (3)".~~

5 ~~(e) (1) Section 202 (f) (1) of such Act (as amended~~
6 ~~by the preceding provisions of this title) is further~~
7 ~~amended—~~

8 ~~(A) by striking out subparagraph (A),~~

9 ~~(B) by striking out "paragraph (6)" in subpara-~~
10 ~~graph (B) and inserting in lieu thereof "paragraph~~
11 ~~(4)",~~

12 ~~(C) by striking out "subparagraph (B)" in sub-~~
13 ~~paragraph (F) and inserting in lieu thereof "subpara-~~
14 ~~graph (A)",~~

15 ~~(D) by striking out "subparagraph (B)", "para-~~
16 ~~graph (7)", and "paragraph (6)" in subparagraph~~
17 ~~(G) and inserting in lieu thereof "subparagraph (A)",~~
18 ~~"paragraph (5)" and "paragraph (4)", respectively,~~

19 ~~(E) by striking out "remarries," in the matter fol-~~
20 ~~lowing subparagraph (G), and~~

21 ~~(F) by redesignating subparagraphs (B) through~~
22 ~~(G) as subparagraphs (A) through (F), respectively.~~

23 ~~(2) Section 202 (f) (2) of such Act is amended by~~
24 ~~striking out "subparagraph (D)" and inserting in lieu~~
25 ~~thereof "subparagraph (C)".~~

1 ~~(2) Section 202 (f) (3) (A) of such Act is amended~~
2 ~~by striking out “, paragraph (5) of this subsection,”.~~

3 ~~(4) Section 202 (f) of such Act is further amended by~~
4 ~~striking out paragraphs (4) and (5), and by redesignating~~
5 ~~paragraphs (6), (7), and (8) as paragraphs (4), (5),~~
6 ~~and (6), respectively.~~

7 ~~(5) The paragraph of section 202 (f) of such Act re-~~
8 ~~designated as paragraph (4) by paragraph (4) of this sub-~~
9 ~~section is amended by striking out “(1) (B) (ii)” and in-~~
10 ~~serting in lieu thereof “(1) (A) (ii)”.~~

11 ~~(6) The paragraph of section 202 (f) of such Act re-~~
12 ~~designated as paragraph (5) by paragraph (4) of this sub-~~
13 ~~section is amended by striking out “paragraph (1) (G)”~~
14 ~~and “paragraph (6)” and inserting in lieu thereof “para-~~
15 ~~graph (1) (F)” and “paragraph (4)”, respectively.~~

16 ~~(f) (1) Section 202 (g) (1) of such Act (as amended~~
17 ~~by section 406 (a) of this Act) is further amended—~~

18 ~~(A) by striking out subparagraph (A),~~

19 ~~(B) by striking out “subparagraph (E)” in sub-~~
20 ~~paragraph (F) (i) and inserting in lieu thereof “sub-~~
21 ~~paragraph (D)”.~~

22 ~~(C) by striking out “he remarries,” in the matter~~
23 ~~following subparagraph (F), and~~

24 ~~(D) by redesignating subparagraphs (B) through~~
25 ~~(F) as subparagraphs (A) through (E), respectively.~~

1 ~~(2) Section 202 (g) of such Act is further amended by~~
2 ~~striking out paragraph (3).~~

3 ~~(g) (1) Section 202 (h) (1) of such Act is amended—~~
4 ~~(A) by striking out such paragraph (C),~~
5 ~~(B) by striking out “marries,” in the matter fol-~~
6 ~~lowing subparagraph (E), and~~
7 ~~(C) by redesignating subparagraphs (D) and (E)~~
8 ~~as subparagraphs (C) and (D) respectively.~~

9 ~~(2) Section 202 (h) of such Act is further amended by~~
10 ~~striking out paragraph (4).~~

11 ~~(h) Section 202 (p) (1) of such Act (as amended by~~
12 ~~section 411 (a) (4) of this Act) is further amended by~~
13 ~~striking out “subparagraph (D) of subsection (e) (1), clause~~
14 ~~(i) or (ii) of subparagraph (D) of subsection (f) (1)”~~
15 ~~and inserting in lieu thereof “subparagraph (C) of sub-~~
16 ~~section (e) (1), clause (i) or (ii) of subparagraph (C)~~
17 ~~of subsection (f) (1)”.~~

18 ~~(i) (1) Section 202 (s) (2) of such Act is repealed.~~

19 ~~(2) Section 202 (s) (3) of such Act (as amended by~~
20 ~~section 411 (a) (2) of this Act) is further amended by~~
21 ~~striking out “so much of subsections (b) (3), (c) (4),~~
22 ~~(d) (5), (e) (3), (f) (4), (g) (3), and (h) (4) of this~~
23 ~~section as follows the semicolon.”~~

1 ~~DURATION OF MARRIAGE REQUIREMENT FOR DIVORCED~~
2 ~~SPOUSES AND SURVIVING DIVORCED SPOUSES~~

3 ~~SEC. 416. (a) Section 216(d) of the Social Security~~
4 ~~Act is amended by striking out "20 years" in paragraphs~~
5 ~~(1) and (2), and in paragraphs (4) and (5) (as added by~~
6 ~~section 401(e)(1) of this Act), and inserting in lieu thereof~~
7 ~~in each instance "5 years".~~

8 ~~(b) Section 202(b)(1)(F) of such Act (as redesign-~~
9 ~~ated by section 415(a)(1)(D) of this Act) is amended~~
10 ~~by striking out "20 years" and inserting in lieu thereof~~
11 ~~"5 years".~~

12 ~~(c) Section 202(e)(1)(G) of such Act (as added by~~
13 ~~section 401(a)(2)(C) of this Act and redesignated by~~
14 ~~section 415(b)(1)(C)) is amended by striking out "20~~
15 ~~years" and inserting in lieu thereof "5 years".~~

16 ~~EFFECTIVE DATE~~

17 ~~SEC. 417. (a) The amendments made by this part shall~~
18 ~~apply only with respect to monthly benefits payable under~~
19 ~~title II of the Social Security Act for months after December~~
20 ~~1978, and, in the case of individuals who are not entitled~~
21 ~~to benefits of the type involved under such title for December~~
22 ~~1978, only on the basis of applications filed on or after~~
23 ~~January 1, 1979.~~

1 ~~(b) An individual whose entitlement to monthly in-~~
2 ~~surance benefits under subsection (b), (c), (d), (e), (f),~~
3 ~~(g), or (h) of section 202 of the Social Security Act~~
4 ~~terminated on account of such individual's marriage or re-~~
5 ~~marriage prior to January 1979 may again become entitled~~
6 ~~to such benefits (provided no event which would otherwise~~
7 ~~terminate such entitlement has since occurred) beginning~~
8 ~~with January 1979 or, if later, with the first month (after~~
9 ~~January 1979) in which he files application for such reen-~~
10 ~~titlement. The reentitlement of such individual to benefits~~
11 ~~under such subsection (and the entitlement to other persons~~
12 ~~to benefits under title II of the Social Security Act to the~~
13 ~~extent related to such individual or his entitlement) shall~~
14 ~~be treated for all the purposes of title II of the Social Security~~
15 ~~Act as though such reentitlement were the individual's initial~~
16 ~~entitlement.~~

17 ~~PART C STUDY~~

18 ~~STUDY OF PROPOSALS TO ELIMINATE DEPENDENCY AND SEX~~
19 ~~DISCRIMINATION UNDER THE SOCIAL SECURITY~~
20 ~~PROGRAM~~

21 ~~SEC. 421. (a) The Secretary of Health, Education, and~~
22 ~~Welfare, in consultation with the Task Force on Sex Dis-~~
23 ~~crimination in the Department of Justice, shall undertake~~
24 ~~and carry out, within the Department of Health, Education,~~
25 ~~and Welfare and the Social Security Administration, a de-~~
26 ~~tailed study of proposals to eliminate dependency as a factor~~

1 ~~in the determination of entitlement to spouse's benefits under~~
 2 ~~the social security program, and of proposals to bring about~~
 3 ~~equal treatment of men and women in any and all respects~~
 4 ~~under such program, taking into account the practical effects~~
 5 ~~(particularly the effect upon women's entitlement to such~~
 6 ~~benefits) of such things as—~~

7 ~~(1) changes in the nature and extent of women's~~
 8 ~~participation in the labor force,~~

9 ~~(2) the increasing divorce rate, and~~

10 ~~(3) the economic value of women's work in the~~
 11 ~~home.~~

12 ~~The study shall include appropriate cost analyses.~~

13 ~~(b) The Secretary shall submit to the Congress within~~
 14 ~~six months after the date of the enactment of this Act a full~~
 15 ~~and complete report on the study carried out under sub-~~
 16 ~~section (a).~~

17 ~~TITLE V—CHANGES IN EARNINGS TEST UNDER~~
 18 ~~THE OLD AGE, SURVIVORS, AND DISABILITY~~
 19 ~~INSURANCE PROGRAM~~

20 ~~LIBERALIZATION OF EARNINGS TEST~~

21 ~~SEC. 501. (a) Section 203(f)(8)(B) of the Social~~
 22 ~~Security Act is amended by striking out "The exempt~~
 23 ~~amount" in the matter preceding clause (i) and inserting~~
 24 ~~in lieu thereof "Except as provided in subparagraph (D),~~
 25 ~~the exempt amount".~~

1 ~~(b) Section 203 (f) (8) of such Act is further amended~~
2 ~~by adding at the end thereof the following new sub-~~
3 ~~paragraph:~~

4 ~~“(D) Notwithstanding any other provision of this~~
5 ~~subsection, the exempt amount—~~

6 ~~“(i) shall be \$375 for each month of any tax-~~
7 ~~able year ending after 1977 and before 1979, and~~

8 ~~“(ii) shall be \$500 for each month of any~~
9 ~~taxable year ending after 1978 and before 1980.”.~~

10 ~~(c) No determination or publication of a new exempt~~
11 ~~amount shall be required to be made under section 203 (f)~~
12 ~~(8) (A) of the Social Security Act, and no notification with~~
13 ~~respect to an increased exempt amount shall be required to~~
14 ~~be given under the last sentence of section 203 (f) (8) (B)~~
15 ~~of such Act, in the calendar year 1978 (and section 203 (f)~~
16 ~~(8) (C) of such Act shall apply with respect to any exempt~~
17 ~~amount determined and published under such section 203~~
18 ~~(f) (8) (A) in 1977); but such a determination, publica-~~
19 ~~tion, and notification shall be required in calendar years~~
20 ~~after 1978 and shall be made or given as though the dollar~~
21 ~~amounts specified in clauses (i) and (ii) of section 203 (f)~~
22 ~~(8) (D) of such Act (as added by subsection (b) of this~~
23 ~~section) had been determined (for the taxable years in-~~
24 ~~volved) under such section 203 (f) (8) (B).~~

1 ~~(d) Subsections (f) (1), (f) (3), (f) (4) (B), and~~
2 ~~(h) (1) (A) of section 203 of such Act are amended by~~
3 ~~striking out "\$200 or".~~

4 ~~(e) The amendments made by this section shall apply~~
5 ~~with respect to taxable years ending after December 1977.~~

6 ~~ELIMINATION OF MONTHLY EARNINGS TEST~~

7 ~~SEC. 502. (a) (1) The last sentence of section 203 (f)~~
8 ~~(1) of the Social Security Act is amended by inserting~~
9 ~~"or" before (D), and by striking out ", or (E)" and all~~
10 ~~that follows and inserting in lieu thereof a period.~~

11 ~~(2) Section 203 (f) (3) of such Act is amended by~~
12 ~~striking out "except that, in determining" and inserting in~~
13 ~~lieu thereof the following: "except that (A) in determining~~
14 ~~an individual's excess earnings for any taxable year in which~~
15 ~~he first becomes entitled to a monthly benefit under sub~~
16 ~~section (a), (b), (c), (d), (e), (f), (g), or (h) of~~
17 ~~section 202 (and in which he was not entitled to a monthly~~
18 ~~benefit under any other such subsection for a month prior~~
19 ~~to the first month of such entitlement), there shall be ex~~
20 ~~cluded any earnings of such individual for any month prior~~
21 ~~to the first month of such entitlement (with any net earn~~
22 ~~ings or net loss from self-employment in such year being~~
23 ~~prorated in an equitable manner under regulations of the~~
24 ~~Secretary), and (B) in determining".~~

1 ~~(b) (1) Section 203 (f) (2) of such Act is amended~~
 2 ~~by striking out “(D), and (E)” and inserting in lieu~~
 3 ~~thereof “and (D)”.~~

4 ~~(2) Section 203 (f) (4) of such Act is repealed.~~

5 ~~(c) The amendments made by this section shall apply~~
 6 ~~only with respect to monthly benefits payable for months~~
 7 ~~after December 1977.~~

8 ~~TITLE VI COMBINED SOCIAL SECURITY AND~~
 9 ~~INCOME TAX ANNUAL REPORTING~~

10 ~~PART A AMENDMENTS TO TITLE II OF THE SOCIAL~~
 11 ~~SECURITY ACT~~

12 ~~ANNUAL CREDITING OF QUARTERS OF COVERAGE~~

13 ~~SEC. 601. (a) (1) Sections 209 (g) (3), 209 (j), 210~~
 14 ~~(a) (17) (A), and 210 (f) (4) (B) of the Social Security~~
 15 ~~Act are each amended by striking out “quarter” wherever~~
 16 ~~it appears and inserting in lieu thereof “year”.~~

17 ~~(2) Sections 209 (g) (3) and 209 (j) of such Act are~~
 18 ~~each further amended by striking out “\$50” and inserting~~
 19 ~~in lieu thereof “\$100”.~~

20 ~~(3) (A) Section 209 of such Act is amended by strik-~~
 21 ~~ing out “or” at the end of subsection (n), by striking out the~~
 22 ~~period at the end of subsection (o) and inserting in lieu~~
 23 ~~thereof “; or”, and by inserting after subsection (o) the fol-~~
 24 ~~lowing new subsection:~~

1 ~~“(p) Remuneration paid by an organization exempt~~
2 ~~from income tax under section 501 of the Internal Revenue~~
3 ~~Code of 1954 in any calendar year to an employee for~~
4 ~~service rendered in the employ of such organization, if the~~
5 ~~remuneration paid in such year by the organization to the~~
6 ~~employee for such service is less than \$100.”.~~

7 ~~(B) Section 210 (a) (10) of such Act is amended by~~
8 ~~striking out “(10) (A)” and all that follows down through~~
9 ~~“(B) Service” and inserting in lieu thereof “(10) Service”,~~
10 ~~and by redesignating clauses (i) and (ii) as subparagraphs~~
11 ~~(A) and (B), respectively.~~

12 ~~(b) Section 212 of such Act is amended to read as~~
13 ~~follows:~~

14 ~~“CREDITING OF SELF-EMPLOYMENT INCOME TO~~
15 ~~CALENDAR YEARS~~

16 ~~“SEC. 212. (a) For the purposes of determining aver-~~
17 ~~age monthly wage and quarters of coverage the amount of~~
18 ~~self-employment income derived during any taxable year~~
19 ~~which begins before 1978 shall—~~

20 ~~“(1) in the case of a taxable year which is a calen-~~
21 ~~dar year, be credited equally to each quarter of such~~
22 ~~calendar year; and~~

23 ~~“(2) in the case of any other taxable year, be~~
24 ~~credited equally to the calendar quarter in which such~~

1 ~~taxable year ends and to each of the next three or fewer~~
2 ~~preceding quarters any part of which is in such taxable~~
3 ~~year.~~

4 ~~“(b) For the purposes of determining average indexed~~
5 ~~monthly earnings, average monthly wage, and quarters of~~
6 ~~coverage the amount of self-employment income derived dur-~~
7 ~~ing any taxable year which begins after 1977 shall—~~

8 ~~“(1) in the case of a taxable year which is a~~
9 ~~calendar year or which begins with or during a calendar~~
10 ~~year and ends with or during such year, be credited to~~
11 ~~such calendar year; and~~

12 ~~“(2) in the case of any other taxable year, be~~
13 ~~allocated proportionately to the two calendar years,~~
14 ~~portions of which are included within such taxable year,~~
15 ~~on the basis of the number of months in each such~~
16 ~~calendar year which are included completely within the~~
17 ~~taxable year.~~

18 ~~For purposes of clause (2), the calendar month in which a~~
19 ~~taxable year ends shall be treated as included completely~~
20 ~~within that taxable year.”~~

21 ~~(c) Section 213 (a) (2) of such Act is amended to read~~
22 ~~as follows:~~

23 ~~“(2) (A) The term ‘quarter of coverage’ means—~~

24 ~~“(i) for calendar years before 1978, and subject to~~

1 ~~the provisions of subparagraph (B), a quarter in which~~
2 ~~an individual has been paid \$50 or more in wages~~
3 ~~(except wages for agricultural labor paid after 1954)~~
4 ~~or for which he has been credited (as determined~~
5 ~~under section 212) with \$100 or more of self-employ-~~
6 ~~ment income; and~~

7 ~~“(ii) for calendar years after 1977, and subject~~
8 ~~to the provisions of subparagraph (B), each portion of~~
9 ~~the total of the wages paid and the self-employment~~
10 ~~income credited (pursuant to section 212) to an individ-~~
11 ~~ual in a calendar year which equals \$250, with such~~
12 ~~quarter of coverage being assigned to a specific calendar~~
13 ~~quarter in such calendar year only if necessary in the~~
14 ~~case of any individual who has attained age 62 or died~~
15 ~~or is under a disability and the requirements for insured~~
16 ~~status in subsection (a) or (b) of section 214, the~~
17 ~~requirements for entitlement to a computation or re-~~
18 ~~computation of his primary insurance amount, or the~~
19 ~~requirements of paragraph (3) of section 216(i) would~~
20 ~~not otherwise be met.~~

21 ~~“(B) Notwithstanding the provisions of subparagraph~~
22 ~~(A) —~~

23 ~~“(i) no quarter after the quarter in which an~~
24 ~~individual dies shall be a quarter of coverage, and no~~

1 ~~quarter any part of which is included in a period of~~
2 ~~disability (other than the initial quarter and the last~~
3 ~~quarter of such period) shall be a quarter of coverage;~~

4 ~~“(ii) if the wages paid to an individual in any~~
5 ~~calendar year equal to \$3,000 in the case of a calendar~~
6 ~~year before 1951, or \$3,600 in the case of a calendar~~
7 ~~year after 1950 and before 1955, or \$4,200 in the case~~
8 ~~of a calendar year after 1954 and before 1959, or \$4,800~~
9 ~~in the case of a calendar year after 1958 and before 1966,~~
10 ~~or \$6,600 in the case of a calendar year after 1965 and~~
11 ~~before 1968, or \$7,800 in the case of a calendar year~~
12 ~~after 1967 and before 1972, or \$9,000 in the case of the~~
13 ~~calendar year 1972, or \$10,800 in the case of the calen-~~
14 ~~dar year 1973, or \$13,200 in the case of the calendar~~
15 ~~year 1974, or an amount equal to the contribution and~~
16 ~~benefit base (as determined under section 230) in the~~
17 ~~case of any calendar year after 1974 with respect to~~
18 ~~which contribution and benefit base is effective, each~~
19 ~~quarter of such year shall (subject to clauses (i) and~~
20 ~~(v)) be a quarter of coverage;~~

21 ~~“(iii) if an individual has self-employment income~~
22 ~~for a taxable year, and if the sum of such income and~~
23 ~~the wages paid to him during such year equals \$3,600~~
24 ~~in the case of a taxable year beginning after 1950 and~~
25 ~~ending before 1955, or \$4,200 in the case of a taxable~~

1 ~~year ending after 1954 and before 1959, or \$4,800 in~~
2 ~~the case of a taxable year ending after 1958 and before~~
3 ~~1966, or \$6,600 in the case of a taxable year ending~~
4 ~~after 1965 and before 1968, or \$7,800 in the case of~~
5 ~~a taxable year ending after 1967 and before 1972, or~~
6 ~~\$9,000 in the case of a taxable year beginning after~~
7 ~~1971 and before 1973, or \$10,800 in the case of a tax-~~
8 ~~able year beginning after 1972 and before 1974, or~~
9 ~~\$13,200 in the case of a taxable year beginning after~~
10 ~~1973 and before 1975, or an amount equal to the con-~~
11 ~~tribution and benefit base (as determined under section~~
12 ~~230) which is effective for the calendar year in the case~~
13 ~~of any taxable year beginning in any calendar year after~~
14 ~~1974, each quarter any part of which falls in such year~~
15 ~~shall (subject to clauses (i) and (v)) be a quarter of~~
16 ~~coverage;~~

17 ~~“(iv) if an individual is paid wages for agricultural~~
18 ~~labor in a calendar year after 1954 and before 1978,~~
19 ~~then, subject to clauses (i) and (v), (I) the last quar-~~
20 ~~ter of such year which can be but is not otherwise a~~
21 ~~quarter of coverage shall be a quarter of coverage if such~~
22 ~~wages equal or exceed \$100 but are less than \$200;~~
23 ~~(II) the last two quarters of such year which can be~~
24 ~~but are not otherwise quarters of coverage shall be~~
25 ~~quarters of coverage if such wages equal or exceed \$200~~

1 ~~but are less than \$300; (III) the last three quarters of~~
2 ~~such year which can be but are not otherwise quarters~~
3 ~~of coverage shall be quarters of coverage if such wages~~
4 ~~equal or exceed \$300 but are less than \$400; and (IV)~~
5 ~~each quarter of such year which is not otherwise a quar-~~
6 ~~ter of coverage shall be a quarter of coverage if such~~
7 ~~wages are \$400 or more;~~

8 ~~“(v) no quarter shall be counted as a quarter of~~
9 ~~coverage prior to the beginning of such quarter;~~

10 ~~“(vi) not more than one quarter of coverage may~~
11 ~~be credited to a calendar quarter; and~~

12 ~~“(vii) no more than four quarters of coverage may~~
13 ~~be credited to any calendar year after 1977.~~

14 ~~If in the case of an individual who has attained age 62 or~~
15 ~~died or is under a disability and who has been paid wages~~
16 ~~for agricultural labor in a calendar year after 1954 and~~
17 ~~before 1978, the requirements for insured status in subsec-~~
18 ~~tion (a) or (b) of section 214, the requirements for entitle-~~
19 ~~ment to a computation or recomputation of his primary~~
20 ~~insurance amount, or the requirements of paragraph (3)~~
21 ~~of section 216 (i) are not met after assignment of quarters~~
22 ~~of coverage to quarters in such year as provided in clause~~
23 ~~(iv) of the preceding sentence, but would be met if such~~
24 ~~quarters of coverage were assigned to different quarters in~~

1 ~~such year, then such quarters of coverage shall instead be~~
2 ~~assigned, for purposes only of determining compliance with~~
3 ~~such requirements, to such different quarters. If, in the case~~
4 ~~of an individual who did not die prior to January 1, 1955,~~
5 ~~and who attained age 62 (if a woman) or age 65 (if a man)~~
6 ~~or died before July 1, 1957, the requirements for insured~~
7 ~~status in section 214(a)(3) are not met because of his~~
8 ~~having too few quarters of coverage but would be met if his~~
9 ~~quarters of coverage in the first calendar year in which he~~
10 ~~had any covered employment had been determined on the~~
11 ~~basis of the period during which wages were earned rather~~
12 ~~than on the basis of the period during which wages were paid~~
13 ~~(any such wages paid that are reallocated on an earned basis~~
14 ~~shall not be used in determining quarters of coverage for sub-~~
15 ~~sequent calendar years), then upon application filed by the~~
16 ~~individual or his survivors and satisfactory proof of his record~~
17 ~~of wages earned being furnished by such individual or his~~
18 ~~survivors, the quarters of coverage in such calendar year may~~
19 ~~be determined on the basis of the periods during which wages~~
20 ~~were earned."~~

21 ~~(d) The amendments made by subsection (a) shall~~
22 ~~apply with respect to remuneration paid and services ren-~~
23 ~~dered after December 31, 1977. The amendments made by~~
24 ~~subsections (b) and (c) shall be effective January 1, 1978.~~

1 ~~ADJUSTMENT IN AMOUNT REQUIRED FOR A QUARTER OF~~
 2 ~~COVERAGE~~

3 ~~SEC. 602. (a) Section 213 (a) (2) (A) (ii) of the~~
 4 ~~Social Security Act, as amended by section 601 (c) of this~~
 5 ~~Act, is amended by striking out "\$250" and inserting in~~
 6 ~~lieu thereof "the amount required for a quarter of coverage~~
 7 ~~in that calendar year (as determined under subsection~~
 8 ~~(c))".~~

9 ~~(b) Section 213 of such Act is further amended by~~
 10 ~~adding at the end thereof (after the new subsection added~~
 11 ~~by section 304 of this Act) the following new subsection:~~

12 ~~"Amount Required for a Quarter of Coverage~~

13 ~~"(c) (1) The amount of wages paid and self employ-~~
 14 ~~ment income credited to an individual required for a quarter~~
 15 ~~of coverage in any year under subsection (a) (2) (A) (ii)~~
 16 ~~shall be \$250 in the calendar year 1978 and the amount~~
 17 ~~determined under paragraph (2) of this subsection for years~~
 18 ~~after 1978.~~

19 ~~"(2) The Secretary shall, on or before November 1 of~~
 20 ~~1978 and of every year thereafter, determine and publish~~
 21 ~~in the Federal Register the amount of wages paid and self-~~
 22 ~~employment income credited to an individual required for a~~
 23 ~~quarter of coverage in the succeeding calendar year. The~~
 24 ~~amount required for a quarter of coverage shall be the larger~~
 25 ~~of—~~

1 ~~“(A) the amount in effect in the calendar year in~~
 2 ~~which the determination under this subsection is made,~~
 3 ~~or~~

4 ~~“(B) the product of the amount prescribed in para-~~
 5 ~~graph (1) which is required for a quarter of coverage~~
 6 ~~in 1978 and the ratio of the average of the total wages~~
 7 ~~(as defined in regulations of the Secretary and computed~~
 8 ~~without regard to the limitations specified in section 209~~
 9 ~~(a)) reported to the Secretary of the Treasury or his~~
 10 ~~delegate for the calendar year before the year in which~~
 11 ~~the determination under this paragraph is made to the~~
 12 ~~average of the total wages (as so defined and computed)~~
 13 ~~reported to the Secretary of the Treasury or his delegate~~
 14 ~~for 1976,~~

15 ~~with such product, if not a multiple of \$10, being rounded~~
 16 ~~to the next higher multiple of \$10 where such amount is a~~
 17 ~~multiple of \$5 but not of \$10 and to the nearest multiple of~~
 18 ~~\$10 in any other case.”.~~

19 ~~(c) The amendments made by this section shall be~~
 20 ~~effective January 1, 1978.~~

21 ~~TECHNICAL AND CONFORMING AMENDMENTS~~

22 ~~SEC. 603. (a) (1) Section 203 (f) (8) (B) (i) of the~~
 23 ~~Social Security Act is amended by striking out “was” wher-~~
 24 ~~ever it appears and inserting in lieu thereof “is”.~~

1 ~~(2) Section 203 (f) (8) (B) (ii) of such Act is amended~~
2 ~~to read as follows:~~

3 ~~“(ii) the product of the exempt amount de-~~
4 ~~scribed in clause (i) and the ratio of (I) the aver-~~
5 ~~age of the total wages (as defined in regulations of~~
6 ~~the Secretary and computed without regard to the~~
7 ~~limitations specified in section 209 (a)) reported to~~
8 ~~the Secretary of the Treasury or his delegate for the~~
9 ~~calendar year before the calendar year in which the~~
10 ~~determination under subparagraph (A) is made to~~
11 ~~(II) the average of the total wages (as so defined~~
12 ~~and computed) reported to the Secretary of the~~
13 ~~Treasury or his delegate for the calendar year~~
14 ~~before the most recent calendar year in which~~
15 ~~an increase in the exempt amount was en-~~
16 ~~acted or a determination resulting in such an in-~~
17 ~~crease was made under subparagraph (A), with~~
18 ~~such product, if not a multiple of \$10, being~~
19 ~~rounded to the next higher multiple of \$10~~
20 ~~where such product is a multiple of \$5 but not~~
21 ~~of \$10 and to the nearest multiple of \$10 in any~~
22 ~~other case.”.~~

23 ~~(b) (1) The first sentence of section 218 (e) (8) of such~~
24 ~~Act is amended by striking out “quarter” wherever it ap-~~

1 ~~pears and inserting in lieu thereof "year", and by striking~~
2 ~~out "\$50" and inserting in lieu thereof "\$100".~~

3 ~~(2) Section 218 (q) (4) (B) of such Act is amended~~
4 ~~by striking out "any calendar quarters" and inserting in lieu~~
5 ~~thereof "a calendar year", and by striking out "such calendar~~
6 ~~quarters" and inserting in lieu thereof "such calendar year".~~

7 ~~(3) Section 218 (q) (6) (B) of such Act is amended~~
8 ~~by striking out "calendar quarters designated by the State in~~
9 ~~such wage reports as the" and inserting in lieu thereof~~
10 ~~"period or periods designated by the State in such wage~~
11 ~~reports as the period or".~~

12 ~~(4) Section 218 (r) (1) of such Act is amended—~~

13 ~~(A) by striking out "quarter" in the matter before~~
14 ~~clause (A) and inserting in lieu thereof "year",~~

15 ~~(B) by striking out "in which occurred the calendar~~
16 ~~quarter" in clause (A), and~~

17 ~~(C) by striking out "quarter" in clause (B) and~~
18 ~~inserting in lieu thereof "year".~~

19 ~~(c) (1) Effective with respect to estimations for calen-~~
20 ~~dar years beginning after December 31, 1977, section 224~~

21 ~~(a) of such Act is amended by striking out the last sentence.~~

22 ~~(2) Section 224 (f) (2) of such Act is amended to read~~
23 ~~as follows:~~

24 ~~"(2) In making the redetermination required by para-~~

1 ~~graph (1), the individual's average current earnings (as~~
2 ~~defined in subsection (a)) shall be deemed to be the~~
3 ~~product of—~~

4 ~~“(A) his average current earnings as initially~~
5 ~~determined under subsection (a);~~

6 ~~“(B) the ratio of (i) the average of the total wages~~
7 ~~(as defined in regulations of the Secretary and computed~~
8 ~~without regard to the limitations specified in section~~
9 ~~209(a)) reported to the Secretary of the Treasury or~~
10 ~~his delegate for the calendar year before the year in~~
11 ~~which such redetermination is made to (ii) the average~~
12 ~~of the total wages (as so defined and computed) re-~~
13 ~~ported to the Secretary of the Treasury or his delegate~~
14 ~~for calendar year 1977 or, if later, the calendar year~~
15 ~~before the year in which the reduction was first com-~~
16 ~~puted (but not counting any reduction made in benefits~~
17 ~~for a previous period of disability); and~~

18 ~~“(C) in any case in which the reduction was first~~
19 ~~computed before 1978, the ratio of (i) the average of~~
20 ~~the taxable wages reported to the Secretary for the~~
21 ~~first calendar quarter of 1977 to (ii) the average of the~~
22 ~~taxable wages reported to the Secretary for the first~~
23 ~~calendar quarter of the calendar year before the year in~~
24 ~~which the reduction was first computed (but not count~~

1 ~~ing any reduction made in benefits for a previous period~~
2 ~~of disability).~~

3 ~~Any amount determined under this paragraph which is not~~
4 ~~a multiple of \$1 shall be reduced to the next lower multiple~~
5 ~~of \$1."~~

6 ~~(d) Section 229 (a) of such Act is amended~~

7 ~~(1) by striking out "shall be deemed to have been~~
8 ~~paid, in each calendar quarter occurring after 1956 in~~
9 ~~which he" and inserting in lieu thereof ", if he", and~~

10 ~~(2) by striking out "wages (in addition to the~~
11 ~~wages actually paid to him for such service) of \$300."~~
12 ~~at the end thereof and inserting in lieu thereof the~~
13 ~~following: "shall be deemed to have been paid~~

14 ~~"(1) in each calendar quarter occurring after 1956~~
15 ~~and before 1978 in which he was paid such wages, addi-~~
16 ~~tional wages of \$300, and~~

17 ~~"(2) in each calendar year occurring after 1977~~
18 ~~in which he was paid such wages, additional wages of~~
19 ~~\$100 for each \$300 of such wages, up to a maximum~~
20 ~~of \$1,200 of additional wages for any calendar year."~~

21 ~~(c) (1) Section 230 (b) of such Act is amended by~~
22 ~~striking out the last sentence:~~

23 ~~(2) Section 230 (b) (1) of such Act is amended to~~
24 ~~read as follows:~~

1 ~~“(1) the contribution and benefit base which is in~~
2 ~~effect with respect to remuneration paid in (and taxable~~
3 ~~years beginning in) the calendar year in which the~~
4 ~~determination under subsection (a) is made, and”.~~

5 ~~(3) Section 230 (b) (2) of such Act is amended to~~
6 ~~read as follows:~~

7 ~~“(2) the ratio of (A) the average of the total~~
8 ~~wages (as defined in regulations of the Secretary and~~
9 ~~computed without regard to the limitations specified in~~
10 ~~section 200 (a)) reported to the Secretary of the Treas-~~
11 ~~ury or his delegate for the calendar year before the~~
12 ~~calendar year in which the determination under subsec-~~
13 ~~tion (a) is made to (B) the average of the total wages~~
14 ~~(as so defined and computed) reported to the Secretary~~
15 ~~of the Treasury or his delegate for the calendar year~~
16 ~~before the most recent calendar year in which an in-~~
17 ~~crease in the contribution and benefit base was enacted~~
18 ~~or a determination resulting in such an increase was~~
19 ~~made under subsection (a),”.~~

20 ~~(f) (1) Effective with respect to convictions after De-~~
21 ~~cember 31, 1977, section 202 (u) (1) (C) of such Act is~~
22 ~~amended by striking out “quarter” wherever it appears and~~
23 ~~inserting in lieu thereof “year”.~~

24 ~~(2) (A) Section 205 (e) (1) of such Act is amended by~~
25 ~~striking out “(as defined in section 211 (e))”.~~

1 ~~(B) Section 205 (e) (1) of such Act is further amended~~
2 ~~by adding at the end thereof the following new subpara-~~
3 ~~graph:-~~

4 ~~“(D) The term ‘period’ when used with respect to~~
5 ~~self-employment income means a taxable year and when~~
6 ~~used with respect to wages means—~~

7 ~~“(i) a quarter if wages were reported or should~~
8 ~~have been reported on a quarterly basis on tax~~
9 ~~returns filed with the Secretary of the Treasury or~~
10 ~~his delegate under section 6011 of the Internal Rev-~~
11 ~~enue Code of 1954 or regulations thereunder (or~~
12 ~~on reports filed by a State under section 218 (e)~~
13 ~~or regulations thereunder),~~

14 ~~“(ii) a year if wages were reported or should~~
15 ~~have been reported on a yearly basis on such tax re-~~
16 ~~turns or reports, or~~

17 ~~“(iii) the half year beginning January 1 or~~
18 ~~July 1 in the case of wages which were reported or~~
19 ~~should have been reported for calendar year 1977.”.~~

20 ~~(C) Section 205 (e) of such Act is amended by insert-~~
21 ~~ing “before 1978” after “calendar year”.~~

22 ~~(g) The amendments made by subsection (b) of this~~
23 ~~section shall apply with respect to remuneration paid after~~
24 ~~December 31, 1977. The amendments made by subsections~~
25 ~~(d) and (f) (2) shall be effective January 1, 1978. Except~~

1 ~~as otherwise specifically provided, the remaining amend-~~
2 ~~ments made by this section shall be effective January 1,~~
3 ~~1970.~~

4 ~~PART B AMENDMENTS TO THE INTERNAL REVENUE~~
5 ~~CODE OF 1954~~

6 ~~DEDUCTION OF TAX FROM WAGES~~

7 ~~SEC. 611. (a) Section 3102 (a) of the Internal Reve-~~
8 ~~nue Code of 1954 is amended by striking out "or (C) or~~
9 ~~(10)", and by inserting after "is less than \$50;" the fol-~~
10 ~~lowing: "and an employer who in any calendar year pays~~
11 ~~to an employee cash remuneration to which paragraph (7)~~
12 ~~(C) or (10) of section 3121 (a) is applicable may deduct~~
13 ~~an amount equivalent to such tax from any such payment of~~
14 ~~remuneration, even though at the time of payment the total~~
15 ~~amount of such remuneration paid to the employee by the~~
16 ~~employer in the calendar year is less than \$100;".~~

17 ~~(b) (1) Paragraphs (1) and (2) of section 3102 (e)~~
18 ~~of such Code are each amended by striking out "quarter"~~
19 ~~wherever it appears and by inserting in lieu thereof "year".~~

20 ~~(2) Paragraph (3) of section 3102 (e) of such Code~~
21 ~~is amended—~~

22 ~~(A) by striking out "quarter of the" in subpara-~~
23 ~~graph (A); and~~

1 ~~(B) by striking out "quarter" wherever it appears~~
2 ~~in subparagraphs (B) and (C) and inserting in lieu~~
3 ~~thereof "year".~~

4 ~~(c) The amendments made by this section shall apply~~
5 ~~with respect to remuneration paid and to tips received after~~
6 ~~December 31, 1977.~~

7 ~~TECHNICAL AND CONFORMING AMENDMENTS~~

8 ~~SEC. 612. (a) Sections 3121(a)(7)(C) and 3121~~
9 ~~(a)(10) of the Internal Revenue Code of 1954 are each~~
10 ~~amended by striking out "quarter" wherever it appears and~~
11 ~~inserting in lieu thereof "year", and by striking out "\$50"~~
12 ~~and inserting in lieu thereof "\$100".~~

13 ~~(b) Section 3121(a) of such Code is amended by strik-~~
14 ~~ing out "or" at the end of paragraph (14), by striking out~~
15 ~~the period at the end of paragraph (15) and inserting in lieu~~
16 ~~thereof "; or", and by adding after paragraph (15) the~~
17 ~~following new paragraph:~~

18 ~~"(16) remuneration paid by an organization~~
19 ~~exempt from income tax under section 501(a) (other~~
20 ~~than an organization described in section 401(a)) or~~
21 ~~under section 521 in any calendar year to an employee~~
22 ~~for service rendered in the employ of such organization,~~
23 ~~if the remuneration paid in such year by the organiza-~~

1 ~~tion to the employee for such service is less than \$100.”.~~

2 ~~(c) Section 3121 (b) (10) of such Code is amended by~~
3 ~~striking out “(10) (A)” and all that follows down through~~
4 ~~“(B) service” and inserting in lieu thereof “(10) service”,~~
5 ~~and redesignating clauses (i) and (ii) as subparagraphs~~
6 ~~(A) and (B), respectively.~~

7 ~~(d) Sections 3121 (b) (17) (A) and 3121 (g) (4) (B)~~
8 ~~of such Code are each amended by striking out “quarter” and~~
9 ~~inserting in lieu thereof “year”.~~

10 ~~(e) The amendments made by this section shall apply~~
11 ~~with respect to remuneration paid and services rendered after~~
12 ~~December 31, 1977.~~

13 ~~PART C CONFORMING AMENDMENT TO THE RAILROAD~~
14 ~~RETIREMENT ACT OF 1974~~

15 ~~COMPUTATION OF EMPLOYEE ANNUITIES~~

16 ~~SEC. 621. (a) The last sentence of section 3 (f) (1) of~~
17 ~~the Railroad Retirement Act of 1974 is amended—~~

18 ~~(1) by inserting “paid before 1978” after “in the~~
19 ~~case of wages”, and~~

20 ~~(2) by inserting “and in the case of wages paid~~
21 ~~after 1977” before the period at the end thereof.~~

22 ~~(b) The amendments made by this section shall be~~
23 ~~effective January 1, 1978.~~

1 ~~TITLE VII MISCELLANEOUS PROVISIONS~~

2 ~~ELIMINATION OF CERTAIN OPTIONAL PAYMENT PROCE-~~

3 ~~DURES UNDER THE OLD AGE, SURVIVORS, AND DISA-~~

4 ~~BILITY INSURANCE PROGRAM~~

5 ~~SEC. 701. (a) (1) The first sentence of section 202 (j)~~

6 ~~(1) of the Social Security Act is amended by striking out~~

7 ~~“An individual” and inserting “Subject to the limitations~~

8 ~~contained in paragraph (4), an individual” in lieu thereof.~~

9 ~~(2) Section 202 (j) of such Act is further amended by~~
10 ~~inserting at the end thereof the following new paragraph:~~

11 ~~“(4) (A) Except as provided in subparagraph (B), no~~
12 ~~individual shall be entitled to benefits under subsection (a),~~
13 ~~(b), (c), (e), or (f) for any month prior to the month~~
14 ~~in which he or she files an application for such benefits if the~~
15 ~~effect of such payment would be to reduce, pursuant to~~
16 ~~subsection (q), the monthly benefits to which such indi-~~
17 ~~vidual would otherwise be entitled.~~

18 ~~“(B) (i) If the individual applying for retroactive~~
19 ~~benefits is applying for such benefits under subsection (a),~~
20 ~~and there are one or more other persons who would, except~~
21 ~~for subparagraph (A), be entitled for any month, on the~~
22 ~~basis of the wages and self-employment income of such in-~~
23 ~~dividual and because of such individual’s entitlement to such~~

1 ~~retroactive benefits, to retroactive benefits under subsection~~
2 ~~(b), (c), or (d) not subject to reduction under subsection~~
3 ~~(q), then subparagraph (A) shall not apply with respect~~
4 ~~to such month or any subsequent month.~~

5 ~~“(ii) If the individual applying for retroactive benefits~~
6 ~~is a surviving spouse, or surviving divorced spouse who is~~
7 ~~under a disability (as defined in section 223 (d)), and such~~
8 ~~individual would, except for subparagraph (A), be entitled~~
9 ~~to retroactive benefits as a disabled surviving spouse, or~~
10 ~~surviving divorced spouse for any month before he or she~~
11 ~~attained the age of 60, then subparagraph (A) shall not~~
12 ~~apply with respect to such month or any subsequent month.~~

13 ~~“(iii) If the individual applying for retroactive benefits~~
14 ~~has excess earnings (as defined in section 203 (f)) in the~~
15 ~~year in which he or she files an application for such benefits~~
16 ~~which could, except for subparagraph (A), be charged to~~
17 ~~months in such year prior to the month of application, then~~
18 ~~subparagraph (A) shall not apply to so many of such~~
19 ~~months immediately preceding the month of application as~~
20 ~~are required to charge such excess earnings to the maximum~~
21 ~~extent possible.”.~~

22 ~~(3) Section 226 (h) of such Act is amended by adding~~
23 ~~at the end thereof the following new paragraph:~~

24 ~~“(4) For the purposes of determining entitlement to~~
25 ~~hospital insurance benefits under subsection (b) in the case~~

1 ~~of an individual described in clause (iii) of subsection (b)~~
2 ~~(2) (A), the entitlement of such individual to widow's or~~
3 ~~widower's insurance benefits under section 202 (e) or (f)~~
4 ~~by reason of a disability shall be deemed to be the entitle-~~
5 ~~ment to such benefits that would result if such entitlement~~
6 ~~were determined without regard to the provisions of sec-~~
7 ~~tion 202 (j) (4)."~~

8 ~~(b) The amendments made by this section shall be~~
9 ~~effective with respect to applications for benefits under title~~
10 ~~II of the Social Security Act filed after September 30, 1977.~~

11 ~~EARLY MAILING OF BENEFIT CHECKS WHERE REGULARLY~~
12 ~~SCHEDULED DELIVERY DAY FALLS ON SATURDAY, SUN-~~
13 ~~DAY, OR LEGAL HOLIDAY~~

14 ~~SEC. 702. (a) Title VII of the Social Security Act is~~
15 ~~amended by adding at the end thereof the following new~~
16 ~~section:~~

17 ~~"TIME FOR DELIVERY OF BENEFIT CHECKS WHEN REGULAR~~
18 ~~DELIVERY DAY FALLS ON A SATURDAY, SUNDAY, OR~~
19 ~~LEGAL HOLIDAY~~

20 ~~"SEC. 703. (a) If the day regularly designated for the~~
21 ~~delivery of benefit checks under title II or title XVI falls on a~~
22 ~~Saturday, Sunday, or legal public holiday (as defined in~~
23 ~~section 6103 of title 5, United States Code) in any month,~~
24 ~~the benefit checks which would otherwise be delivered on~~
25 ~~such day shall be mailed in time for delivery, and delivered,~~

1 ~~on the first day preceding such day which is not a Saturday,~~
2 ~~Sunday, or legal public holiday (as so defined), without re-~~
3 ~~gard to whether the delivery of such checks would as a re-~~
4 ~~sult have to be made before the end of the month for which~~
5 ~~such checks are issued.~~

6 ~~“(b) If more than the correct amount of payment under~~
7 ~~title II or XVI is made to any individual as a result of the~~
8 ~~receipt of a benefit check pursuant to subsection (a) before~~
9 ~~the end of the month for which such check is issued, no action~~
10 ~~shall be taken (under section 204 or 1631 (b) or otherwise)~~
11 ~~to recover such payment or the incorrect portion thereof.”.~~

12 ~~(b) The amendment made by subsection (a) of this~~
13 ~~section shall apply with respect to benefit checks the~~
14 ~~regularly designated day for delivery of which occurs on or~~
15 ~~after the thirtieth day after the date of the enactment of this~~
16 ~~Act.~~

17 **DEFINITION**

18 ~~SEC. 703. As used in this Act and the amendments to~~
19 ~~the Social Security Act made by this Act, the term “Sec-~~
20 ~~retary” means, unless the context otherwise requires, the~~
21 ~~Secretary of Health, Education, and Welfare.~~

22 *That this Act, with the following table of contents, may be*
23 *cited as the “Social Security Financing Amendments of*
24 *1977”.*

TABLE OF CONTENTS

**TITLE I—PROVISIONS TO IMPROVE THE FINANCING OF
THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM**

- Sec. 101. Adjustments in tax rates.*
Sec. 102. Allocations to disability insurance trust fund.
Sec. 103. Increases in earnings base.
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**TITLE II—STABILIZATION OF REPLACEMENT RATES IN
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- Sec. 301. Coverage of Federal employees.*
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1 **TITLE I—PROVISIONS TO IMPROVE THE FI-**
 2 **NANCING OF THE OLD-AGE, SURVIVORS,**
 3 **AND DISABILITY INSURANCE PROGRAM**

4 **ADJUSTMENTS IN TAX RATES**

5 **SEC. 101. (a)(1)** *Section 3101(a) of the Internal*
 6 *Revenue Code of 1954 (relating to rate of tax on employees*
 7 *for purposes of old-age, survivors, and disability insurance)*
 8 *is amended by striking out paragraphs (1) and (2) and*
 9 *inserting in lieu thereof the following:*

10 *“(1) with respect to wages received during the*
 11 *calendar years 1974 through 1977, the rate shall be*
 12 *4.95 percent;*

13 *“(2) with respect to wages received during the*
 14 *calendar years 1978 through 1980, the rate shall be*
 15 *5.05 percent;*

16 *“(3) with respect to wages received during the*
 17 *calendar years 1981 through 1984, the rate shall be*
 18 *5.15 percent;*

19 *“(4) with respect to wages received during the*

1 *calendar years 1985 through 1989, the rate shall be*
2 *5.45 percent; and*

3 *“(5) with respect to wages received after Decem-*
4 *ber 31, 1989, the rate shall be 6.00 percent.”.*

5 (2) *Section 3111(a) of such Code (relating to rate*
6 *of tax on employers for purposes of old-age, survivors, and*
7 *disability insurance) is amended by striking out paragraphs*
8 *(1) and (2) and inserting in lieu thereof the following:*

9 *“(1) with respect to wages paid during the cal-*
10 *endar years 1974 through 1977, the rate shall be 4.95*
11 *percent;*

12 *“(2) with respect to wages paid during the cal-*
13 *endar years 1978 through 1980, the rate shall be 5.05*
14 *percent;*

15 *“(3) with respect to wages paid during the calen-*
16 *dar years 1981 through 1984, the rate shall be 5.15*
17 *percent;*

18 *“(4) with respect to wages received during the*
19 *calendar years 1985 through 1989, the rate shall be*
20 *5.45 percent; and*

21 *“(5) with respect to wages paid after December 31,*
22 *1989, the rate shall be 6.00 percent.”.*

23 (3) *Section 1401(a) of such Code (relating to rate of*
24 *tax on self-employment income for purposes of old-age,*

1 survivors, and disability insurance) is amended by striking
2 out "a tax" and all that follows and inserting in lieu thereof
3 the following: "a tax as follows:

4 “(1) in the case of any taxable year beginning
5 before January 1, 1978, the tax shall be equal to 7.0
6 percent of the amount of the self-employment income
7 for such taxable year;

8 “(2) in the case of any taxable year beginning
9 after December 31, 1977, and before January 1, 1981,
10 the tax shall be equal to 7.10 percent of the amount of
11 the self-employment income for such taxable year;

12 “(3) in the case of any taxable year beginning
13 after December 31, 1980, and before January 1, 1985,
14 the tax shall be equal to 7.70 percent of the amount of
15 the self-employment income for such taxable year;

16 “(4) in the case of any taxable year beginning after
17 December 31, 1984, and before January 1, 1990, the
18 tax shall be equal to 8.20 percent of the amount of the
19 self-employment income for such taxable year; and

20 “(5) in the case of any taxable year beginning
21 after December 31, 1989, the tax shall be equal to 9.00
22 percent of the amount of the self-employment income
23 for such taxable year.”.

24 (b)(1) Section 3101(b) of such Code (relating to rate

1 of tax on employees for purposes of hospital insurance) is
2 amended by striking out paragraphs (1) through (4) and
3 inserting in lieu thereof the following:

4 “(1) with respect to wages received during the
5 calendar years 1974 through 1977, the rate shall be
6 0.90 percent;

7 “(2) with respect to wages received during the
8 calendar years 1978 through 1980, the rate shall be
9 1.00 percent;

10 “(3) with respect to wages received during the
11 calendar years 1981 through 1985, the rate shall be
12 1.30 percent; and

13 “(4) with respect to wages received after Decem-
14 ber 31, 1985, the rate shall be 1.45 percent.”.

15 (2) Section 3111(b) of such Code (relating to rate of
16 tax on employers for purposes of hospital insurance) is
17 amended by striking out paragraphs (1) through (4) and
18 inserting in lieu thereof the following:

19 “(1) with respect to wages paid during the cal-
20 endar years 1974 through 1977, the rate shall be 0.90
21 percent;

22 “(2) with respect to wages paid during the cal-
23 endar years 1978 through 1980, the rate shall be 1.00
24 percent;

25 “(3) with respect to wages paid during the cal-

1 endar years 1981 through 1985, the rate shall be 1.30
2 percent; and

3 “(4) with respect to wages paid after December 31,
4 1985, the rate shall be 1.45 percent.”.

5 (3) Section 1401(b) of such Code (relating to tax on
6 self-employment income for purposes of hospital insurance)
7 is amended by striking out paragraphs (1) through (4) and
8 inserting in lieu thereof the following:

9 “(1) in the case of any taxable year beginning after
10 December 31, 1973, and before January 1, 1978, the
11 tax shall be equal to 0.90 percent of the amount of the
12 self-employment income for such taxable year;

13 “(2) in the case of any taxable year beginning after
14 December 31, 1977, and before January 1, 1981, the
15 tax shall be equal to 1.00 percent of the amount of the
16 self-employment income for such taxable year;

17 “(3) in the case of any taxable year beginning after
18 December 31, 1980, and before January 1, 1986, the
19 tax shall be equal to 1.30 percent of the amount of the
20 self-employment income for such taxable year; and

21 “(4) in the case of any taxable year beginning after
22 December 31, 1985, the tax shall be equal to 1.45 per-
23 cent of the amount of the self-employment income for
24 such taxable year.”.

1 *ALLOCATIONS TO DISABILITY INSURANCE TRUST FUND*

2 *SEC. 102. (a)(1) Section 201(b)(1) of the Social*
3 *Security Act is amended by striking out clauses (G)*
4 *through (J) and inserting in lieu thereof the following:*
5 *“(G) 1.55 per centum of the wages (as so defined) paid*
6 *after December 31, 1977, and before January 1, 1979, and*
7 *so reported, (H) 1.50 per centum of the wages (as so*
8 *defined) paid after December 31, 1978, and before Janu-*
9 *ary 1, 1981, and so reported, (I) 1.60 per centum of the*
10 *wages (as so defined) paid after December 31, 1980, and*
11 *before January 1, 1985, and so reported, (J) 1.80 per*
12 *centum of the wages (as so defined) paid after Decem-*
13 *ber 31, 1984, and before January 1, 1990, and so reported,*
14 *and (K) 2.20 per centum of the wages (as so defined)*
15 *paid after December 31, 1989, and so reported.”.*

16 *(2) Section 201(b)(2) of such Act is amended by*
17 *striking out clauses (G) through (J) and inserting in lieu*
18 *thereof the following: “(G) 1.090 per centum of the amount*
19 *of self-employment income (as so defined) so reported for any*
20 *taxable year beginning after December 31, 1977, and before*
21 *January 1, 1979, (H) 1.055 per centum of the amount of*
22 *self-employment income (as so defined) so reported for any*
23 *taxable year beginning after December 31, 1978, and before*
24 *January 1, 1981, (I) 1.200 per centum of the amount of*
25 *self-employment income (as so defined) so reported for any*

1 *taxable year beginning after December 31, 1980, and before*
 2 *January 1, 1985, (J) 1.350 per centum of the amount of*
 3 *self-employment income (as so defined) so reported for any*
 4 *taxable year beginning after December 31, 1984, and before*
 5 *January 1, 1990, and (K) 1.650 per centum of the amount*
 6 *of self-employment income (as so defined) so reported for any*
 7 *taxable year beginning after December 31, 1989.”.*

8 **INCREASES IN EARNINGS BASE**

9 *SEC. 103. (a) (1) Section 230(a) of the Social Security*
 10 *Act is amended by inserting “or (c)” after “determined under*
 11 *subsection (b)”.*

12 *(2) Section 230(b) of such Act is amended by striking*
 13 *out “shall be” in the matter preceding paragraph (1) and*
 14 *inserting in lieu thereof “shall (subject to subsection (c)) be”.*

15 *(b) Section 230(c) of such Act is amended—*

16 *(1) by inserting “(1)” immediately before “the*
 17 *‘contribution and benefit base’ ”; and*

18 *(2) by striking out “section.” and inserting in lieu*
 19 *thereof the following:*

20 *“section, and (2) the ‘contribution and benefit base’ with*
 21 *respect to remuneration paid (and taxable years beginning)—*

22 *“(A) in 1978 shall be \$19,900,*

23 *“(B) in 1979 shall be \$22,900,*

24 *“(C) in 1980 shall be \$25,900, and*

25 *“(D) in 1981 shall be \$27,900.*

1 *For purposes of determining under subsection (b) the 'con-*
2 *tribution and benefit base' with respect to remuneration paid*
3 *(and taxable years beginning) in 1982 and subsequent years,*
4 *the dollar amounts specified in clause (2) of the preceding*
5 *sentence shall be considered to have resulted from the applica-*
6 *tion of such subsection (b) and to be the amount determined*
7 *(with respect to the years involved) under that subsection.*
8 *For purposes of determining employer tax liability under*
9 *section 3221(a) of the Internal Revenue Code of 1954 and*
10 *for purposes of computing average monthly compensation*
11 *under section 3(j) of the Railroad Retirement Act of 1974,*
12 *except with respect to annuity amounts determined under*
13 *section 3(a) or 3(f)(3) of such Act, clause (2) and the*
14 *preceding sentence of this subsection shall be disregarded."*

15 *(c)(1) Section 230 of such Act is further amended by*
16 *adding at the end thereof the following new subsection:*

17 *"(d) Notwithstanding any other provision of law, the*
18 *contribution and benefit base determined under this section*
19 *for any calendar year after 1976 for purposes of section*
20 *4022(b)(3)(B) of Public Law 93-406, with respect to any*
21 *plan, shall be the contribution and benefit base that would*
22 *have been determined for such year if this section as in effect*
23 *immediately prior to the enactment of the Social Security*
24 *Financing Amendments of 1977 had remained in effect*
25 *without change."*

1 (2) *The amendment made by paragraph (1) shall apply*
 2 *with respect to plan terminations occurring after the date of*
 3 *the enactment of this Act.*

4 (d) (1) *The second sentence of section 215(i) (2) (D)*
 5 *(v) of such Act is amended by striking out "is equal to*
 6 *one-twelfth of the new contribution and benefit base" and*
 7 *inserting in lieu thereof "is equal to, or exceeds by less than*
 8 *\$5, one-twelfth of the new contribution and benefit base".*

9 (2) *The third sentence of section 215(i)(2)(D)(v)*
 10 *of such Act is amended by striking out all that follows*
 11 *"clause (iv)" and inserting in lieu thereof "plus 20 per-*
 12 *cent of the excess of the second figure in the last line of*
 13 *column III as extended under the preceding sentence over*
 14 *such second figure for the calendar year in which the table*
 15 *of benefits is revised."*

16 *STANDBY GUARANTEE OF TRUST FUND LEVELS*

17 *SEC. 104. (a) Section 201 of the Social Security Act is*
 18 *amended by adding at the end thereof the following new*
 19 *subsection:*

20 *"(j) (1) If at the close of any calendar year after 1977*
 21 *the balance remaining in the Federal Old-Age and Survivors*
 22 *Insurance Trust Fund or the Federal Disability Insurance*
 23 *Trust Fund (as determined by the Secretary of the Treasury*
 24 *in the following February) is less than 25 percent of the*
 25 *total amount of the expenditures made from such fund under*

1 *this title during that calendar year, there is hereby appro-*
2 *priated to the Secretary of the Treasury for loans to such*
3 *fund, out of any moneys in the Treasury not otherwise ap-*
4 *propriated, as of the following July 1, an amount equal*
5 *to the difference between (A) such balance, and (B) 27½*
6 *percent of the total amount of such expenditures.*

7 “(2) *If at the close of any calendar year succeeding a*
8 *calendar year with respect to which an appropriation for*
9 *loans to either trust fund is made under paragraph (1)—*

10 “(A) *the balance remaining in that fund (as deter-*
11 *mined by the Secretary of the Treasury in the following*
12 *February) is less than 35 percent of the total amount*
13 *of the expenditures made from such fund under this title*
14 *during such succeeding calendar year (whether or not*
15 *an appropriation for loans to such fund is made under*
16 *paragraph (1) with respect to such succeeding year),*
17 *and*

18 “(B) *the outstanding balance of all loans (includ-*
19 *ing accumulated interest) which were made to such*
20 *fund under paragraph (1) with respect to calendar years*
21 *before such succeeding year (and which have not been*
22 *repaid to the Treasury under paragraph (3)) is*
23 *\$2,000,000,000 or more,*

24 *the taxes imposed by sections 1401(a), 3101(a), and 3111*
25 *(a) of the Internal Revenue Code of 1954 with respect to*

1 wages received or paid (and taxable years beginning) in
2 the second calendar year after such succeeding year shall
3 be increased as provided in section 3125 of such Code.

4 “(3) Any amount appropriated for loans to either
5 trust fund with respect to any calendar year under para-
6 graph (1) shall be repaid, with interest, by transfer from
7 such fund to the general fund of the Treasury. A repay-
8 ment of such amount shall be made on July 1 next succeed-
9 ing any subsequent calendar year at the close of which (as
10 determined by the Secretary of the Treasury in the follow-
11 ing February) the balance remaining in such fund exceeds
12 30 percent of the total amount of the expenditures made
13 from such fund under this title during that calendar year,
14 and any such repayment shall be in an amount equal to
15 the difference between (A) such balance, and (B) 30 per-
16 cent of the total amount of such expenditures. Interest on
17 any such loan shall be at a rate, as determined by the Sec-
18 retary of the Treasury, equal to the average market yield
19 on the outstanding marketable obligations of the United
20 States of comparable maturities at the time the loan was
21 made.”.

22 (b)(1)(A) Section 1401(a) of the Internal Revenue
23 Code of 1954 (as amended by section 101(a)(3) of this
24 Act) is amended by inserting “(subject to section 3125)”
25 after “a tax” in the matter preceding paragraph (1).

1 (B) Sections 3101(a) and 3111(a) of such Code (as
2 amended by section 101(a)(1) and (2) of this Act) are each
3 amended by inserting “(subject to section 3125)” after
4 “equal to the following percentages” in the matter preceding
5 paragraph (1).

6 (2)(A) Chapter 21 of such Code (the Federal Insur-
7 ance Contributions Act) is further amended by redesignating
8 sections 3125 and 3126 as sections 3126 and 3127, respec-
9 tively, and by inserting after section 3124 the following new
10 section:

11 **“SEC. 3125. INCREASE IN TAX RATES TO ASSURE REPAY-**
12 **MENT OF LOANS MADE TO TRUST FUNDS.**

13 *“Whenever an appropriation has been made under sec-*
14 *tion 201(j)(1) of the Social Security Act for loans to the*
15 *Federal Old-Age and Survivors Insurance Trust Fund or*
16 *the Federal Disability Insurance Trust Fund, and section*
17 *201(j)(2) of such Act applies with respect to a succeeding*
18 *calendar year, each of the rates of tax which would otherwise*
19 *be effective under sections 3101(a) and 3111(a) with respect*
20 *to wages received or paid in the second calendar year after*
21 *such succeeding year shall be increased by 0.10 percent, and*
22 *the rate or rates of tax which would otherwise be effective*
23 *under section 1401(a) with respect to taxable years begin-*
24 *ning in the second year after such succeeding year shall be*
25 *increased by 0.15 percent.”.*

1 *established for purposes of this clause by subparagraph*
2 *(B),*

3 *“(ii) 32 percent of the individual’s average indexed*
4 *monthly earnings to the extent that such earnings exceed*
5 *the amount established for purposes of clause (i) but do*
6 *not exceed the amount established for purposes of this*
7 *clause by subparagraph (B), and*

8 *“(iii) 15 percent of the individual’s average in-*
9 *dexed monthly earnings to the extent that such earnings*
10 *exceed the amount established for purposes of clause (ii),*
11 *rounded in accordance with subsection (g), and thereafter*
12 *increased as provided in subsection (i).*

13 *“(B)(i) For individuals who initially become eligible*
14 *for old-age or disability insurance benefits or die in the cal-*
15 *endar year 1979, the amounts established for purposes of*
16 *clauses (i) and (ii) of subparagraph (A) shall be \$180*
17 *and \$1,085, respectively.*

18 *“(ii) For individuals who initially become eligible for*
19 *old-age or disability insurance benefits or die in any calendar*
20 *year after 1979, each of the amounts so established shall*
21 *equal the product of the corresponding amount established*
22 *with respect to the calendar year 1979 under clause (i) of*
23 *this subparagraph and the quotient obtained by dividing—*

24 *“(I) the average of the total wages (as defined in*
25 *regulations of the Secretary and computed without regard*

1 to the limitations specified in section 209(a)) reported
2 to the Secretary of the Treasury or his delegate for the
3 second calendar year preceding the calendar year for
4 which the determination is made, by

5 “(II) the average of the total wages (as so defined
6 and computed) reported to the Secretary of the Treasury
7 or his delegate for the calendar year 1977.

8 “(iii) Each amount established under clause (ii) for
9 any calendar year shall be rounded to the nearest \$1, except
10 that any amount so established which is a multiple of \$0.50
11 but not of \$1 shall be rounded to the next higher \$1.

12 “(C)(i) No primary insurance amount computed under
13 subparagraph (A) may be less than—

14 “(I) the dollar amount set forth on the first line of
15 column IV in the table of benefits contained in (or deemed
16 to be contained in) this subsection as in effect in Decem-
17 ber 1978, rounded (if not a multiple of \$1) to the next
18 higher multiple of \$1, or

19 “(II) an amount equal to \$11.50 multiplied by the
20 individual's years of coverage in excess of 10, or the
21 increased amount determined for purposes of this sub-
22 division under subsection (i),

23 whichever is greater. No increase under subsection (i), oc-
24 ccurring before the year in which an individual becomes eli-
25 gible for old-age or disability insurance benefits or dies, shall

1 *apply to the dollar amount specified in subdivision (I) of*
2 *this clause with respect to such individual.*

3 “(ii) *For purposes of clause (i)(II), the term ‘years*
4 *of coverage’ with respect to any individual means the number*
5 *(not exceeding 30) equal to the sum of (I) the number*
6 *(not exceeding 14 and disregarding any fraction) deter-*
7 *mined by dividing (a) the total of the wages credited to*
8 *such individual (including wages deemed to be paid prior*
9 *to 1951 to such individual under section 217, compensation*
10 *under the Railroad Retirement Act of 1937 prior to 1951*
11 *which is creditable to such individual pursuant to this title,*
12 *and wages deemed to be paid prior to 1951 to such individual*
13 *under section 231) for years after 1936 and before 1951*
14 *by (b) \$900, plus (II) the number equal to the number of*
15 *years after 1950 each of which is a computation base year*
16 *(within the meaning of subsection (b)(2)(B)(ii)) and in*
17 *each of which he is credited with wages (including wages*
18 *deemed to be paid to such individual under section 217,*
19 *compensation under the Railroad Retirement Act of 1937 or*
20 *1974 which is creditable to such individual pursuant to this*
21 *title, and wages deemed to be paid to such individual under*
22 *section 229) and self-employment income of not less than 25*
23 *percent of the maximum amount which, pursuant to subsec-*
24 *tion (e), may be counted for such year, or of not less than*
25 *25 percent of the maximum amount which could be so counted*

1 *for such year (in the case of a year after 1977) if section 230*
2 *as in effect immediately prior to the enactment of the Social*
3 *Security Financing Amendments of 1977 had remained in*
4 *effect without change.*

5 “(D) *In each calendar year after 1978 the Secretary*
6 *shall publish in the Federal Register, on or before Novem-*
7 *ber 1, the formula for computing benefits under this para-*
8 *graph and for adjusting wages and self-employment income*
9 *under subsection (b)(3) in the case of an individual who*
10 *becomes eligible for an old-age insurance benefit, or (if*
11 *earlier) becomes eligible for a disability insurance benefit*
12 *or dies, in the following year, and the average of the total*
13 *wages (as described in subparagraph (B)(ii)(I)) on*
14 *which that formula is based. With the initial publication re-*
15 *quired by this subparagraph, the Secretary shall also publish*
16 *in the Federal Register the average of the total wages (as*
17 *so described) for each calendar year after 1950.*

18 “(2)(A) *A year shall not be counted as the year of an*
19 *individual's death or eligibility for purposes of this sub-*
20 *section or subsection (b) or (i) in any case where such indi-*
21 *vidual was entitled to a disability insurance benefit for any of*
22 *the 12 months immediately preceding the month of such death*
23 *or eligibility (but there shall be counted instead the year of the*
24 *individual's eligibility for the disability insurance benefit*
25 *or benefits to which he was entitled during such 12 months).*

1 “(B) In the case of an individual who was entitled
2 to a disability insurance benefit for any of the 12 months
3 before the month in which he became entitled to an old-age
4 insurance benefit, became reentitled to a disability insurance
5 benefit, or died, the primary insurance amount for determin-
6 ing any benefit attributable to that entitlement, reentitlement,
7 or death is the greater of—

8 “(i) the primary insurance amount upon which such
9 disability insurance benefit was based, increased by the
10 amount of each general benefit increase (as defined in
11 subsection (i)(3)), and each increase provided under
12 subsection (i)(2), that would have applied to such
13 primary insurance amount had the individual remained
14 entitled to such disability insurance benefit until the
15 month in which he became so entitled or reentitled or
16 died, or

17 “(ii) the amount computed under paragraph (1)
18 (C).

19 “(C) In the case of an individual who was entitled to
20 a disability insurance benefit for any month, and with respect
21 to whom a primary insurance amount is required to be com-
22 puted at any time after the close of the period of the indi-
23 vidual's disability (whether because of such individual's
24 subsequent entitlement to old-age insurance benefits or to a
25 disability insurance benefit based upon a subsequent period

1 of disability, or because of such individual's death), the
2 primary insurance amount so computed may in no case be
3 less than the primary insurance amount with respect to
4 which such former disability insurance benefit was most re-
5 cently determined.

6 “(3)(A) Paragraph (1) applies only to an individual
7 who was not eligible for an old-age insurance benefit prior
8 to January 1979 and who in that or any succeeding month—

9 “(i) becomes eligible for such a benefit,

10 “(ii) becomes eligible for a disability insurance
11 benefit, or

12 “(iii) dies,

13 and (except for subparagraph (C) (i) (II) thereof) it ap-
14 plies to every such individual except to the extent otherwise
15 provided by paragraph (4).

16 “(B) For purposes of this title, an individual is deemed
17 to be eligible—

18 “(i) for old-age insurance benefits, for months
19 beginning with the month in which he attains age 62, or

20 “(ii) for disability insurance benefits, for months
21 beginning with the month in which his period of dis-
22 ability began as provided under section 216(i)(2)(C),
23 except as provided in paragraph (2)(A) in cases where
24 fewer than 12 months have elapsed since the termination of a
25 prior period of disability.

1 “(4) Paragraph (1) (except for subparagraph (C) (i)
2 (II) thereof) does not apply to the computation or recom-
3 putation of a primary insurance amount for—

4 “(A) an individual who was eligible for a disability
5 insurance benefit for a month prior to January 1979
6 unless, prior to the month in which occurs the event
7 described in clause (i), (ii), or (iii) of paragraph (3)
8 (A), there occurs a period of at least 12 consecutive
9 months for which he was not entitled to a disability
10 insurance benefit, or

11 “(B) an individual who had wages or self-employ-
12 ment income credited for one or more years prior to
13 1979, and who was not eligible for an old-age or disa-
14 bility insurance benefit, and did not die, prior to January
15 1979, if in the year for which the computation or re-
16 computation would be made the individual’s primary
17 insurance amount would be greater if computed or
18 recomputed—

19 “(i) under section 215(a) as in effect in
20 December 1978, for purposes of old-age insurance
21 benefits in the case of an individual who becomes
22 eligible for such benefits prior to 1989, or

23 “(ii) as provided by section 215(d), in the
24 case of an individual to whom such section applies.

25 In determining whether an individual’s primary insurance

1 “(A) the total (after adjustment under paragraph
2 (3)) of his wages paid in and self-employment income
3 credited to his benefit computation years (determined
4 under paragraph (2)), by

5 “(B) the number of months in those years.

6 “(2)(A) The number of an individual’s benefit com-
7 putation years equals the number of elapsed years, reduced
8 by five, except that the number of an individual’s benefit
9 computation years may not be less than two.

10 “(B) For purposes of this subsection with respect to
11 any individual—

12 “(i) the term ‘benefit computation years’ means
13 those computation base years, equal in number to the
14 number determined under subparagraph (A), for which
15 the total of such individual’s wages and self-employment
16 income, after adjustment under paragraph (3), is the
17 largest;

18 “(ii) the term ‘computation base years’ means the
19 calendar years after 1950 and before—

20 “(I) in the case of an individual entitled to
21 old-age insurance benefits, the year in which oc-
22 curred (whether by reason of section 202(j)(1) or
23 otherwise) the first month of that entitlement; or

24 “(II) in the case of an individual who has
25 died (without having become entitled to old-age in-

1 surance benefits), the year succeeding the year of
2 his death;

3 except that such term excludes any calendar year en-
4 tirely included in a period of disability; and

5 “(iii) the term ‘number of elapsed years’ means
6 (except as otherwise provided by section 104(j)(2)
7 of the Social Security Amendments of 1972) the num-
8 ber of calendar years after 1950 (or, if later, the year
9 in which the individual attained age 21) and before the
10 year in which the individual died, or, if it occurred
11 earlier but after 1960, the year in which he attained age
12 62; except that such term excludes any calendar year any
13 part of which is included in a period of disability.

14 “(3)(A) Except as provided by subparagraph (B),
15 the wages paid in and self-employment income credited to
16 each of an individual’s computation base years for purposes
17 of the selection therefrom of benefit computation years under
18 paragraph (2) shall be deemed to be equal to the product
19 of—

20 “(i) the wages and self-employment income paid
21 in or credited to such year (as determined without regard
22 to this subparagraph), and

23 “(ii) the quotient obtained by dividing—

24 “(I) the average of the total wages (as defined
25 in regulations of the Secretary and computed with-

1 out regard to the limitations specified in section 209
2 (a)) reported to the Secretary of the Treasury or
3 his delegate for the second calendar year (after
4 1976) preceding the year of the individual's death
5 or initial eligibility for an old-age or disability in-
6 surance benefit, whichever is earliest, by

7 “(II) the average of the total wages (as so
8 defined and computed) reported to the Secretary
9 of the Treasury or his delegate for the computation
10 base year for which the determination is made.

11 “(B) Wages paid in or self-employment income
12 credited to an individual's computation base year which—

13 “(i) occurs after the second calendar year specified
14 in subparagraph (A) (ii) (I), or

15 “(ii) is a year treated under subsection (f) (2) (C)
16 as though it were the last year of the period specified in
17 subsection (b) (2) (B) (ii),

18 shall be available for use in determining an individual's bene-
19 fit computation years, but without applying subparagraph
20 (A) of this paragraph.

21 “(4) For purposes of determining the average monthly
22 wage of an individual whose primary insurance amount is
23 computed (after 1978) under section 215(a) or 215(d)
24 as in effect (except with respect to the table contained

1 *therein) in December 1978, by reason of subsection*
2 *(a)(4)(B), this subsection as in effect in December 1978*
3 *shall remain in effect, except that paragraph (2)(C) (as*
4 *then in effect) shall be deemed to provide that 'computation*
5 *base years' include only calendar years in the period after*
6 *1950 (or 1936, if applicable) and prior to the year in*
7 *which occurred the first month for which the individual was*
8 *eligible (as defined in subsection (a)(3)(B) as in effect*
9 *in January 1979) for an old-age or disability insurance*
10 *benefit, or died. Any calendar year all of which is included*
11 *in a period of disability shall not be included as a computa-*
12 *tion base year for such purposes."*

13 *(c) Section 215(c) of such Act is amended to read*
14 *as follows:*

15 *"Application of Prior Provisions in Certain Cases*

16 *"(c) This subsection as in effect in December 1978*
17 *shall remain in effect with respect to an individual to whom*
18 *subsection (a)(1) does not apply by reason of the indi-*
19 *vidual's eligibility for an old-age or disability insurance bene-*
20 *fit, or the individual's death, prior to 1979."*

21 *(d)(1) The matter in the text of section 215(d) of*
22 *such Act which precedes paragraph (1)(C) is amended to*
23 *read as follows:*

24 *"(d)(1) For purposes of column I of the table appear-*

1 *ing in subsection (a), as that subsection was in effect in*
2 *December 1977, an individual's primary insurance benefit*
3 *shall be computed as follows:*

4 “(A) *The individual's average monthly wage shall*
5 *be determined as provided in subsection (b), as in effect*
6 *in December 1977 (but without regard to paragraph*
7 *(4) thereof), except that for purposes of paragraphs*
8 *(2)(C) and (3) of that subsection (as so in effect)*
9 *1936 shall be used instead of 1950.*

10 “(B) *For purposes of subparagraphs (B) and*
11 *(C) of subsection (b)(2) (as so in effect), the total*
12 *wages prior to 1951 (as defined in subparagraph (C)*
13 *of this paragraph) of an individual who attained age*
14 *21 after 1936 and prior to 1951 shall be divided by the*
15 *number of years (hereinafter in this subparagraph re-*
16 *ferred to as the 'divisor') elapsing after the year in*
17 *which the individual attained age 21 and prior to the*
18 *earlier of 1951 or the year of the individual's death.*
19 *The quotient so obtained shall be deemed to be the indi-*
20 *vidual's wages credited to each of the years included in*
21 *the divisor, except that—*

22 “(i) *if the quotient exceeds \$3,000, only \$3,000*
23 *shall be deemed to be the individual's wages for each*
24 *of years included in the divisor, and the remainder of*
25 *the individual's total wages prior to 1951 (I) if less*

1 *than \$3,000, shall be deemed credited to the year in*
2 *which the individual attained age 21, or (II) if*
3 *\$3,000 or more, shall be deemed credited, in \$3,000*
4 *increments, to the year in which the individual at-*
5 *tained age 21 and to each year consecutively preced-*
6 *ing that year, with any remainder less than \$3,000*
7 *being credited to the year immediately preceding the*
8 *earliest year to which a full \$3,000 increment was*
9 *credited; and*

10 *“(ii) no more than \$42,000 may be taken into*
11 *account, for purposes of this subparagraph, as total*
12 *wages after 1936 and prior to 1951.”.*

13 *(2) Section 215(d)(1)(D) of such Act is amended*
14 *to read as follows:*

15 *“(D) The individual’s primary insurance benefit*
16 *shall be 40 percent of the first \$50 of his average*
17 *monthly wage as computed under this subsection, plus*
18 *10 percent of the next \$200 of his average monthly*
19 *wage, increased by 1 percent for each increment year.*
20 *The number of increment years is the number, not more*
21 *than 14 nor less than 4, that is equal to the individual’s*
22 *total wages prior to 1951 divided by \$1,650 (disre-*
23 *garding any fraction).”.*

24 *(3) Section 215(d)(3) of such Act is amended (A)*
25 *by striking out “in the case of an individual” and all that*

1 follows and inserting in lieu thereof the following “in the
2 case of an individual who had a period of disability which
3 began prior to 1951, but only if the primary insurance
4 amount resulting therefrom is higher than the primary in-
5 surance amount resulting from the application of this section
6 (as amended by the Social Security Amendments of 1967)
7 and section 220.”.

8 (4) Section 215(d) of such Act is further amended by
9 adding at the end thereof the following new paragraph:

10 “(4) The provisions of this subsection as in effect in
11 December 1977 shall be applicable to individuals who be-
12 come eligible for old-age or disability insurance benefits or
13 die prior to 1978.”.

14 (e) Section 215(e) of such Act is amended—

15 (1) by striking out “average monthly wage” each
16 place it appears and inserting in lieu thereof “average
17 indexed monthly earnings or, in the case of an individual
18 whose primary insurance amount is computed under
19 section 215(a) as in effect prior to January 1979,
20 average monthly wage,” and

21 (2) by inserting immediately before “of (A)” in
22 paragraph (1) the following: “(before the application,
23 in the case of average indexed monthly earnings, of sub-
24 section (b)(3)(A))”.

1 *(f)(1) Section 215(f)(2) of this Act is amended to*
2 *read as follows:*

3 *“(2)(A) If an individual has wages or self-employ-*
4 *ment income for a year after 1978 for any part of which he*
5 *is entitled to old-age or disability insurance benefits, the*
6 *Secretary shall, at such time or times and within such period*
7 *as he may by regulation prescribe, recompute the individual’s*
8 *primary insurance amount for that year.*

9 *“(B) For the purpose of applying subparagraph (A)*
10 *of subsection (a)(1) to the average indexed monthly earn-*
11 *ings of an individual to whom that subsection applies and*
12 *who receives a recomputation under this paragraph, there*
13 *shall be used, in lieu of the amounts established by subsection*
14 *(a)(1)(B) for purposes of clauses (i) and (ii) of subsec-*
15 *tion (a)(1)(A), the amounts so established that were (or,*
16 *in the case of an individual described in subsection (a)*
17 *(4)(B), would have been) used in the computation of such*
18 *individual’s primary insurance amount prior to the applica-*
19 *tion of this subsection.*

20 *“(C) A recomputation of any individual’s primary in-*
21 *surance amount under this paragraph shall be made as pro-*
22 *vided in subsection (a)(1) as though the year with respect*
23 *to which it is made is the last year of the period specified in*
24 *subsection (b)(2)(B)(ii); and subsection (b)(3)(A)*
25 *shall apply with respect to any such recomputation as it*

1 *applied in the computation of such individual's primary in-*
2 *surance amount prior to the application of this subsection.*

3 *“(D) A recomputation under this paragraph with re-*
4 *spect to any year shall be effective—*

5 *“(i) in the case of an individual who did not die*
6 *in that year, for monthly benefits beginning with bene-*
7 *fits for January of the following year; or*

8 *“(ii) in the case of an individual who died in*
9 *that year, for monthly benefits beginning with benefits*
10 *for the month in which he died.”.*

11 *(2) Section 215(f)(3) of such Act is repealed.*

12 *(3) Section 215(f)(4) of such Act is amended to read*
13 *as follows:*

14 *“(4) A recomputation shall be effective under this sub-*
15 *section only if it increases the primary insurance amount*
16 *by at least \$1.”.*

17 *(4) Section 215(f) of such Act is further amended by*
18 *adding at the end thereof the following new paragraphs:*

19 *“(7) This subsection as in effect in December 1978*
20 *shall continue to apply to the recomputation of a primary*
21 *insurance amount computed under subsection (a) or (d)*
22 *as in effect (without regard to the table in subsection (a))*
23 *in that month, and, where appropriate, under subsection (d)*
24 *as in effect in December 1977. For purposes of recomputing*
25 *a primary insurance amount determined under subsection*

1 (a) or (d) (as so in effect) in the case of an individual to
2 whom those subsections apply by reason of subsection
3 (a)(4)(B) as in effect after December 1978, no remun-
4 eration shall be taken into account for the year in which the
5 individual initially became eligible for an old-age or dis-
6 ability insurance benefit or died, or for any year thereafter.

7 “(8) The Secretary shall recompute the primary in-
8 surance amounts applicable to beneficiaries whose benefits
9 are based on a primary insurance amount which was com-
10 puted under section 215(a)(3) effective prior to Janu-
11 ary 1979, or would have been so computed if the dollar
12 amount specified therein were \$11.50. Such recomputation
13 shall be effective January 1979, and shall include the effect
14 of the increase in the dollar amount provided by section 215
15 (a)(1)(C)(i)(II). Such primary insurance amount shall
16 be deemed to be provided under such section for purposes of
17 section 215(i).”.

18 (g)(1) Section 215(i)(2)(A)(ii) of such Act is
19 amended to read as follows:

20 “(ii) If the Secretary determines that the base quarter
21 in any year is a cost-of-living computation quarter, he shall,
22 effective with the month of June of that year as provided in
23 subparagraph (B), increase—

24 “(I) the benefit amount to which individuals are
25 entitled for that month under section 227 or 228,

1 “(II) the primary insurance amount of each other
2 individual on which benefit entitlement is based under
3 this title (including a primary insurance amount deter-
4 mined under subsection (a)(1)(C)(i)), and

5 “(III) the amount of total monthly benefits based
6 on any primary insurance amount which is permitted
7 under section 203 (and such total shall be increased,
8 unless otherwise so increased under another provision of
9 this title, at the same time as such primary insurance
10 amount) or, in the case of a primary insurance amount
11 computed under subsection (a) as in effect (without
12 regard to the table contained therein) prior to January
13 1979, the amount to which the beneficiaries may be
14 entitled under section 203 as in effect in December 1978,
15 except as provided by section 203(a) (6) and (7) as
16 in effect after December 1978.

17 The increase shall be derived by multiplying each of the
18 amounts described in subdivisions (I), (II), and (III)
19 (including each of those amounts as previously increased
20 under this subparagraph) by the same percentage (rounded
21 to the nearest one-tenth of 1 percent) as the percentage by
22 which the Consumer Price Index for that cost-of-living com-
23 putation quarter exceeds such index for the most recent prior
24 calendar quarter which was a base quarter under paragraph
25 (1)(A)(ii) or, if later, the most recent cost-of-living

1 *computation quarter under paragraph (1)(B); and any*
2 *amount so increased that is not a multiple of \$0.10 shall be*
3 *increased to the next higher multiple of \$0.10. Any increase*
4 *under this subsection in a primary insurance amount deter-*
5 *mined under subparagraph (C)(i)(II) of subsection (a)(1)*
6 *shall be applied after the initial determination of such pri-*
7 *mary insurance amount under that subparagraph (with the*
8 *amount of such increase, in the case of an individual who*
9 *becomes eligible for old-age or disability insurance benefits or*
10 *dies in a calendar year after 1979, being determined from the*
11 *range of possible primary insurance amounts published by the*
12 *Secretary under the last sentence of subparagraph (D)).”.*

13 (2) *Section 215(i)(2)(A) of such Act is amended by*
14 *adding at the end thereof the following new clause:*

15 “(iii) *In the case of an individual who becomes eligible*
16 *for an old-age or disability insurance benefit, or who dies*
17 *prior to becoming so eligible, in a year in which there occurs*
18 *an increase provided under clause (ii), the individual’s pri-*
19 *mary insurance amount (without regard to the time of entitle-*
20 *ment to that benefit) shall be increased (unless otherwise so*
21 *increased under another provision of this title) by the amount*
22 *of that increase, but only with respect to benefits payable for*
23 *months after May of that year.”.*

24 (3) *Section 215(i)(2)(D) of such Act (as amended*
25 *by section 103 of this Act) is further amended by striking*

1 out all that follows the first sentence and inserting in lieu
2 thereof the following: "He shall also publish in the Federal
3 Register at that time (i) a revision of the range of the pri-
4 mary insurance amounts which are possible after the appli-
5 cation of this subsection based on the dollar amount specified
6 in subparagraph (C)(i)(II) of subsection (a)(1) (with
7 such revised primary insurance amounts constituting the
8 increased amounts determined for purposes of such subpara-
9 graph (C)(i)(II) under this subsection), or specified in
10 section 215(a)(3) as in effect prior to 1979, and (ii) a
11 revision of the range of maximum family benefits which cor-
12 respond to such primary insurance amounts (with such
13 maximum benefits being effective notwithstanding section
14 203(a) except for paragraph (3)(B) thereof (or para-
15 graph (2) thereof as in effect prior to 1979)).".

16 (4) Section 215(i) of such Act is further amended by
17 adding at the end thereof the following new paragraph:

18 "(4) This subsection as in effect in December 1978 shall
19 continue to apply to subsections (a) and (d), as then in
20 effect, for purposes of computing the primary insurance
21 amount of an individual to whom subsection (a), as in effect
22 after December 1978, does not apply (including an individ-
23 ual to whom subsection (a) does not apply in any year by
24 reason of paragraph (4)(B) of that subsection (but the
25 application of this subsection in such cases shall be modified

1 by the application of clause (I) in the last sentence of para-
2 graph (4) of that subsection). For purposes of computing
3 primary insurance amounts and maximum family benefits
4 (other than primary insurance amounts and maximum
5 family benefits for individuals to whom such paragraph (4)
6 (B) applies), the Secretary shall publish in the Federal
7 Register revisions of the table of benefits contained in sub-
8 section (a), as in effect in December 1978, as required by
9 paragraph (2)(D) of this subsection as then in effect.”.

10

MAXIMUM BENEFITS

11 SEC. 202. Section 203(a) of the Social Security Act is
12 amended to read as follows:

13

“Maximum Benefits

14 “(a)(1) In the case of an individual whose primary
15 insurance amount has been computed or recomputed under
16 section 215(a) (1) or (4), or section 215(d), as in effect
17 after December 1978, the total monthly benefits to which
18 beneficiaries may be entitled under section 202 or 223 for a
19 month on the basis of the wages and self-employment in-
20 come of such individual shall, except as provided by para-
21 graph (3) (but prior to any increases resulting from the
22 application of paragraph (2)(A)(ii)(III) of section 215
23 (i)), be reduced as necessary so as not to exceed—

24

25

“(A) 150 percent of such individual’s primary

insurance amount to the extent that it does not exceed

1 *the amount established with respect to this subparagraph*
2 *by paragraph (2),*

3 *“(B) 272 percent of such individual’s primary*
4 *insurance amount to the extent that it exceeds the amount*
5 *established with respect to subparagraph (A) but does*
6 *not exceed the amount established with respect to this*
7 *subparagraph by paragraph (2),*

8 *“(C) 134 percent of such individual’s primary*
9 *insurance amount to the extent that it exceeds the amount*
10 *established with respect to subparagraph (B) but does*
11 *not exceed the amount established with respect to this*
12 *subparagraph by paragraph (2), and*

13 *“(D) 175 percent of such individual’s primary*
14 *insurance amount to the extent that it exceeds the amount*
15 *established with respect to subparagraph (C).*

16 *Any such amount that is not a multiple of \$0.10 shall be*
17 *increased to the next higher multiple of \$0.10.*

18 *“(2)(A) For individuals who initially become eligible*
19 *for old-age or disability insurance benefits or die in the calen-*
20 *dar year 1979, the amounts established with respect to sub-*
21 *paragraphs (A), (B), and (C) of paragraph (1) shall be*
22 *\$230, \$332, and \$433, respectively.*

23 *“(B) For individuals who initially become eligible for*
24 *old-age or disability insurance benefits or die in any calendar*
25 *year after 1979, each of the amounts so established shall*

1 equal the product of the corresponding amount established
2 for the calendar year 1979 by subparagraph (A) of this
3 paragraph and the quotient obtained under subparagraph
4 (B)(ii) of section 215(a)(1), with such product being
5 rounded in the manner prescribed by section 215(a)(1)
6 (B)(iii).

7 “(C) In each calendar year after 1978 the Sec-
8 retary shall publish in the Federal Register, on or before
9 November 1, the formula which (except as provided in sec-
10 tion 215(i)(2)(D)) is to be applicable under this para-
11 graph to individuals who become eligible for old-age or
12 disability insurance benefits, or die, in the following calendar
13 year.

14 “(D) A year shall not be counted as the year of an
15 individual's death or eligibility for purposes of this para-
16 graph or paragraph (7) in any case where such individual
17 was entitled to a disability insurance benefit for any of the
18 12 months immediately preceding the month of such death
19 or eligibility (but there shall be counted instead the year of
20 the individual's eligibility for the disability insurance benefits
21 to which he was entitled during such 12 months).

22 “(3)(A) When an individual who is entitled to bene-
23 fits on the basis of the wages and self-employment income
24 of any insured individual and to whom this subsection
25 applies would (but for the provisions of section 202(k)(2)

1 (A)) be entitled to child's insurance benefits for a month
2 on the basis of the wages and self-employment income of
3 one or more other insured individuals, the total monthly
4 benefits to which all beneficiaries are entitled on the basis
5 of such wages and self-employment income shall not be
6 reduced under this subsection to less than the smaller of—

7 “(i) the sum of the maximum amounts of bene-
8 fits payable on the basis of the wages and self-employ-
9 ment income of all such insured individuals, or

10 “(ii) an amount equal to the product of 1.75 and
11 the primary insurance amount that would be computed
12 under section 215(a)(1) for that month with respect
13 to average indexed monthly earnings equal to one-
14 twelfth of the contribution and benefit base determined
15 for that year under section 230.

16 “(B) When two or more persons were entitled (with-
17 out the application of section 202(j)(1) and section 223
18 (b)) to monthly benefits under section 202 or 223 for
19 January 1971 or any prior month on the basis of the wages
20 and self-employment income of such insured individual and
21 the provisions of this subsection as in effect for any such
22 month were applicable in determining the benefit amount
23 of any persons on the basis of such wages and self-em-
24 ployment income, the total of benefits for any month after

1 *January 1971 shall not be reduced to less than the largest*
2 *of—*

3 “(i) *the amount determined under this subsection*
4 *without regard to this subparagraph,*

5 “(ii) *the largest amount which has been deter-*
6 *mined for any month under this subsection for persons*
7 *entitled to monthly benefits on the basis of such insured*
8 *individual's wages and self-employment income, or*

9 “(iii) *if any persons are entitled to benefits on the*
10 *basis of such wages and self-employment income for*
11 *the month before the effective month (after September*
12 *1972) of a general benefit increase under this title (as*
13 *defined in section 215(i)(3)) or a benefit increase under*
14 *the provisions of section 215(i), an amount equal to*
15 *the sum of amounts derived by multiplying the benefit*
16 *amount determined under this title (excluding any part*
17 *thereof determined under section 202(w)) for the month*
18 *before such effective month (including this subsection,*
19 *but without the application of section 222(b), sec-*
20 *tion 202(q), and subsections (b), (c), and (d) of this*
21 *section), for each such person for such month, by a*
22 *percentage equal to the percentage of the increase pro-*
23 *vided under such benefit increase (with any such in-*

1 creased amount which is not a multiple of \$0.10 being
2 rounded to the next higher multiple of \$0.10);
3 but in any such case (I) subparagraph (A) of this para-
4 graph shall not be applied to such total of benefits after the
5 application of clause (ii) or (iii), and (II) if section 202(k)
6 (2)(A) was applicable in the case of any such benefits
7 for a month, and ceases to apply for a month after such
8 month, the provisions of clause (ii) or (iii) shall be applied,
9 for and after the month in which section 202(k)(2)(A)
10 ceases to apply, as though subparagraph (A) of this para-
11 graph had not been applicable to such total of benefits for
12 the last month for which clause (ii) or (iii) was applicable.

13 “(C) When any of such individuals is entitled to
14 monthly benefits as a divorced spouse under section 202
15 (b) or (c) or as a surviving divorced spouse under section
16 202 (e) or (f) for any month, the benefit to which he or she
17 is entitled on the basis of the wages and self-employment
18 income of such insured individual for such month shall be
19 determined without regard to this subsection, and the bene-
20 fits of all other individuals who are entitled for such month
21 to monthly benefits under section 202 on the wages and
22 self-employment income of such insured individual shall be
23 determined as if no such divorced spouse or surviving di-
24 vorced spouse were entitled to benefits for such month.

25 “(4) In any case in which benefits are reduced pursu-

1 ant to the preceding provisions of this subsection, the reduc-
2 tion shall be made after any deductions under this section
3 and after any deductions under section 222(b). Whenever
4 a reduction is made under this subsection in the total of
5 monthly benefits to which individuals are entitled for any
6 month on the basis of the wages and self-employment in-
7 come of an insured individual, each such benefit other than
8 the old-age or disability insurance benefit shall be propor-
9 tionately decreased.

10 “(5) Notwithstanding any other provision of law,
11 when—

12 “(A) two or more persons are entitled to monthly
13 benefits for a particular month on the basis of the wages
14 and self-employment income of an insured individual
15 and (for such particular month) the provisions of this
16 subsection are applicable to such monthly benefits, and

17 “(B) such individual’s primary insurance amount
18 is increased for the following month under any provision
19 of this title,

20 then the total of monthly benefits for all persons on the basis
21 of such wages and self-employment income for such particular
22 month, as determined under the provisions of this subsection,
23 shall for purposes of determining the total monthly benefits
24 for all persons on the basis of such wages and self-employ-
25 ment income for months subsequent to such particular month

1 *be considered to have been increased by the smallest amount*
2 *that would have been required in order to assure that the*
3 *total of monthly benefits payable on the basis of such wages*
4 *and self-employment income for any such subsequent month*
5 *will not be less (after the application of the other pro-*
6 *visions of this subsection and section 202(q)) than the total*
7 *of monthly benefits (after the application of the other pro-*
8 *visions of this subsection and section 202(q)) payable on*
9 *the basis of such wages and self-employment income for such*
10 *particular month.*

11 *“(6) In the case of any individual who is entitled for*
12 *any month to benefits based upon the primary insurance*
13 *amounts of two or more insured individuals, one or more of*
14 *which primary insurance amounts were determined under*
15 *section 215(a) or 215(d) as in effect (without regard to*
16 *the table contained therein) prior to January 1979 and one*
17 *or more of which primary insurance amounts were deter-*
18 *mined under section 215(a)(1) or (4), or section 215(d),*
19 *as in effect after December 1978, the total benefits payable*
20 *to that individual and all other individuals entitled to benefits*
21 *for that month based upon those primary insurance amounts*
22 *shall be reduced to an amount equal to the product of 1.75*
23 *and the primary insurance amount that would be computed*
24 *under section 215(a)(1) for that month with respect to*
25 *average indexed monthly earnings equal to one-twelfth of*

1 *the contribution and benefits base determined under section*
 2 *230 for the year in which that month occurs.*

3 “(7) Subject to paragraph (6), this subsection as in
 4 effect in December 1978 shall remain in effect with respect
 5 to a primary insurance amount computed under section
 6 215 (a) or (d), as in effect (without regard to the table
 7 contained therein) in December 1978, except that a primary
 8 insurance amount so computed with respect to an individual
 9 who first becomes eligible for an old-age or disability insur-
 10 ance benefit, or dies, after December 1978, shall instead be
 11 governed by this section as in effect after December 1978.”.

12 INCREASE IN OLD-AGE BENEFIT AMOUNTS FOR

13 DELAYED RETIREMENT

14 SEC. 203. Section 202(w)(1) of the Social Security
 15 Act is amended—

16 (1) by striking out “If the first month” and all
 17 that follows down through “to such individual” in the
 18 matter preceding subparagraph (A) and inserting in
 19 lieu thereof “The amount of an old-age insurance benefit
 20 (other than a benefit based on a primary insurance
 21 amount determined under section 215(a)(3)) which is
 22 payable without regard to this subsection to an individ-
 23 ual”; and

24 (2) by inserting after “such amount,” in subpara-
 25 graph (A) the following: “or, in the case of an individ-

1 (A)) the following: “as in effect in December 1978 or
2 section 215(a)(1)(C)(i)(II) as in effect thereafter”;

3 (2) by inserting “as in effect in December 1978, or
4 section 215(a)(1)(C)(i)(II) as in effect thereafter,”
5 after “paragraph (3) of section 215(a)” in paragraph
6 (5); and

7 (3) by inserting “(whether before, in, or after
8 December 1978)” after “determined under section 215
9 (a)” in paragraph (5).

10 (c) Section 217(b)(1) of such Act is amended by
11 inserting “as in effect in December 1978” after “section 215
12 (c)” each place it appears, and after “section 215(d)”.

13 (d) Section 224(a) of such Act is amended by insert-
14 ing “(determined under section 215(b) as in effect prior to
15 January 1979)” after “(A) the average monthly wage”
16 in the matter following paragraph (8).

17 (e) Section 1839(c)(3)(B) of such Act is amended
18 to read as follows:

19 “(B) the monthly premium rate most recently
20 promulgated by the Secretary under this paragraph,
21 increased by a percentage determined as follows: The
22 Secretary shall ascertain the primary insurance amount
23 computed under section 215(a)(1), based upon aver-
24 age indexed monthly earnings of \$900, that applied to
25 individuals who became eligible for and entitled to old-

1 ~~“(1) Except as provided in paragraph (4), the term~~
2 ~~‘employment’ shall include service (other than service per-~~
3 ~~formed while on leave without pay) which is performed by~~
4 ~~an individual as a member of a uniformed service on active~~
5 ~~duty after December 1956.”~~

6 ~~(B) Section 210(o) of such Act is amended by striking~~
7 ~~out “, notwithstanding the provisions of subsection (a),”~~

8 ~~(C) Section 229(a) of such Act is amended by striking~~
9 ~~out “service as a member of a uniformed service (as defined~~
10 ~~in section 210(m)) which was included in the term ‘employ-~~
11 ~~ment’ as defined in section 210(a) as a result of the provi-~~
12 ~~sions of section 210(l)” and inserting in lieu thereof “service,~~
13 ~~as a member of a uniformed service, to which the provisions~~
14 ~~of section 210(l) (1) are applicable”~~

15 ~~(b)(1) Section 3121(b) of the Internal Revenue Code~~
16 ~~of 1954 (relating to definition of employment) is amended by~~
17 ~~striking out paragraphs (5) and (6).~~

18 ~~(2)(A) Section 3121(m)(1) of such Code (relating to~~
19 ~~service in the uniformed services) is amended to read as~~
20 ~~follows:~~

21 ~~“(1) INCLUSION OF SERVICE. The term ‘employ-~~
22 ~~ment’ shall include service (other than service performed~~
23 ~~while on leave without pay) which is performed by an~~
24 ~~individual as a member of a uniformed service on active~~
25 ~~duty after December 1956.”~~

1 ~~(B) Section 3121(p) of such Code (relating to Peace~~
2 ~~Corps volunteer service) is amended by striking out “, not~~
3 ~~withstanding the provisions of subsection (b) of this section,”~~

4 ~~(c) The amendments made by this section shall be effec-~~
5 ~~tive with respect to service performed after December 1981.~~

6 ~~(d)(1) As soon as possible after the enactment of this~~
7 ~~Act, the Secretary of Health, Education, and Welfare in~~
8 ~~consultation with the Civil Service Commission shall under-~~
9 ~~take and carry out a detailed study of how best to coordinate~~
10 ~~the benefits of the civil service retirement system and the~~
11 ~~benefits of the old age, survivors, and disability insurance~~
12 ~~system, with the objective of developing for Federal employees~~
13 ~~a combined program of retirement, disability, and related~~
14 ~~benefits which will assure that such employees are no worse~~
15 ~~off, comparing their benefits under the combined program with~~
16 ~~the benefits they would receive under the Federal staff retire-~~
17 ~~ment systems then in effect, upon their coverage under the~~
18 ~~old age, survivors, and disability insurance system pursuant~~
19 ~~to the amendments made by this section.~~

20 ~~(2) Upon the completion of the study under paragraph~~
21 ~~(1) and in any event no later than January 1, 1980, the~~
22 ~~Secretary shall submit to the Congress a full and complete~~
23 ~~report on the results of such study together with a specific~~
24 ~~and detailed plan for coordinating the benefits of the civil~~
25 ~~service retirement system and the benefits of the old age,~~

1 ~~survivors, and disability insurance system (along with such~~
2 ~~comments or recommendations as may be appropriate with~~
3 ~~respect to other staff retirement systems covering Federal~~
4 ~~employees). The plan so submitted shall include such financing~~
5 ~~and benefit provisions and other features as may be neces-~~
6 ~~sary to assure that the employees involved will not be placed~~
7 ~~at a disadvantage by the coordination of the benefits of the~~
8 ~~systems as compared with their treatment under the Federal~~
9 ~~staff retirement systems in effect prior to such coordination.~~

10 ~~(c) In addition to and along with the study provided~~
11 ~~for under subsection (d), the Secretary shall carry out a~~
12 ~~study of how best to coordinate the Medicare program and~~
13 ~~the program established by the Federal Employees Health~~
14 ~~Benefits Act, with the objective of developing for Federal~~
15 ~~employees a combined program of health insurance benefits~~
16 ~~to accompany the retirement and disability program developed~~
17 ~~under subsection (d). Such combined program shall include~~
18 ~~the features necessary to assure that Federal employees are~~
19 ~~no worse under that program, in terms of benefits, than they~~
20 ~~were under the Federal Employees Health Benefits Act as~~
21 ~~theretofore in effect. The study under this subsection shall~~
22 ~~in general take into account the same aspects of the two health-~~
23 ~~insurance programs and their coordination as those taken~~
24 ~~into account (with respect to the two retirement and disability~~
25 ~~systems) under subsection (d); and the report submitted~~

1 ~~under subsection (d)(2) shall include or be accompanied by~~
2 ~~a full and complete report on the results of the study under~~
3 ~~this subsection.~~

4 **STUDY CONCERNING MANDATORY COVERAGE OF**
5 **FEDERAL EMPLOYEES**

6 *Sec. 301. (a) As soon as possible after the date of the*
7 *enactment of this Act, the Chairman of the Civil Service*
8 *Commission, the Secretaries of the Treasury and Health,*
9 *Education, and Welfare, and the Director of the Office of*
10 *Management and Budget, shall jointly undertake and carry*
11 *out a detailed study with respect to coverage of Federal*
12 *employees within the old-age, survivors, and disability in-*
13 *surance system.*

14 *(b) The study to be undertaken under subsection (a)*
15 *shall include—*

16 *(1) a review of the methods by which full cover-*
17 *age of Federal employees within the old-age, survivors,*
18 *and disability insurance system could be attained;*

19 *(2) an analysis of the adjustments to such system*
20 *(as well as to the civil service retirement and disability*
21 *system and other Federal employee retirement systems*
22 *involved, including the foreign service, judiciary, Cen-*
23 *tral Intelligence Agency, and District of Columbia re-*
24 *irement systems) which are necessary under each such*
25 *method to provide such coverage, particularly—*

1 (A) adjustments in age, service, and other
2 eligibility requirements; and

3 (B) adjustments in the nature and level of
4 disability, death, and survivor benefits (taking into
5 account any related factors, such as the taxability of
6 such benefits);

7 (3) a comparison of the financial aspects of each
8 such method, particularly—

9 (A) the adjustments required by each such
10 method in the contributions by Federal employees,
11 the Government (whether by specific contribution
12 or by appropriation), and others involved;

13 (B) the adjustments required by each such
14 method in the manner in which benefits are fi-
15 nanced under the retirement systems involved; and

16 (C) the effects of each such method on the
17 solvency of the retirement systems involved;

18 (4) the effects of each such method of coverage
19 on—

20 (A) recruitment and retention of Federal
21 employees;

22 (B) other employee benefits (such as health
23 benefits coverage provided for civil service annui-
24 tants); and

1 (C) *Federal, State, and local income tax*
2 *systems;*

3 (5) *a review of the methods by which partial cov-*
4 *erage of Federal employees within the old-age, sur-*
5 *vivors, and disability insurance system could be attained,*
6 *together with consideration of the factors described in*
7 *paragraphs (2), (3), and (4) as they would relate to*
8 *such partial coverage; and*

9 (6) *alternatives to providing coverage of Federal*
10 *employees within the old-age, survivors, and disability*
11 *insurance system which would improve the solvency*
12 *of the old-age, survivors, and disability insurance system.*

13 *In connection with such study, interested parties, including*
14 *Federal employee organizations, associations of retired Fed-*
15 *eral employees, and heads of agencies administering Fed-*
16 *eral employee retirement systems, shall be allowed to submit*
17 *views, arguments, and data.*

18 (c) *Upon the completion of the study under subsection*
19 (a) *and in any event no later than two years after the date*
20 *of the enactment of this Act, the Chairman of the Civil*
21 *Service Commission, the Secretaries of the Treasury and*
22 *Health, Education, and Welfare, and the Director of the*
23 *Office of Management and Budget shall submit to the Presi-*
24 *dent and to the appropriate committees of each House of the*
25 *Congress a joint report on the results of such study together*
26 *with their recommendations. Any such recommendation*

1 *which includes adjustments of existing statutes shall be*
2 *accompanied with draft legislation accomplishing such*
3 *adjustments.*

4 *(d) With respect to Federal employees under the Fed-*
5 *eral employee retirement systems, the study and the report*
6 *under this section shall include at least one method of*
7 *coverage of such employees within the old-age, survivors,*
8 *and disability insurance system which provides—*

9 *(1) that the benefits available to such Federal*
10 *employees would not be less favorable than the benefits*
11 *which are then currently available to such employees*
12 *under the Federal employee retirement systems; and*

13 *(2) that the contributions required of such Fed-*
14 *eral employees would not be greater than the contribu-*
15 *tions which are then currently required of such*
16 *employees under the Federal employee retirement*
17 *systems.*

18 *(e) For purposes of this section, the term “Federal*
19 *employee” means—*

20 *(1) an employee, as defined in section 2105 of title*
21 *5, United States Code;*

22 *(2) an officer or employee of the United States*
23 *Postal Service or of the Postal Rate Commission; and*

24 *(3) any other individual in the employ of the*
25 *United States or any instrumentality of the United*
26 *States.*

1 *COVERAGE OF STATE AND LOCAL EMPLOYEES*

2 *SEC. 302. (a) Section 218(g) of the Social Security Act*
3 *is amended—*

4 *(1) by striking out “Upon” in paragraph (1) and*
5 *“If” in paragraph (2), and by inserting in lieu thereof*
6 *“Subject to paragraph (4), upon” and “Subject to para-*
7 *graph (4), if”, respectively; and*

8 *(2) by adding at the end thereof the following new*
9 *paragraph:*

10 *“(4) No agreement under this section may be terminated*
11 *under paragraph (1) or paragraph (2). (either in its entirety*
12 *or with respect to any coverage group) unless the applicable*
13 *notice referred to in such paragraph is given on or before*
14 *September 13, 1977.”.*

15 *(b) Effective with respect to service performed after*
16 *December 1981—*

17 *(1) section 218 of the Social Security Act is*
18 *repealed;*

19 *(2) section 210(a) of such Act is amended by*
20 *striking out paragraph (7); and*

21 *(3) section 3121(b) of the Internal Revenue Code*
22 *of 1954 is amended by striking out paragraph (7).*

23 *(c) (1) (A) Chapter 21 of the Internal Revenue Code*
24 *of 1954 (the Federal Insurance Contributions Act), as*
25 *amended by section 104(b)(2) of this Act, is further*

1 *amended by redesignating sections 3126 and 3127 as sections*
 2 *3127 and 3128, respectively, and by inserting after section*
 3 *3125 the following new section:*

4 **“SEC. 3126. RETURNS IN THE CASE OF STATE AND LOCAL**
 5 **GOVERNMENTAL EMPLOYEES.**

6 *“In the case of the taxes imposed by this chapter with*
 7 *respect to services performed in the employ of a State or*
 8 *any political subdivision thereof, or in the employ of any*
 9 *instrumentality of a State or political subdivision thereof*
 10 *which is wholly owned thereby, the return and payment of*
 11 *the taxes may be made by the Governor of such State or*
 12 *such agents as he may designate. The person making such*
 13 *return may, for convenience of administration, make pay-*
 14 *ments of the tax imposed by section 3111 with respect to*
 15 *such service without regard to the contribution and benefit*
 16 *base limitation in section 3121(a)(1).”.*

17 *(B) The table of sections for subchapter C of chapter*
 18 *21 of such Code (as so amended) is further amended by*
 19 *striking out the last two items and inserting in lieu thereof*
 20 *the following:*

“Sec. 3126. Returns in the case of State and local govern-
mental employees.

“Sec. 3127. Returns in the case of governmental employees
in Guam, American Samoa, and the District
of Columbia.

“Sec. 3128. Short title.”.

1 (2)(A) Section 6205(a) of such Code (relating to
2 adjustment of tax) is amended—

3 (i) by striking out “3125” in paragraphs (3) and
4 (4) and inserting in lieu thereof “3127”;

5 (ii) by redesignating paragraphs (3) and (4) as
6 paragraphs (4) and (5), respectively; and

7 (iii) by inserting after paragraph (2) the follow-
8 ing new paragraph:

9 “(3) STATE AS EMPLOYER.—For purposes of this
10 subsection, in the case of remuneration received during
11 any calendar year from a State or political subdivision
12 thereof or any instrumentality which is wholly owned
13 thereby, the Governor of the State and each agent des-
14 ignated by him who makes a return pursuant to sec-
15 tion 3126 shall be deemed a separate employer.”.

16 (B) Section 6413(a) of such Code (relating to ad-
17 justment of tax) is amended—

18 (i) by striking out “3125” in paragraphs (3) and
19 (4) and inserting in lieu thereof “3127”;

20 (ii) by redesignating paragraphs (3) and (4) as
21 paragraphs (4) and (5), respectively; and

22 (iii) by inserting after paragraph (2) the follow-
23 ing new paragraph:

24 “(3) STATE AS EMPLOYER.—For purposes of this
25 subsection, in the case of remuneration received during

1 *any calendar year from a State or political subdivision*
2 *thereof or any instrumentality which is wholly owned*
3 *thereby, the Governor of the State and each agent des-*
4 *ignated by him who makes a return pursuant to sec-*
5 *tion 3126 shall be deemed a separate employer.”.*

6 (C) Section 6413(c)(2) of such Code (relating to
7 *applicability in case of certain governmental employees)* is
8 *amended—*

9 (i) *by striking out subparagraph (B) and inserting*
10 *in lieu thereof the following new subparagraph:*

11 “(B) STATE EMPLOYEES.—*For purposes of*
12 *this subsection, in the case of remuneration received*
13 *during any calendar year from a State or political*
14 *subdivision thereof or any instrumentality which is*
15 *wholly owned thereby, the Governor of the State*
16 *and each agent designated by him who makes a*
17 *return pursuant to section 3126 shall be deemed a*
18 *separate employer.”; and*

19 (ii) *by striking out “3125(a)”, “3125(b)”, and*
20 *“3125(c)” in subparagraphs (D), (E), and (F) and*
21 *inserting in lieu thereof “3127(a)”, “3127(b)”, and*
22 *“3127(c)”, respectively.*

23 (3) Section 230(c) of the Social Security Act is
24 *amended by striking out “3125,” and inserting in lieu there-*
25 *of “3126, 3127,”.*

1 (d)(1) Section 205(c)(5)(F)(iii) of such Act is
2 amended by striking out “are made” and inserting in lieu
3 thereof “were made”.

4 (2) Section 209(i) of such Act is amended by striking
5 out “(as defined in section 218(b)(2))”.

6 (3) Section 210(a)(10)(B)(ii) of such Act is amend-
7 ed by striking out “, unless” and all that follows and insert-
8 ing in lieu thereof a semicolon.

9 (4) Section 210(k) of such Act is repealed.

10 (5) Section 211(c)(1) of such Act is amended by
11 striking out “and in which” and all that follows and insert-
12 ing in lieu thereof a semicolon.

13 (6) Section 211(c)(2)(E) of such Act is amended
14 by striking out “with respect to fees” and all that follows
15 and inserting in lieu thereof “, and”.

16 (e)(1) Clause (A) in the second sentence of section
17 1402(b) of the Internal Revenue Code of 1954 is amended
18 by striking out “under an agreement” where it first appears
19 and all that follows down through “employees), or”, and
20 by striking out the comma before “as would be wages”.

21 (2) Section 1402(c)(1) of such Code is amended by
22 striking out “and in which” and all that follows and insert-
23 ing in lieu thereof a semicolon.

24 (3) Section 1402(c)(2)(E) of such Code is amended

1 by striking out "with respect to fees" and all that follows
2 and inserting in lieu thereof ", and".

3 (4) Section 3121(b)(10)(B)(ii) of such Code is
4 amended by striking out ", unless" and all that follows and
5 inserting in lieu thereof a semicolon.

6 (5) Section 3121(j) of such Code is repealed.

7 (6) Section 6511(d)(5) of such Code is repealed.

8 (f) The amendments and repeals made by subsections
9 (b), (c), (d), and (e) (1) through (5) of this section
10 shall be effective with respect to service performed after
11 December 1981. Subsection (e)(6) shall be effective with
12 respect to claims accruing after December 1981.

13 **COVERAGE OF EMPLOYEES OF NONPROFIT**

14 **ORGANIZATIONS**

15 **SEC. 303.** (a)(1) Section 3121(k)(1) of the Internal
16 Revenue Code of 1954 (relating to waiver of exemption by
17 organization) is amended—

18 (A) by striking out "The period" in the first sen-
19 tence of subparagraph (D) and inserting in lieu thereof
20 "Subject to subparagraph (G), the period"; and

21 (B) by adding at the end thereof the following new
22 subparagraph:

23 "(G) No period for which a certificate is effec-
24 tive may be terminated under subparagraph (D) or

1 paragraph (2) unless the applicable advance notice
2 referred to in such subparagraph or paragraph is
3 given on or before September 13, 1977.”.

4 (2) Section 3121(k)(2) of such Code (relating to
5 termination of waiver period by Secretary) is amended by
6 striking out “If” and inserting in lieu thereof “Subject to
7 paragraph (1)(G), if”.

8 (b) Effective with respect to service performed after
9 December 1981—

10 (1) section 210(a)(8) of the Social Security Act
11 is amended—

12 (A) by striking out “(A)” immediately after
13 “(8)”,

14 (B) by striking out “this subparagraph” where
15 it first appears and inserting in lieu thereof “this
16 paragraph”, and

17 (C) by striking out subparagraph (B);

18 (2) section 3121(b)(8) of the Internal Revenue
19 code of 1954 is amended—

20 (A) by striking out “(A)” immediately after
21 “(8)”,

22 (B) by striking out “this subparagraph” where
23 it first appears and inserting in lieu thereof “this
24 paragraph”, and

25 (C) by striking out subparagraph (B); and

1 (3) section 3121(k) of such Code (relating to ex-
2 emption of religious, charitable, and certain other organi-
3 zations) is repealed.

4 CREDITING OF CERTAIN ~~FEDERAL, STATE, STATE AND LOCAL~~
5 SERVICE, AND CERTAIN SERVICE FOR NONPROFIT OR-
6 GANIZATIONS, PERFORMED PRIOR TO THE EFFECTIVE
7 DATE OF COVERAGE

8 SEC. 304. Section 213 of the Social Security Act is
9 amended by adding at the end thereof the following new
10 subsection:

11 “Crediting of Certain ~~Federal, State, State and Local Serv-~~
12 ice, and Certain Service for Nonprofit Organizations,
13 Performed Prior to Effective Date of Coverage

14 “(d) In the case of any individual who—

15 ~~“(1)(A) performs service in the employ of the~~
16 ~~United States or any instrumentality thereof (and derives~~
17 ~~at least six quarters of coverage therefrom) on or after~~
18 ~~the effective date of the repeal of section 210(a) (5) and~~
19 ~~(6) by section 301 of the Social Security Financing~~
20 ~~Amendments of 1977, and~~

21 ~~“(B) also performed service in the employ of the~~
22 ~~United States or any instrumentality thereof prior to~~
23 ~~such date, or~~

24 “(2)(A) (1)(A) performs service in the employ
25 of a State or political subdivision or any instrumentality

1 of any one or more of the foregoing which is wholly
 2 owned thereby (and derives at least six quarters of cover-
 3 age therefrom) on or after the effective date of the repeal
 4 of section 210(a)(7) by section 302 of the Social Secu-
 5 rity Financing Amendments of 1977, and

6 “(B) also performed service in the employ of a
 7 State or political subdivision or any such instrumentality
 8 prior to such date, or

9 ~~“(B)(A) (2) (A)~~ performs service in the employ of
 10 a religious, charitable, educational, or other organization
 11 described in section 501(c)(3) of the Internal Revenue
 12 Code of 1954 which is exempt from income tax under
 13 section 501(a) of such Code (and derives at least six
 14 quarters of coverage therefrom) on or after the effective
 15 date of the repeal of section 210(a)(8)(B) by section
 16 303 of the Social Security Financing Amendments of
 17 1977, and

18 “(B) also performed service in the employ of such
 19 an organization prior to such date,
 20 each calendar quarter in which such individual performed
 21 service described in subparagraph (B) of ~~paragraph (1),~~
 22 ~~(2), or (3)~~ paragraph (1) or (2) (whichever is applicable)
 23 shall, if it is not otherwise a quarter of coverage, be treated
 24 (under regulations prescribed by the Secretary) as a quarter
 25 of coverage for all the purposes of this title.”.

1 *EXCLUSION FROM COVERAGE OF CERTAIN LIMITED*2 *PARTNERSHIP INCOME*3 *SEC. 305. (a) Section 211(a) of the Social Security*4 *Act is amended—*5 *(1) by striking out “and” at the end of paragraph*6 *(9);*7 *(2) by striking out the period at the end of para-*8 *graph (10) and inserting in lieu thereof “; and”; and*9 *(3) by inserting after paragraph (10) the following*10 *new paragraph:*11 *“(11) There shall be excluded the distributive*12 *share of any item of income or loss of a limited partner,*13 *as such, other than guaranteed payments described in*14 *section 707(c) of the Internal Revenue Code of 1954*15 *to that partner for services actually rendered to or*16 *on behalf of the partnership to the extent that those*17 *payments are established to be in the nature of remunera-*18 *tion for those services.”.*19 *(b) Section 1402(a) of the Internal Revenue Code of*20 *1954 (relating to definition of net earnings from self-em-*21 *ployment) is amended—*22 *(1) by striking out “and” at the end of paragraph*23 *(10);*24 *(2) by striking out the period at the end of para-*25 *graph (11) and inserting in lieu thereof “; and”; and*

1 *section 3102(a) applies, are less than the total amount*
2 *which would be payable (with respect to such employment)*
3 *at the minimum wage rate applicable to such individual under*
4 *section 6(a)(1) of the Fair Labor Standards Act of 1938*
5 *(determined without regard to section 3(m) of such Act),*
6 *the wages so paid shall be deemed for purposes of section*
7 *3111 to be equal to such total amount.”.*

8 *(b) Section 3111 of such Code is amended by inserting*
9 *“and (s)” after “3121(a)” in subsections (a) and (b).*

10 *(c) The amendments made by this section shall apply*
11 *with respect to wages paid with respect to employment per-*
12 *formed in months after December 1977.*

13 *REVOCATION OF EXEMPTION FROM COVERAGE BY*
14 *CLERGYMEN*

15 *SEC. 307. (a) Notwithstanding section 1402(e)(3) of*
16 *the Internal Revenue Code of 1954, any exemption which has*
17 *been received under section 1402(e)(1) of such Code by a*
18 *duly ordained, commissioned, or licensed minister of a church*
19 *or a Christian Science practitioner, and which is effective for*
20 *the taxable year in which this Act is enacted, may be revoked*
21 *by filing an application therefor (in such form and manner,*
22 *and with such official, as may be prescribed in regulations*
23 *made under chapter 2 of such Code), if such application is*
24 *filed—*

25 *(1) before the applicant becomes entitled to benefits*

1 *under section 202(a) or 223 of the Social Security Act*
2 *(without regard to section 202(j)(1) or 223(b) of such*
3 *Act), and*

4 *(2) no later than the due date of the Federal income*
5 *tax return (including any extension thereof) for the ap-*
6 *plicant's first taxable year beginning after the date of the*
7 *enactment of this Act.*

8 *Any such revocation shall be effective (for purposes of chap-*
9 *ter 2 of the Internal Revenue Code of 1954 and title II of*
10 *the Social Security Act), as specified in the application, either*
11 *with respect to the applicant's first taxable year ending on or*
12 *after the date of the enactment of this Act or with respect to the*
13 *applicant's first taxable year beginning after such date, and*
14 *for all succeeding taxable years; and the applicant for any*
15 *such revocation may not thereafter again file application for*
16 *an exemption under such section 1402(e)(1). If the appli-*
17 *cation is filed on or after the due date of the applicant's first*
18 *taxable year ending on or after the date of the enactment of*
19 *this Act and is effective with respect to that taxable year, it*
20 *shall include or be accompanied by payment in full of an*
21 *amount equal to the total of the taxes that would have been*
22 *imposed by section 1401 of the Internal Revenue Code of*
23 *1954 with respect to all of the applicant's income derived in*
24 *that taxable year which would have constituted net earnings*
25 *from self-employment for purposes of chapter 2 of such Code*

1 *(notwithstanding section 1402(c)(4) or (c)(5) of such*
2 *Code) except for the exemption under section 1402(e)(1) of*
3 *such Code.*

4 *(b) Subsection (a) shall apply with respect to service*
5 *performed (to the extent specified in such subsection) in tax-*
6 *able years ending on or after the date of the enactment of*
7 *this Act, and with respect to monthly insurance benefits pay-*
8 *able under title II of the Social Security Act on the basis*
9 *of the wages and self-employment income of any individual*
10 *for months in or after the calendar year in which such*
11 *individual's application for revocation (as described in such*
12 *subsection) is filed (and lump-sum death payments payable*
13 *under such title on the basis of such wages and self-employ-*
14 *ment income in the case of deaths occurring in or after such*
15 *calendar year).*

16 *INTERNATIONAL AGREEMENTS WITH RESPECT TO SOCIAL*
17 *SECURITY BENEFITS*

18 *SEC. 308. (a) Title II of the Social Security Act is*
19 *amended by adding at the end thereof the following new*
20 *section:*

21 *"INTERNATIONAL AGREEMENTS*

22 *"Purpose of Agreement*

23 *"SEC. 233. (a) The President is authorized to enter into*
24 *agreements establishing totalization arrangements between the*
25 *social security system established by this title and the social*

1 security system of any foreign country, for the purposes of
2 establishing entitlement to and the amount of old-age, sur-
3 vivors, disability, or derivative benefits based on a combina-
4 tion of an individual's periods of coverage under the social
5 security system established by this title and the social security
6 system of such foreign country.

7 *“Definitions*

8 *“(b) For the purposes of this section—*

9 *“(1) the term ‘social security system’ means, with*
10 *respect to a foreign country, a social insurance or pen-*
11 *sion system which is of general application in the country*
12 *and under which periodic benefits, or the actuarial equiv-*
13 *alent thereof, are paid on account of old age, death, or*
14 *disability; and*

15 *“(2) the term ‘period of coverage’ means a period*
16 *of payment of contributions or a period of earnings*
17 *based on wages for employment or on self-employment*
18 *income, or any similar period recognized as equivalent*
19 *thereto under this title or under the social security system*
20 *of a country which is a party to an agreement entered*
21 *into under this section.*

22 *“Crediting Periods of Coverage; Conditions of Payment*
23 *of Benefits*

24 *“(c)(1) Any agreement establishing a totalization*
25 *arrangement pursuant to this section shall provide—*

1 “(A) that in the case of an individual who has at
2 least 6 quarters of coverage as defined in section 213 of
3 this Act and periods of coverage under the social security
4 system of a foreign country which is a party to such
5 agreement, periods of coverage of such individual under
6 such social security system of such foreign country may
7 be combined with periods of coverage under this title and
8 otherwise considered for the purposes of establishing
9 entitlement to and the amount of old-age, survivors, and
10 disability insurance benefits under this title;

11 “(B) (i) that employment or self-employment, or any
12 service which is recognized as equivalent to employment
13 or self-employment under this title or the social security
14 system of a foreign country which is a party to such
15 agreement, shall, on or after the effective date of such
16 agreement, result in a period of coverage under the system
17 established under this title or under the system established
18 under the laws of such foreign country, but not under
19 both, and (ii) the methods and conditions for determining
20 under which system employment, self-employment, or
21 other service shall result in a period of coverage; and

22 “(C) that where an individual’s periods of coverage
23 are combined, the benefit amount payable under this title
24 shall be based on the proportion of such individual’s
25 periods of coverage which was completed under this title.

1 “(2) Any such agreement may provide that—

2 “(A) an individual who is entitled to cash benefits
3 under this title shall, notwithstanding the provisions of
4 section 202(t), receive such benefits while he resides in a
5 foreign country which is a party to such agreement; and

6 “(B) the benefit paid by the United States to an
7 individual who legally resides in the United States shall
8 be increased to an amount which, when added to the
9 benefit paid by such foreign country, will be equal to the
10 benefit amount which would be payable to an entitled
11 individual based on the first figure in (or deemed to
12 be in) column IV of the table in section 215(a) in the
13 case of an individual becoming eligible for such benefit
14 before January 1, 1979, or based on a primary insur-
15 ance amount determined under section 215(a)(1)(C)
16 (i)(I) in the case of an individual becoming eligible
17 for such benefit on or after that date.

18 “(3) Section 226 shall not apply in the case of any
19 individual to whom it would not be applicable but for this
20 section or any agreement or regulation under this section.

21 “(4) Any such agreement may contain such other provi-
22 sions, not inconsistent with this section, as the President
23 deems appropriate.

24 “Regulations

25 “(d) The Secretary of Health, Education, and Welfare

1 shall make rules and regulations and establish procedures
2 which are reasonable and necessary to implement and admin-
3 ister any agreement which has been entered into in accordance
4 with this section.

5 *“Reports to Congress; Effective Date of Agreements*

6 *“(e)(1) Any agreement to establish a totalization*
7 *arrangement entered into pursuant to this section shall be*
8 *transmitted by the President to the Congress.*

9 *“(2) Such an agreement shall become effective on any*
10 *date, provided in the agreement, which occurs after the*
11 *expiration of 90 days on each of which at least one House of*
12 *Congress is in session following the date on which the agree-*
13 *ment is transmitted in accordance with paragraph (1).”.*

14 *(b)(1) Section 1401 of the Internal Revenue Code of*
15 *1954 is amended by adding at the end thereof the following*
16 *new subsection:*

17 *“(c) RELIEF FROM TAXES IN CASES COVERED BY*
18 *CERTAIN INTERNATIONAL AGREEMENTS.—During any*
19 *period in which there is in effect an agreement entered into*
20 *pursuant to section 233 of the Social Security Act with any*
21 *foreign country, the self-employment income of an individ-*
22 *ual shall be exempt from the taxes imposed by this section to*
23 *the extent that such self-employment income is subject under*
24 *such agreement to taxes or contributions for similar purposes*
25 *under the social security system of such foreign country.”.*

1 (2) Sections 3101 and 3111 of such Code are each
2 amended by adding at the end thereof the following new sub-
3 section:

4 “(c) *RELIEF FROM TAXES IN CASES COVERED BY*
5 *CERTAIN INTERNATIONAL AGREEMENTS.—During any*
6 *period in which there is in effect an agreement entered into*
7 *pursuant to section 233 of the Social Security Act with any*
8 *foreign country, wages received by or paid to an individual*
9 *shall be exempt from the taxes imposed by this section to the*
10 *extent that such wages are subject under such agreement to*
11 *taxes or contributions for similar purposes under the social*
12 *security system of such foreign country.”.*

13 (3) Section 6051(a) of such Code is amended by add-
14 ing at the end thereof the following new sentence: “The
15 amounts required to be shown by paragraph (5) shall not
16 include wages which are exempted pursuant to sections 3101
17 (c) and 3111(c) from the taxes imposed by sections 3101
18 and 3111.”.

19 (4) Notwithstanding any other provision of law, taxes
20 paid by any individual to any foreign country with respect
21 to any period of employment or self-employment which is
22 covered under the social security system of such foreign coun-
23 try in accordance with the terms of an agreement entered
24 into pursuant to section 233 of the Social Security Act shall
25 not, under the income tax laws of the United States, be

1 *deductible by, or creditable against the income tax of, any*
2 *such individual.*

3 **VALIDATION OF PAST SOCIAL SECURITY COVERAGE FOR**
4 **CERTAIN ILLINOIS POLICEMEN AND FIREMEN**

5 *SEC. 309. (a) Notwithstanding the provisions of sub-*
6 *section (d)(5)(A) of section 218 of the Social Security Act*
7 *and the references thereto in subsections (d)(1) and (d)(3)*
8 *of such section 218 (but subject to subsection (b) of this*
9 *section), the agreement with the State of Illinois heretofore*
10 *entered into pursuant to such section 218 shall be deemed*
11 *to apply to all services which were performed prior to Decem-*
12 *ber 31, 1977, by any individual employed by such State or*
13 *any political subdivision thereof in a policeman's or fire-*
14 *man's position covered by the Illinois Municipal Retirement*
15 *Fund, and with respect to which such State has paid to the*
16 *Secretary of the Treasury the sums prescribed pursuant*
17 *to subsection (e)(1)(A) of such section 218 at the time*
18 *or times established pursuant to such subsection (but only*
19 *if there has been no refund of the sums so paid or, if a*
20 *refund of part or all of such sums has been obtained, the*
21 *State of Illinois repays to the Secretary of the Treasury the*
22 *amount of such refund within ninety days after the date of*
23 *the enactment of this Act).*

24 *(b) Subsection (a) shall not apply with respect to*
25 *services performed by individuals employed by any political*

1 *subdivision which indicates, in such manner and within such*
 2 *period as the Secretary shall prescribe, that it does not wish*
 3 *such subsection to apply with respect to those services.*

4 *COVERAGE FOR POLICEMEN AND FIREMEN IN*
 5 *MISSISSIPPI*

6 *SEC. 310. Section 218(p)(1) of the Social Security*
 7 *Act is amended by inserting "Mississippi," after "Mary-*
 8 *land,".*

9 *COVERAGE UNDER DIVIDED RETIREMENT SYSTEM FOR*
 10 *STATE AND LOCAL EMPLOYEES IN NEW JERSEY*

11 *SEC. 311. Section 218(d)(6)(C) of the Social Security*
 12 *Act is amended by inserting "New Jersey," after "Nevada,".*

13 *COVERAGE OF SERVICE UNDER WISCONSIN RETIREMENT*
 14 *SYSTEM*

15 *SEC. 312. Section 218(m)(1) of the Social Security*
 16 *Act is amended by inserting after "Wisconsin retirement*
 17 *fund" the following: "or any successor system".*

18 *CONFORMING AMENDMENTS*

19 *SEC. 313. (a)(1) Section 210(a) of the Social Security*
 20 *Act (as amended by the preceding provisions of this title*
 21 *and by section 601) is further amended by redesignating*
 22 *paragraphs (8) through (20) as paragraphs (5) through*
 23 *(17) redesignating paragraphs (7) through (20) as para-*
 24 *graphs (5) through (18), respectively.*

25 *(2)(A) Section 205(o) of such Act is amended by*

1 striking out "section 210(a)(9)" and inserting in lieu
2 thereof "~~section 210(a)(6)~~ 210(a)(7)".

3 (B) Section 210(b) of such Act is amended by striking
4 out "paragraph (9) of subsection (a)" and inserting in lieu
5 thereof "~~paragraph (6)~~ paragraph (7) of subsection (a)".

6 (C) Section 211(c)(2) of such Act is amended—

7 (i) by striking out "section 210(a)(14)(B)" in
8 subparagraph (A) and inserting in lieu thereof "section
9 ~~210(a)(11)(B)~~ 210(a)(12)(B)";

10 (ii) by striking out "section 210(a)(16)" in sub-
11 paragraph (B) and inserting in lieu thereof "section
12 ~~210(a)(13)~~ 210(a)(14)";

13 (iii) by striking out "section 210(a) (11), (12),
14 or (15)" in subparagraph (C) and inserting in lieu
15 thereof "~~section 210(a) (8), (9), or (12)~~ 210(a)(9),
16 (10), or (13)"; and

17 (iv) by striking out "section 210(a)(20)" in sub-
18 paragraph (F) and inserting in lieu thereof "section
19 ~~210(a)(17)~~ 210(a)(18)".

20 (b)(1) Section 3121(b) of the Internal Revenue
21 Code of 1954 (relating to definition of employment), as
22 amended by the preceding provisions of this title and by
23 section 612, is further amended by redesignating paragraphs
24 ~~(8) through (20)~~ as paragraphs ~~(5) through (17)~~
25 redesignating paragraphs (7) through (20) as paragraphs
26 (5) through (18), respectively.

1 (2)(A) Section 1402(c)(2) of such Code (relating
2 to definition of trade or business) is amended—

3 (i) by striking out “section 3121(b)(14)(B)”
4 in subparagraph (A) and inserting in lieu thereof “sec-
5 tion ~~3121(b)(11)(B)~~ 3121(b)(12)(B)”;

6 (ii) by striking out “section 3121(b)(16)” in
7 subparagraph (B) and inserting in lieu thereof “section
8 ~~3121(b)(13)~~ 3121(b)(14)”;

9 (iii) by striking out “section 3121(b) (11), (12),
10 or (15)” in subparagraph (C) and inserting in lieu
11 thereof “section ~~3121(b) (8), (9), or (12)~~ 3121(b)
12 (9), (10), or (13)”;

13 (iv) by striking out “section 3121(b)(20)” in
14 subparagraph (F) and inserting in lieu thereof “section
15 ~~3121(b)(17)~~ 3121(b)(18)”.

16 (B) Section 3121(c) of such Code (relating to in-
17 cluded and excluded service) is amended by striking out “by
18 subsection (b)(9)” and inserting in lieu thereof “by sub-
19 section ~~(b)(6)~~ (b)(7)”.

20 (C) Section 3121(r)(3) of such Code (relating to
21 election of coverage by religious orders) is amended by
22 striking out “subsection (b)(8)(A)” and “section 210(a)
23 (8)(A)” and inserting in lieu thereof “subsection ~~(b)~~
24 ~~(5)~~” and “section ~~210(a)(5)~~ (b)(6)” and “section 210(a)
25 (6)”, respectively.

26 (D) Section 3124 of such Code (relating to estimate

1 of revenue reduction) is amended by striking out “section
2 3121(b)(9)” and inserting in lieu thereof “section ~~3121(b)~~
3 ~~(6)~~ 3121(b)(7)”.

4 (c) Section 18(2) of the Railroad Retirement Act of
5 1974 is amended by striking out “section 210(a)(9) of the
6 Social Security Act” and inserting in lieu thereof “section
7 ~~210(a)(6)~~ 210(a)(7) of the Social Security Act”.

8 (d) The amendments made by this section shall apply
9 with respect to service performed after December 1981.

10 **TITLE IV—ELIMINATION OF GENDER-BASED**
11 **DISTINCTIONS UNDER THE OLD-AGE, SUR-**
12 **VIVORS, AND DISABILITY INSURANCE**
13 **PROGRAM**

14 **PART A—EQUALIZATION OF TREATMENT OF MEN AND**

15 **WOMEN UNDER THE PROGRAM**

16 **DIVORCED HUSBANDS**

17 **SEC. 401. (a)(1)** Section 202(c)(1) of the Social
18 Security Act is amended, in the matter preceding subpara-
19 graph (A), by inserting “and every divorced husband (as
20 defined in section 216(d))” before “of an individual” and
21 inserting “or such divorced husband” after “if such hus-
22 band”.

23 (2) Section 202(c)(1) of such Act is further
24 amended—

1 (A) by redesignating subparagraphs (C) and (D)
2 as subparagraphs (D) and (E), and by inserting after
3 subparagraph (B) the following new subparagraph:

4 “(C) in the case of a divorced husband, is not
5 married,”;

6 (B) by striking out “after August 1950” in the
7 matter following subparagraph (E) (as so redesign-
8 nated); and

9 (C) by striking out “the month in which any of
10 the following occurs:” and all that follows and insert-
11 ing in lieu thereof the following:

12 “the first month in which any of the following occurs:

13 “(F) he dies,

14 “(G) such individual dies,

15 “(H) in the case of a husband, they are divorced
16 and either (i) he has not attained age 62, or (ii) he
17 has attained age 62 but has not been married to such
18 individual for a period of 20 years immediately before
19 the divorce became effective,

20 “(I) in the case of a divorced husband, he marries
21 a person other than such individual,

22 “(J) he becomes entitled to an old-age or dis-
23 ability insurance benefit based on a primary insurance
24 amount which is equal to or exceeds one-half of the
25 primary insurance amount of such individual, or

1 “(K) such individual is not entitled to disability
2 insurance benefits and is not entitled to old-age insur-
3 ance benefits.”.

4 (3) Section 202(c)(3) of such Act is amended by
5 inserting “(or, in the case of a divorced husband, his former
6 wife)” before “for such month”.

7 (4) Section 202(c) of such Act is amended by adding
8 after paragraph (3) the following new paragraph:

9 “(4) In the case of any divorced husband who
10 marries—

11 “(A) an individual entitled to benefits under
12 subsection (b), (e), (g), or (h) of this section, or

13 “(B) an individual who has attained the age
14 of 18 and is entitled to benefits under subsection
15 (d),

16 such divorced husband’s entitlement to benefits under
17 this subsection shall, notwithstanding the provisions of
18 paragraph (1) (but subject to subsection (s)), not
19 be terminated by reason of such marriage.”.

20 (5) Section 202(c)(2) of such Act is amended by
21 striking out “(C)” in the matter immediately preceding
22 subparagraph (A) and inserting in lieu thereof “(D)”.

23 (6) Section 202(b)(3)(A) of such Act is amended
24 by striking out “(f)” and inserting in lieu thereof “(c),
25 (f),”.

1 (7) Section 202(c)(1)(E) of such Act (as re-
2 designated by paragraph (2) of this subsection) is amended
3 by striking out “his wife” and inserting in lieu thereof
4 “such individual”.

5 (b)(1) Section 202(f)(1) of such Act is amended,
6 in the matter preceding subparagraph (A), by inserting
7 “and every surviving divorced husband (as defined in section
8 216(d))” before “of an individual” and inserting “or
9 such surviving divorced husband” after “if such widower”.

10 (2) Section 202(f)(1) of such Act is further amended
11 by striking out “his deceased wife” in subparagraph (E)
12 and in the matter following subparagraph (G) and insert-
13 ing in lieu thereof “such deceased individual”.

14 (3) Paragraphs (3), (4), (6), and (7) of section 202
15 (f) of such Act are each amended by inserting “or surviving
16 divorced husband” after “widower” wherever it appears.

17 (4) Paragraph (3) of section 202(f) of such Act is
18 further amended by striking out “his deceased wife” wherever
19 it appears and by inserting in lieu thereof “such deceased
20 individual”, and by striking out “wife” wherever it appears
21 and inserting in lieu thereof “individual”.

22 (5) Section 202(f)(4) of such Act is further amended
23 by striking out “remarries” and inserting in lieu thereof
24 “marries”, and by inserting “or surviving divorced hus-
25 band’s” after “widower’s”.

1 (6) Section 202(e)(3)(A) of such Act is amended by
2 striking out “(f)” and inserting in lieu thereof “(c), (f),”.

3 (7) Section 202(g)(3)(A) of such Act is amended by
4 inserting “(c),” before “(f),”.

5 (8) Section 202(h)(4)(A) of such Act is amended by
6 inserting “(c),” before “(e),”.

7 (c)(1) Section 216(d) of such Act is amended by re-
8 designating paragraph (4) as paragraph (6), and by insert-
9 ing after paragraph (3) the following new paragraphs:

10 “(4) The term ‘divorced husband’ means a man di-
11 vorced from an individual, but only if he has been married
12 to such individual for a period of 20 years immediately
13 before the date the divorce became effective.

14 “(5) The term ‘surviving divorced husband’ means a
15 man divorced from an individual who has died, but only if he
16 has been married to the individual for a period of 20 years
17 immediately before the divorce became effective.”.

18 (2) The heading of section 216(d) of such Act is
19 amended to read as follows:

20 “Divorced Spouses; Divorce”.

21 (d)(1) Section 205(b) of such Act is amended by
22 inserting “divorced husband,” after “husband,” and “surviv-
23 ing divorced husband,” after “widower,”.

24 (2) Section 205(c)(1)(C) of such Act is amended
25 by inserting “surviving divorced husband,” after “wife,”.

1 *REMARRIAGE OF SURVIVING SPOUSE BEFORE AGE 60*

2 *SEC. 402. Section 202(f)(1)(A) of the Social Security*
3 *Act is amended by striking out "has not remarried" and*
4 *inserting in lieu thereof "is not married".*

5 *ILLEGITIMATE CHILDREN*

6 *SEC. 403. (a) Section 216(h)(3) of the Social Secu-*
7 *rity Act is amended by inserting "mother or" before "father"*
8 *wherever it appears.*

9 *(b) Section 216(h)(3)(A)(i) of such Act is amended*
10 *by striking out "daughter," at the end of clause (III) and*
11 *all that follows and inserting in lieu thereof "daughter; or".*

12 *(c) Section 216(h)(3)(A)(ii) of such Act is amended*
13 *by striking out everything after "time" and inserting in lieu*
14 *thereof "such applicant's application for benefits was filed;".*

15 *(d) Section 216(h)(3)(B)(i) of such Act is amended*
16 *by striking out "daughter," at the end of clause (III) and*
17 *all that follows and inserting in lieu thereof "daughter; or".*

18 *(e) Section 216(h)(3)(B)(ii) of such Act is amended*
19 *by striking out "such period of disability began" and insert-*
20 *ing in lieu thereof "such applicant's application for benefits*
21 *was filed".*

22 *TRANSITIONAL INSURED STATUS*

23 *SEC. 404. (a) Section 227(a) of the Social Security*
24 *Act is amended—*

1 (1) by striking out “wife” wherever it appears and
2 inserting in lieu thereof “spouse”;

3 (2) by striking out “wife’s” wherever it appears
4 and inserting in lieu thereof “spouse’s”;

5 (3) by striking out “she” wherever it appears and
6 inserting in lieu thereof “he or she”;

7 (4) by striking out “his” wherever it appears and
8 inserting in lieu thereof “his or her”; and

9 (5) by inserting “or section 202(c)” after “sec-
10 tion 202(b)” wherever it appears.

11 (b) Section 227(b) and section 227(c) of such Act
12 are amended—

13 (1) by striking out “widow” wherever it appears
14 and inserting in lieu thereof “surviving spouse”;

15 (2) by striking out “widow’s” wherever it appears
16 and inserting in lieu thereof “surviving spouse’s”;

17 (3) by striking out “her” wherever it appears and
18 inserting in lieu thereof “the”; and

19 (4) by inserting “or section 202(f)” after “section
20 202(e)” wherever it appears.

21 (c) Section 216 of such Act (as amended by the pre-
22 ceding provisions of this Act) is further amended by in-
23 serting before subsection (b) the following new subsection:

“Spouse; Surviving Spouse

1

2 “(a)(1) *The term ‘spouse’ means a wife as defined*
3 *in subsection (b) or a husband as defined in subsection (f).*

4 “(2) *The term ‘surviving spouse’ means a widow as*
5 *defined in subsection (c) or a widower as defined in sub-*
6 *section (g).”.*

7 *EQUALIZATION OF BENEFITS UNDER SECTION 228*

8 *SEC. 405. (a) Section 228(b)(2) of the Social Secu-*
9 *rity Act is amended—*

10 (1) *by striking out “the husband’s benefit” and*
11 *inserting in lieu thereof “each of their benefits”;*

12 (2) *by striking out “\$64.40” and inserting in lieu*
13 *thereof “\$48.30”; and*

14 (3) *by striking out everything after “section*
15 *215(i)” the first time it appears and inserting in lieu*
16 *thereof a period.*

17 (b) *Section 228(c)(3) of such Act is amended to*
18 *read as follows:*

19 “(3) *In the case of a husband or wife, both of whom*
20 *are entitled to benefits under this section for any month, the*
21 *benefit amount of each, after any reduction under paragraph*
22 *(1), shall be further reduced (but not below zero) by the*
23 *excess (if any) of (A) the total amount of any periodic*
24 *benefits under governmental pension systems for which the*
25 *other is eligible for such month, over (B) the larger of*

1 \$48.30 or the amount most recently established in lieu
2 thereof under section 215(i).”.

3 (c) The Secretary shall increase the amounts specified
4 in section 228 of the Social Security Act, as amended by
5 this section, to take account of any general benefit increases
6 (as referred to in section 215(i)(3) of such Act), and
7 any increases under section 215(i) of such Act, which
8 occur after June 1974.

9 FATHER'S INSURANCE BENEFITS

10 SEC. 406. (a) Section 202(g) of the Social Security
11 Act is amended—

12 (1) by striking out “widow” wherever it appears
13 and inserting in lieu thereof “surviving spouse”;

14 (2) by striking out “widow's” wherever it appears
15 and inserting in lieu thereof “surviving spouse's”;

16 (3) by striking out “wife's insurance benefits” in
17 paragraph (1)(D) and inserting in lieu thereof “a
18 spouse's insurance benefit”;

19 (4) by striking out “he” in paragraph (1)(D) and
20 wherever it appears in paragraph (3) and inserting in
21 lieu thereof “such individual”;

22 (5) by striking out “her” wherever it appears and
23 inserting in lieu thereof “his or her”;

24 (6) by striking out “she” wherever it appears and
25 inserting in lieu thereof “he or she”;

1 (7) by striking out “mother” wherever it appears
2 and inserting in lieu thereof “parent”;

3 (8) by inserting “or father’s” after “mother’s”
4 wherever it appears;

5 (9) by striking out “after August 1950”;

6 (10) by inserting “this subsection or” before “sub-
7 section (a)” in paragraph (3)(A); and

8 (11) by striking out “his” in paragraph (3) and
9 inserting in lieu thereof “his or her”.

10 (b) The heading of section 202(g) of such Act is
11 amended by inserting “and Father’s” after “Mother’s”.

12 (c) Section 216(d) of such Act (as amended by section
13 401(c)(1) of this Act) is further amended by redesignating
14 paragraph (6) as paragraph (8), and by inserting after
15 paragraph (5) the following new paragraphs:

16 “(6) The term ‘surviving divorced father’ means a man
17 divorced from an individual who has died, but only if (A)
18 he is the father of her son or daughter, (B) he legally
19 adopted her son or daughter while he was married to her
20 and while such son or daughter was under the age of 18,
21 (C) she legally adopted his son or daughter while he was
22 married to her and while such son or daughter was under the
23 age of 18, or (D) he was married to her at the time both of
24 them legally adopted a child under the age of 18.

25 “(7) The term ‘surviving divorced parent’ means a sur-

1 *viving divorced mother as defined in paragraph (3) of this*
2 *subsection or a surviving divorced father as defined in para-*
3 *graph (6).”.*

4 *(d) Section 202(c)(1) of such Act (as amended by*
5 *section 401(a)(2) of this Act) is further amended by in-*
6 *serting “(subject to subsection (s))” before “be entitled*
7 *to” in the matter following subparagraph (E) and pre-*
8 *ceding subparagraph (F).*

9 *(e) Section 202(c)(1)(B) of such Act is amended by*
10 *inserting after “62” the following: “or (in the case of a*
11 *husband) has in his care (individually or jointly with such*
12 *individual) at the time of filing such application a child en-*
13 *titled to child’s insurance benefits on the basis of the wages and*
14 *self-employment income of such individual”.*

15 *(f) Section 202(c)(1) of such Act (as amended by*
16 *section 401(a)(2)(C) of this Act) is further amended by*
17 *redesignating the new subparagraphs (J) and (K) as sub-*
18 *paragraphs (K) and (L), respectively, and by adding after*
19 *subparagraph (I) the following new subparagraph:*

20 *“(J) in the case of a husband who has not attained*
21 *age 62, no child of such individual is entitled to a child’s*
22 *insurance benefit,”.*

23 *(g) Section 202(f)(1)(C) of such Act is amended by*
24 *inserting “(i)” after “(C)”, by adding “or” after “223,”,*
25 *and by inserting at the end thereof the following new clause:*

1 *EFFECT OF MARRIAGE ON OTHER DEPENDENTS' OR*
2 *DEPENDENT SURVIVORS' BENEFITS*

3 *SEC. 408. (a) Section 202(c)(4) of the Social Se-*
4 *curity Act (as added by section 401(a)(4) of this Act) is*
5 *further amended by inserting before the period at the end*
6 *thereof the following: “; except that, in the case of such a*
7 *marriage to an individual entitled to benefits under subsec-*
8 *tion (d), the preceding provisions of this paragraph shall not*
9 *apply with respect to benefits for months after the last month*
10 *for which such individual is entitled to such benefits under*
11 *subsection (d) unless she ceases to be so entitled by reason of*
12 *her death”.*

13 *(b) Section 202(f)(4) of such Act is amended by in-*
14 *serting before the period at the end thereof the following:*
15 *“; except that, in the case of such a marriage to an individual*
16 *entitled to benefits under subsection (d), the preceding pro-*
17 *visions of this paragraph shall not apply with respect to*
18 *benefits for months after the last month for which such in-*
19 *dividual is entitled to such benefits under subsection (d)*
20 *unless she ceases to be so entitled by reason of her death”.*

21 *(c) Section 202(h)(4) of such Act is amended by*
22 *striking out “a male individual” in the matter following*
23 *clause (B) and inserting in lieu thereof “an individual”.*

24 *(d) The amendments made by this section shall be ef-*

1 *fective with respect to benefits under title II of the Social*
2 *Security Act for months after December 1977, but only in*
3 *cases where the "last month" referred to in section 202(c)*
4 *(4), 202(f)(4), 202(g)(3), or 202(h)(4) is a month*
5 *after December 1977.*

6 *TREATMENT OF SELF-EMPLOYMENT INCOME IN*

7 *COMMUNITY PROPERTY STATES*

8 *SEC. 409. (a) Section 211(a)(5)(A) of the Social*
9 *Security Act and section 1402(a)(5)(A) of the Internal*
10 *Revenue Code of 1954 are each amended by striking out*
11 *"husband unless the wife exercises substantially all of the*
12 *management and control of such trade or business, in which*
13 *case all of such gross income and deductions shall be treated*
14 *as the gross income and deductions of the wife" and inserting*
15 *in lieu thereof "spouse who exercises the greater manage-*
16 *ment and control over the trade or business, except that such*
17 *income and deductions shall be divided equally between the*
18 *two spouses if each spouse exercises the same amount of man-*
19 *agement and control over the trade or business".*

20 *(b) The amendments made by subsection (a) shall be*
21 *effective with respect to taxable years beginning after De-*
22 *cember 1977.*

23 *CREDIT FOR CERTAIN MILITARY SERVICE*

24 *SEC. 410. Section 217(f) of the Social Security Act*
25 *is amended by striking out "widow" each place it appears*

1 *and inserting in lieu thereof “surviving spouse”, and by*
2 *striking out “her” each place it appears in paragraph (2)*
3 *and inserting in lieu thereof “his”.*

4 **CONFORMING AMENDMENTS**

5 *SEC. 411. (a) Section 202(b)(3)(A) of the Social*
6 *Security Act (as amended by section 401(a)(6) of this*
7 *Act) is further amended by inserting “(g),” after “(f),”.*

8 *(b) Section 202(p)(1) of such Act is amended by*
9 *striking out “subparagraph (C) of subsection (c)(1)”*
10 *and inserting in lieu thereof “subparagraph (D) of sub-*
11 *section (c)(1)”.*

12 *(c) Section 202(q)(3) of such Act is amended by*
13 *inserting “or surviving divorced husband” after “widower”*
14 *in subparagraphs (E), (F), and (G).*

15 *(d) Section 202(q)(5) of such Act is amended—*

16 *(1) by inserting “husband’s or” before “wife’s”*
17 *each place it appears;*

18 *(2) by inserting “he or” before “she” each place*
19 *it appears;*

20 *(3) by inserting “his or” before “her” each place*
21 *it appears;*

22 *(4) by striking out “the woman” in subparagraph*
23 *(B)(ii) and “a woman” in subparagraph (C) and*
24 *inserting in lieu thereof “the individual” and “an individ-*
25 *ual”, respectively; and*

1 (5) in subparagraph (D), by inserting “widower’s
2 or” before “widow’s”; by inserting “wife or” before
3 “husband” each place it appears; by inserting “wife’s
4 or” before “husband’s” each place it appears; and by
5 inserting “father’s or” before “mother’s”.

6 (e)(1) Section 202(q)(6)(A)(i) of such Act is
7 amended by striking out “or husband’s insurance” in sub-
8 division (I), and by inserting “or husband’s” after “wife’s”
9 in subdivision (II).

10 (2) Section 202(q)(7) of such Act is amended, in
11 subparagraph (B), by inserting “husband’s or” before
12 “wife’s”, by inserting “he or” before “she”, and by insert-
13 ing “his or” before “her”, and in subparagraph (D) by
14 inserting “or widower’s” after “widow’s”.

15 (f)(1) Section 202(s)(1) of such Act is amended
16 by inserting “(c)(4),” after “(b)(1),”.

17 (2) Section 202(s)(2) of such Act is amended by
18 inserting “(c)(4),” after “(b)(3),”.

19 (3) Section 202(s)(3) of such Act is amended by
20 inserting “(c)(4),” after “(b)(3),”; and by inserting
21 “(f)(4),” after “(e)(3),”.

22 (g) Section 203(a)(3) of such Act (as in effect in
23 December 1977) is amended by inserting “, or as a divorced
24 husband under section 202(c) or as a surviving divorced
25 husband under section 202(f),” after “section 202(e)”, by

1 striking out “she” and inserting in lieu thereof “he or she”,
2 and by inserting “or divorced husband or surviving divorced
3 husband” after “such divorced wife or surviving divorced
4 wife”.

5 (h) The third sentence of section 203(b) of such Act
6 is amended by inserting “or father’s” after “mother’s”.

7 (i) The text of section 203(c) of such Act is amended
8 to read as follows—

9 “(c) Deductions, in such amounts and at such time or
10 times as the Secretary shall determine, shall be made from
11 any payment or payments under this title to which an indi-
12 vidual is entitled, until the total of such deductions equals
13 such individual’s benefits or benefit under section 202 for
14 any month—

15 “(1) in which such individual is under the age of
16 seventy-two and on seven or more different calendar
17 days of which such individual engaged in noncovered
18 remunerative activity outside the United States; or

19 “(2) in which such individual, if a wife or husband
20 under age sixty-five entitled to a wife’s or husband’s
21 insurance benefit, did not have in his or her care (indi-
22 vidualy or jointly with his or her spouse) a child of such
23 spouse entitled to a child’s insurance benefit and such
24 wife’s or husband’s insurance benefit for such month was
25 not reduced under the provisions of section 202(q); or

1 “(3) in which such individual, if a widow or wid-
2 ower entitled to a mother’s or father’s insurance benefit,
3 did not have in his or her care a child of his or her de-
4 ceased spouse entitled to a child’s insurance benefit; or

5 “(4) in which such an individual, if a surviving
6 divorced mother or father entitled to a mother’s or father’s
7 insurance benefit, did not have in his or her care a child
8 of his deceased former spouse who (A) is his or her son,
9 daughter, or legally adopted child and (B) is entitled to
10 a child’s insurance benefit on the basis of the wages and
11 self-employment income of such deceased former spouse.

12 For purposes of paragraphs (2), (3), and (4) of this sub-
13 section, a child shall not be considered to be entitled to a
14 child’s insurance benefit for any month in which paragraph
15 (1) of section 202(s) applies or an event specified in sec-
16 tion 222(b) occurs with respect to such child. Subject to
17 paragraph (3) of such section 202(s), no deductions shall
18 be made under this subsection from any child’s insurance
19 benefit for the month in which the child entitled to such
20 benefit attained the age of eighteen or any subsequent month;
21 nor shall any deduction be made under this subsection from
22 any widow’s insurance benefits for any month in which the
23 widow or surviving divorced wife is entitled and has not
24 attained age sixty-five (but only if she became so entitled
25 prior to attaining age sixty), or from any widower’s insur-

1 *ance benefit for any month in which the widower or surviv-*
2 *ing divorced husband is entitled and has not attained age*
3 *sixty-five (but only if he became so entitled prior to attain-*
4 *ing age sixty).”.*

5 *(j) Section 203(d) of such Act is amended by inserting*
6 *“divorced husband,” after “husband,” in paragraph (1),*
7 *and by inserting “or father’s” after “mother’s” each place it*
8 *appears in paragraph (2).*

9 *(k)(1) Section 205(b) of such Act (as amended by*
10 *section 401(d)(1) of this Act) is further amended by*
11 *inserting “surviving divorced father,” after “mother,”.*

12 *(2) Section 205(c)(1)(C) of such Act (as amended*
13 *by section 401(d)(2) of this Act) is further amended by*
14 *inserting “surviving divorced father,” after “surviving*
15 *divorced mother,”.*

16 *(l) Section 216(f) of such Act is amended by inserting*
17 *“(c),” before “(f)” in clause (3)(A).*

18 *(m) Section 216(g) of such Act is amended by insert-*
19 *ing “(c),” before “(f)” in clause (6)(A).*

20 *(n) Section 222(b)(1) of such Act is amended by*
21 *striking out “or surviving divorced wife” and inserting in*
22 *lieu thereof “, surviving divorced wife, or surviving divorced*
23 *husband”.*

24 *(o) Section 222(b)(3) of such Act is amended by*
25 *inserting “divorced husband,” after “husband,”.*

1 *(p) Section 222(b)(2) of such Act is amended by*
2 *inserting “or father’s” after “mother’s” each place it appears.*

3 *(q) Section 222(d)(1) of such Act is amended by*
4 *inserting “and surviving divorced husbands” after “for*
5 *widowers” in the matter following clause (iii).*

6 *(r) Section 223(d)(2) of such Act is amended by*
7 *striking out “or widower” where that term appears in sub-*
8 *paragraphs (A) and (B) and inserting in lieu thereof*
9 *“widower, or surviving divorced husband”.*

10 *(s) Section 225 of such Act is amended by inserting “or*
11 *surviving divorced husband” after “widower”.*

12 *(t)(1) Section 226(h)(3) of such Act is amended to*
13 *read as follows:*

14 *“(3) For purposes of determining entitlement to hos-*
15 *pital insurance benefits under subsection (b), any disabled*
16 *widow age 50 or older who is entitled to mother’s insurance*
17 *benefits (and who would have been entitled to widow’s*
18 *insurance benefits by reason of disability if she had filed*
19 *for such widow’s benefits), and any disabled widower who*
20 *is entitled to father’s insurance benefits (and who would*
21 *have been entitled to widower’s insurance benefits by reason*
22 *of disability if he had filed for such widower’s benefits),*
23 *shall, upon application for such hospital insurance bene-*
24 *fits, be deemed to have filed for such widow’s or widower’s*
25 *benefits.”.*

1 (2) *For purposes of determining entitlement to hospital*
 2 *insurance benefits under section 226(h)(3) of the Social*
 3 *Security Act, as amended by paragraph (1) of this subsec-*
 4 *tion, an individual becoming entitled to such hospital insur-*
 5 *ance benefits as a result of the amendment made by such*
 6 *paragraph shall, upon furnishing proof of such disability*
 7 *within twelve months after the month of enactment of this*
 8 *Act, under such procedures as the Secretary may prescribe,*
 9 *be deemed to have been entitled to the widow's or widower's*
 10 *benefits referred to in such section 226(h)(3), as so*
 11 *amended, as of the time such individual would have been*
 12 *entitled to such widow's or widower's benefits if he or she*
 13 *had filed a timely application therefor.*

14 **EFFECTIVE DATE**

15 **SEC. 412.** *Except as otherwise specifically provided in*
 16 *this part, the amendments made by this part shall apply only*
 17 *with respect to monthly benefits payable under title II of the*
 18 *Social Security Act for months after December 1977.*

19 **PART B—EFFECT OF MARRIAGE, REMARRIAGE, AND**

20 **DIVORCE ON BENEFIT ELIGIBILITY**

21 **ELIMINATION OF MARRIAGE OR REMARRIAGE AS FACTOR**

22 **TERMINATING OR REDUCING BENEFITS**

23 **SEC. 415.** *(a)(1) Section 202(b)(1) of the Social*
 24 *Security Act is amended—*

1 (A) by adding “and” at the end of subparagraph
2 (B),

3 (B) by striking out subparagraph (C),

4 (C) by striking out subparagraph (H), and

5 (D) by redesignating subparagraphs (D), (E),
6 (F), (G), (I), (J), and (K) as subparagraphs (C),
7 (D), (E), (F), (G), (H), and (I), respectively.

8 (2) Section 202(b) of such Act is further amended by
9 striking out paragraph (3).

10 (b)(1) Section 202(c)(1) of such Act (as amended
11 by sections 401(a)(2) and 406(f) of this Act) is
12 amended—

13 (A) by striking out subparagraph (C),

14 (B) by striking out subparagraph (I), and

15 (C) by redesignating subparagraphs (D), (E),
16 (F), (G), (H), (J), (K), and (L) as subparagraphs
17 (C), (D), (E), (F), (G), (H), (I), and (J),
18 respectively.

19 (2) Section 202(c) of such Act is further amended by
20 striking out paragraph (4) (as added by section 401(a)
21 (4) of this Act and amended by section 408(a)).

22 (3) Section 202(c)(2) of such Act (as amended by
23 section 401(a)(5) of this Act) is further amended by
24 striking out “(D)” in the matter immediately preceding
25 subparagraph (A) and inserting in lieu thereof “(C)”.

1 (c)(1) Section 202(d)(1) of such Act is amended—

2 (A) by striking out “was unmarried and” in sub-
3 paragraph (B), and

4 (B) by striking out “or marries,” in subparagraph
5 (D).

6 (2) Section 202(d) of such Act is further amended by
7 striking out paragraph (5), and by redesignating paragraphs
8 (6) through (9) as paragraphs (5) through (8), respec-
9 tively.

10 (d)(1) Section 202(e)(1) of such Act is amended—

11 (A) by striking out subparagraph (A),

12 (B) by striking out “paragraph (5)” in subpara-
13 graph (B) and inserting in lieu thereof “paragraph
14 (3)”,

15 (C) by striking out “subparagraph (B)” in sub-
16 paragraph (E) and inserting in lieu thereof “subpara-
17 graph (A)”,

18 (D) by striking out “subparagraph (B)”, “para-
19 graph (6)”, and “paragraph (5)” in subparagraph
20 (F) and inserting in lieu thereof “subparagraph (A)”,
21 “paragraph (4)”, and “paragraph (3)”, respectively,

22 (E) by striking out “remarries, dies,” in the matter
23 following subparagraph (F) and inserting in lieu thereof
24 “dies, or”, and

1 (F) by redesignating subparagraphs (B) through
2 (F) as subparagraphs (A) through (E), respectively.

3 (2) Section 202(e)(2)(A) of such Act is amended by
4 striking out “, paragraph (4) of this subsection,”.

5 (3) Section 202(e) of such Act is further amended by
6 striking out paragraphs (3) and (4), and by redesignating
7 paragraphs (5), (6), and (7) as paragraphs (3), (4), and
8 (5), respectively.

9 (4) The paragraph of section 202(e) of such Act re-
10 designated as paragraph (3) by paragraph (3) of this sub-
11 section is amended by striking out “(1)(B)(ii)” and insert-
12 ing in lieu thereof “(1)(A)(ii)”.

13 (5) The paragraph of section 202(e) of such Act re-
14 designated as paragraph (4) by paragraph (3) of this sub-
15 section is amended—

16 (A) by striking out “paragraph (1)(F)” and in-
17 serting in lieu thereof “paragraph (1)(E)”, and

18 (B) by striking out “paragraph (5)” and inserting
19 in lieu thereof “paragraph (3)”.

20 (e)(1) Section 202(f)(1) of such Act (as amended
21 by the preceding provisions of this title) is further amended—

22 (A) by striking out subparagraph (A),

23 (B) by striking out “paragraph (6)” in subpara-
24 graph (B) and inserting in lieu thereof “paragraph
25 (4)”.

1 (C) by striking out “subparagraph (B)” in sub-
2 paragraph (F) and inserting in lieu thereof “subpara-
3 graph (A)”,

4 (D) by striking out “subparagraph (B)”, “para-
5 graph (7)”, and “paragraph (6)” in subparagraph
6 (G) and inserting in lieu thereof “subparagraph (A)”,
7 “paragraph (5)”, and “paragraph (4)”, respectively,

8 (E) by striking out “remarries,” in the matter fol-
9 lowing subparagraph (G), and

10 (F) by redesignating subparagraphs (B) through
11 (G) as subparagraphs (A) through (F), respectively.

12 (2) Section 202(f)(2) of such Act is amended by
13 striking out “subparagraph (D)” and inserting in lieu
14 thereof “subparagraph (C)”.

15 (3) Section 202(f)(3)(A) of such Act is amended
16 by striking out “, paragraph (5) of this subsection,”.

17 (4) Section 202(f) of such Act is further amended by
18 striking out paragraphs (4) and (5), and by redesignating
19 paragraphs (6), (7), and (8) as paragraphs (4), (5),
20 and (6), respectively.

21 (5) The paragraph of section 202(f) of such Act re-
22 designated as paragraph (4) by paragraph (4) of this sub-
23 section is amended by striking out “(1)(B)(ii)” and in-
24 serting in lieu thereof “(1)(A)(ii)”.

25 (6) The paragraph of section 202(f) of such Act re-

1 *designated as paragraph (5) by paragraph (4) of this sub-*
2 *section is amended by striking out “paragraph (1)(G)”*
3 *and “paragraph (6)” and inserting in lieu thereof “para-*
4 *graph (1)(F)” and “paragraph (4)”, respectively.*

5 *(f)(1) Section 202(g)(1) of such Act (as amended*
6 *by section 406(a) of this Act) is further amended—*

7 *(A) by striking out subparagraph (A),*

8 *(B) by striking out “subparagraph (E)” in sub-*
9 *paragraph (F)(i) and inserting in lieu thereof “sub-*
10 *paragraph (D)”,*

11 *(C) by striking out “he remarries,” in the matter*
12 *following subparagraph (F), and*

13 *(D) by redesignating subparagraphs (B) through*
14 *(F) as subparagraphs (A) through (E), respectively.*

15 *(2) Section 202(g) of such Act is further amended by*
16 *striking out paragraph (3).*

17 *(g)(1) Section 202(h)(1) of such Act is amended—*

18 *(A) by striking out subparagraph (C),*

19 *(B) by striking out “marries,” in the matter fol-*
20 *lowing subparagraph (E), and*

21 *(C) by redesignating subparagraphs (D) and (E)*
22 *as subparagraphs (C) and (D), respectively.*

23 *(2) Section 202(h) of such Act is further amended by*
24 *striking out paragraph (4).*

25 *(h)(1) Section 202(k)(2)(B) of such Act is amended—*

1 (A) by striking out “(other than an individual to
2 whom subsection (e)(4) or (f)(5) applies)”, and

3 (B) by striking out the second sentence.

4 (2) Section 202(k)(3) of such Act is amended—

5 (A) by striking out “(A)” immediately before “If
6 an individual is entitled to an old-age or disability in-
7 surance benefit”, and

8 (B) by striking out subparagraph (B).

9 (i) Section 202(p)(1) of such Act (as amended by
10 section 411(b) of this Act) is further amended by striking
11 out “subparagraph (D) of subsection (c)(1), clause (i) or
12 (ii) of subparagraph (D) of subsection (f)(1)” and insert-
13 ing in lieu thereof “subparagraph (C) of subsection (c)(1),
14 clause (i) or (ii) of subparagraph (C) of subsection (f)
15 (1)”.

16 (j)(1) Section 202(s)(2) of such Act is repealed.

17 (2) Section 202(s)(3) of such Act (as amended by
18 section 411(f)(3) of this Act) is further amended by
19 striking out “so much of subsections (b)(3), (c)(4),
20 (d)(5), (e)(3), (f)(4), (g)(3), and (h)(4) of this
21 section as follows the semicolon,”.

22 DURATION-OF-MARRIAGE REQUIREMENT FOR DIVORCED
23 SPOUSES AND SURVIVING DIVORCED SPOUSES

24 SEC. 416. (a) Section 216(d) of the Social Security
25 Act is amended by striking out “20 years” in paragraphs

1 (1) and (2), and in paragraphs (4) and (5) (as added by
2 section 401(c)(1) of this Act), and inserting in lieu thereof
3 in each instance "5 years".

4 (b) Section 202(b)(1)(F) of such Act (as redesignig-
5 nated by section 415(a)(1)(D) of this Act) is amended
6 by striking out "20 years" and inserting in lieu thereof
7 "5 years".

8 (c) Section 202(c)(1)(G) of such Act (as added by
9 section 401(a)(2)(C) of this Act and redesignated by
10 section 415(b)(1)(C)) is amended by striking out "20
11 years" and inserting in lieu thereof "5 years".

12 *EFFECTIVE DATE*

13 *SEC. 417. (a) The amendments made by this part shall*
14 *apply only with respect to monthly benefits payable under*
15 *title II of the Social Security Act for months after December*
16 *1978, and, in the case of individuals who are not entitled*
17 *to benefits of the type involved under such title for December*
18 *1978, only on the basis of applications filed on or after*
19 *January 1, 1979.*

20 (b) *An individual whose entitlement to monthly in-*
21 *surance benefits under subsection (b), (c), (d), (e), (f),*
22 *(g), or (h) of section 202 of the Social Security Act*
23 *terminated on account of such individual's marriage or re-*
24 *marriage, or on account of the termination (except by reason*
25 *of death) of the benefits to which such individual's spouse*

1 *was entitled under section 223(a) or section 202(d)(1)(B)*
2 *(ii) of such Act, prior to January 1979, may again become*
3 *entitled to such benefits (provided no event which would other-*
4 *wise terminate such entitlement has since occurred) beginning*
5 *with January 1979 or, if later, with the first month (after*
6 *January 1979) in which he files application for such reen-*
7 *titlement. The reentitlement of such individual to benefits*
8 *under such subsection (and the entitlement of other persons*
9 *to benefits under title II of the Social Security Act to the*
10 *extent related to such individual or his entitlement) shall*
11 *be treated for all the purposes of title II of the Social Security*
12 *Act as though such reentitlement were the individual's initial*
13 *entitlement.*

14 *PART C—STUDY*

15 *STUDY OF PROPOSALS TO ELIMINATE DEPENDENCY AND*
16 *SEX DISCRIMINATION UNDER THE SOCIAL SECURITY*
17 *PROGRAM*

18 *SEC. 421. (a) The Secretary of Health, Education, and*
19 *Welfare, in consultation with the Task Force on Sex Dis-*
20 *crimination in the Department of Justice, shall undertake*
21 *and carry out, within the Department of Health, Education,*
22 *and Welfare and the Social Security Administration, a de-*
23 *tailed study of proposals to eliminate dependency as a factor*
24 *in the determination of entitlement to spouse's benefits under*
25 *the social security program, and of proposals to bring about*

1 *equal treatment of men and women in any and all respects*
 2 *under such program, taking into account the practical effects*
 3 *(particularly the effect upon women's entitlement to such*
 4 *benefits) of such things as—*

5 (1) *changes in the nature and extent of women's*
 6 *participation in the labor force,*

7 (2) *the increasing divorce rate, and*

8 (3) *the economic value of women's work in the home.*

9 *The study shall include appropriate cost analyses.*

10 (b) *The Secretary shall submit to the Congress within*
 11 *six months after the date of the enactment of this Act a full*
 12 *and complete report on the study carried out under subsec-*
 13 *tion (a).*

14 **TITLE V—CHANGES IN EARNINGS TEST**
 15 **UNDER THE OLD-AGE, SURVIVORS, AND**
 16 **DISABILITY INSURANCE PROGRAM**

17 **LIBERALIZATION OF EARNINGS TEST FOR INDIVIDUALS**

18 **AGE 65 AND OVER**

19 **SEC. 501.** (a) *Section 203(f)(8)(A) of the Social*
 20 *Security Act is amended by striking out "a new exempt*
 21 *amount which shall be effective (unless such new exempt*
 22 *amount is prevented from becoming effective by subpara-*
 23 *graph (C) of this paragraph) with respect to any individ-*
 24 *ual's taxable year which ends after the calendar year" and*
 25 *inserting in lieu thereof "the new exempt amounts (sepa-*

1 *rately stated for individuals described in subparagraph (D)*
2 *and for other individuals) which are to be applicable (unless*
3 *prevented from becoming effective by subparagraph (C))*
4 *with respect to taxable years ending in (or with the close of)*
5 *the calendar year after the calendar year”.*

6 *(b)(1) Section 203(f)(8)(B) of such Act is amended*
7 *by striking out “The exempt amount for each month of a*
8 *particular taxable year shall be” in the matter preceding*
9 *clause (i) and inserting in lieu thereof “Except as otherwise*
10 *provided in subparagraph (D), the exempt amount which is*
11 *applicable to individuals described in such subparagraph*
12 *and the exempt amount which is applicable to other individ-*
13 *uals, for each month of a particular taxable year, shall each*
14 *be”.*

15 *(2) Section 203(f)(8)(B)(i) of such Act is amended*
16 *by striking out “the exempt amount” and inserting in lieu*
17 *thereof “the corresponding exempt amount”.*

18 *(3) The last sentence of section 203(f)(8)(B) of such*
19 *Act is amended by striking out “the exempt amount” and*
20 *inserting in lieu thereof “an exempt amount”.*

21 *(c)(1) Section 203(f)(8) of such Act is further*
22 *amended by adding at the end thereof the following new*
23 *subparagraph:*

24 *“(D) Notwithstanding any other provision of this*
25 *subsection, the exempt amount which is applicable to an*

1 *individual who has attained age 65 before the close of*
2 *the taxable year involved—*

3 *“(i) shall be \$333.33 $\frac{1}{3}$ for each month of any*
4 *taxable year ending after 1977 and before 1979,*

5 *“(ii) shall be \$375 for each month of any*
6 *taxable year ending after 1978 and before 1980,*
7 *and*

8 *“(iii) shall be determined (under subparagraph*
9 *(B)) for each month of any taxable year ending*
10 *after 1979 as though the dollar amounts specified*
11 *in clauses (i) and (ii) had been determined (for*
12 *the taxable years described in such clauses) under*
13 *subparagraph (B).”.*

14 *(2) No notification with respect to an increased exempt*
15 *amount for individuals described in section 203(f)(8)(D) of*
16 *the Social Security Act (as added by paragraph (1) of this*
17 *subsection) shall be required under the last sentence of section*
18 *203(f)(8)(B) of such Act in 1977 or 1978; and section*
19 *203(f)(8)(C) of such Act shall not prevent the new exempt*
20 *amount determined and published under section 203(f)(8)*
21 *(A) in 1977 from becoming effective to the extent that such*
22 *new exempt amount applies to individuals other than those*
23 *described in section 203(f)(8)(D) of such Act (as so*
24 *added).*

1 (d) Subsections (f)(1), (f)(3), (f)(4)(B), and
2 (h)(1)(A) of section 203 of such Act are each amended by
3 striking out “\$200 or the exempt amount” and inserting in
4 lieu thereof “the applicable exempt amount”.

5 (e) The amendments made by this section shall apply
6 with respect to taxable years ending after December 1977.

7 **ELIMINATION OF MONTHLY EARNINGS TEST**

8 SEC. 502. (a) Clause (E) of the last sentence of
9 section 203(f)(1) of the Social Security Act (as amended
10 by section 501(d) of this Act) is further amended by
11 inserting before the period at the end thereof the following:
12 “, if such month is in the taxable year in which occurs the
13 first month that is both (i) a month for which the individual
14 is entitled to benefits under subsection (a), (b), (c), (d),
15 (e), (f), (g), or (h) of section 202 (without having been
16 entitled for the preceding month to a benefit under any
17 other of such subsections), and (ii) a month in which the
18 individual did not engage in self-employment and did not
19 render services for wages (determined as provided in para-
20 graph (5)) of more than the exempt amount as determined
21 under paragraph (8)”.

22 (b) The amendment made by subsection (a) shall apply
23 only with respect to monthly benefits payable for months after
24 December 1977.

1 **LIBERALIZATION OF TEST FOR DETERMINING DEDUCTIONS**
2 **ON ACCOUNT OF NONCOVERED WORK OUTSIDE THE**
3 **UNITED STATES**

4 *SEC. 503. (a) Effective with respect to months in taxable*
5 *years ending after 1977 and before 1979, subsections (c)(1),*
6 *(d)(1), and (d)(2) of section 203 of the Social Security*
7 *Act (as amended by the preceding provisions of this Act)*
8 *are each amended by striking out "seven or more" and*
9 *inserting in lieu thereof "nine or more".*

10 *(b) Effective with respect to months in taxable years end-*
11 *ing after 1978, subsections (c)(1), (d)(1), and (d)(2) of*
12 *such section 203 (as amended by subsection (a) of this sec-*
13 *tion) are each further amended by striking out "nine or more"*
14 *and inserting in lieu thereof "twelve or more".*

15 **TITLE VI—COMBINED SOCIAL SECURITY AND**
16 **INCOME TAX ANNUAL REPORTING**

17 **PART A—AMENDMENTS TO TITLE II OF THE SOCIAL**
18 **SECURITY ACT**

19 **ANNUAL CREDITING OF QUARTERS OF COVERAGE**

20 *SEC. 601. (a)(1) Sections 209(g)(3), 209(j), 210*
21 *(a)(17)(A), and 210(f)(4)(B) of the Social Security*
22 *Act are each amended by striking out "quarter" wherever*
23 *it appears and inserting in lieu thereof "year".*

24 *(2) Sections 209(g)(3) and 209(j) of such Act are*
25 *each further amended by striking out "\$50" and inserting*
26 *in lieu thereof "\$100".*

1 “(1) in the case of a taxable year which is a calen-
2 dar year, be credited equally to each quarter of such
3 calendar year; and

4 “(2) in the case of any other taxable year, be
5 credited equally to the calendar quarter in which such
6 taxable year ends and to each of the next three or fewer
7 preceding quarters any part of which is in such taxable
8 year.

9 “(b) For the purposes of determining average indexed
10 monthly earnings, average monthly wage, and quarters of
11 coverage the amount of self-employment income derived dur-
12 ing any taxable year which begins after 1977 shall—

13 “(1) in the case of a taxable year which is a
14 calendar year or which begins with or during a calendar
15 year and ends with or during such year, be credited to
16 such calendar year; and

17 “(2) in the case of any other taxable year, be
18 allocated proportionately to the two calendar years,
19 portions of which are included within such taxable year,
20 on the basis of the number of months in each such
21 calendar year which are included completely within the
22 taxable year.

23 For purposes of clause (2), the calendar month in which a
24 taxable year ends shall be treated as included completely
25 within that taxable year.”.

1 (c) Section 213(a)(2) of such Act is amended to read
2 as follows:

3 “(2) (A) The term ‘quarter of coverage’ means—

4 “(i) for calendar years before 1978, and subject to
5 the provisions of subparagraph (B), a quarter in which
6 an individual has been paid \$50 or more in wages
7 (except wages for agricultural labor paid after 1954)
8 or for which he has been credited (as determined
9 under section 212) with \$100 or more of self-employ-
10 ment income; and

11 “(ii) for calendar years after 1977, and subject
12 to the provisions of subparagraph (B), each portion of
13 the total of the wages paid and the self-employment
14 income credited (pursuant to section 212) to an individ-
15 ual in a calendar year which equals \$250, with such
16 quarter of coverage being assigned to a specific calendar
17 quarter in such calendar year only if necessary in the
18 case of any individual who has attained age 62 or died
19 or is under a disability and the requirements for insured
20 status in subsection (a) or (b) of section 214, the
21 requirements for entitlement to a computation or re-
22 computation of his primary insurance amount, or the
23 requirements of paragraph (3) of section 216(i) would
24 not otherwise be met.

1 “(B) Notwithstanding the provisions of subparagraph
2 (A)—

3 “(i) no quarter after the quarter in which an
4 individual dies shall be a quarter of coverage, and no
5 quarter any part of which is included in a period of
6 disability (other than the initial quarter and the last
7 quarter of such period) shall be a quarter of coverage:

8 “(ii) if the wages paid to an individual in any
9 calendar year equal to \$3,000 in the case of a calendar
10 year before 1951, or \$3,600 in the case of a calendar
11 year after 1950 and before 1955, or \$4,200 in the case
12 of a calendar year after 1954 and before 1959, or \$4,800
13 in the case of a calendar year after 1958 and before
14 1966, or \$6,600 in the case of a calendar year after 1965
15 and before 1968, or \$7,800 in the case of a calendar
16 year after 1967 and before 1972, or \$9,000 in the case
17 of the calendar year 1972, or \$10,800 in the case of the
18 calendar year 1973, or \$13,200 in the case of the calen-
19 dar year 1974, or an amount equal to the contribution
20 and benefit base (as determined under section 230) in
21 the case of any calendar year after 1974 with respect
22 to which such contribution and benefit base is effective,
23 each quarter of such year shall (subject to clauses (i)
24 and (v)) be a quarter of coverage;

25 “(iii) if an individual has self-employment income

1 *for a taxable year, and if the sum of such income and*
2 *the wages paid to him during such year equals \$3,600*
3 *in the case of a taxable year beginning after 1950 and*
4 *ending before 1955, or \$4,200 in the case of a taxable*
5 *year ending after 1954 and before 1959, or \$4,800 in*
6 *the case of a taxable year ending after 1958 and before*
7 *1966, or \$6,600 in the case of a taxable year ending*
8 *after 1965 and before 1968, or \$7,800 in the case of*
9 *a taxable year ending after 1967 and before 1972, or*
10 *\$9,000 in the case of a taxable year beginning after*
11 *1971 and before 1973, or \$10,800 in the case of a tax-*
12 *able year beginning after 1972 and before 1974, or*
13 *\$13,200 in the case of a taxable year beginning after*
14 *1973 and before 1975, or an amount equal to the con-*
15 *tribution and benefit base (as determined under section*
16 *230) which is effective for the calendar year in the case*
17 *of any taxable year beginning in any calendar year after*
18 *1974, each quarter any part of which falls in such year*
19 *shall (subject to clauses (i) and (v)) be a quarter of*
20 *coverage;*

21 *“(iv) if an individual is paid wages for agricultural*
22 *labor in a calendar year after 1954 and before 1978,*
23 *then, subject to clauses (i) and (v), (I) the last quar-*
24 *ter of such year which can be but is not otherwise a*
25 *quarter of coverage shall be a quarter of coverage if such*

1 wages equal or exceed \$100 but are less than \$200;
2 (II) the last two quarters of such year which can be
3 but are not otherwise quarters of coverage shall be
4 quarters of coverage if such wages equal or exceed \$200
5 but are less than \$300; (III) the last three quarters of
6 such year which can be but are not otherwise quarters
7 of coverage shall be quarters of coverage if such wages
8 equal or exceed \$300 but are less than \$400; and (IV)
9 each quarter of such year which is not otherwise a quar-
10 ter of coverage shall be a quarter of coverage if such
11 wages are \$400 or more;

12 “(v) no quarter shall be counted as a quarter of
13 coverage prior to the beginning of such quarter;

14 “(vi) not more than one quarter of coverage may
15 be credited to a calendar quarter; and

16 “(vii) no more than four quarters of coverage may
17 be credited to any calendar year after 1977.

18 If in the case of an individual who has attained age 62 or
19 died or is under a disability and who has been paid wages
20 for agricultural labor in a calendar year after 1954 and
21 before 1978, the requirements for insured status in subsec-
22 tion (a) or (b) of section 214, the requirements for entitle-
23 ment to a computation or recomputation of his primary
24 insurance amount, or the requirements of paragraph (3)
25 of section 216(i) are not met after assignment of quarters

1 of coverage to quarters in such year as provided in clause
2 (iv) of the preceding sentence, but would be met if such
3 quarters of coverage were assigned to different quarters in
4 such year, then such quarters of coverage shall instead be
5 assigned, for purposes only of determining compliance with
6 such requirements, to such different quarters. If, in the case
7 of an individual who did not die prior to January 1, 1955,
8 and who attained age 62 (if a woman) or age 65 (if a man)
9 or died before July 1, 1957, the requirements for insured
10 status in section 214(a)(3) are not met because of his
11 having too few quarters of coverage but would be met if his
12 quarters of coverage in the first calendar year in which he
13 had any covered employment had been determined on the
14 basis of the period during which wages were earned rather
15 than on the basis of the period during which wages were paid
16 (any such wages paid that are reallocated on an earned basis
17 shall not be used in determining quarters of coverage for sub-
18 sequent calendar years), then upon application filed by the
19 individual or his survivors and satisfactory proof of his
20 record of wages earned being furnished by such individual
21 or his survivors, the quarters of coverage in such calendar
22 year may be determined on the basis of the periods during
23 which wages were earned.”.

24 (d) The amendments made by subsection (a) shall
25 apply with respect to remuneration paid and services ren-

1 *dered after December 31, 1977. The amendments made by*
2 *subsections (b) and (c) shall be effective January 1, 1978.*

3 *ADJUSTMENT IN AMOUNT REQUIRED FOR A QUARTER OF*
4 *COVERAGE*

5 *SEC. 602. (a) Section 213(a)(2)(A)(ii) of the*
6 *Social Security Act, as amended by section 601(c) of this*
7 *Act, is amended by striking out "\$250" and inserting in*
8 *lieu thereof "the amount required for a quarter of coverage*
9 *in that calendar year (as determined under subsection (e))".*

10 *(b) Section 213 of such Act is further amended by*
11 *adding at the end thereof (after the new subsection added*
12 *by section 304 of this Act) the following new subsection:*

13 *"Amount Required for a Quarter of Coverage*

14 *"(e)(1) The amount of wages and self-employment*
15 *income which an individual must have in order to be credited*
16 *with a quarter of coverage in any year under subsection*
17 *(a)(2)(A)(ii) shall be \$250 in the calendar year 1978*
18 *and the amount determined under paragraph (2) of this*
19 *subsection for years after 1978.*

20 *"(2) The Secretary shall, on or before November 1 of*
21 *1978 and of every year thereafter, determine and publish*
22 *in the Federal Register the amount of wages and self-*
23 *employment income which an individual must have in order*
24 *to be credited with a quarter of coverage in the succeeding*

1 *calendar year. The amount required for a quarter of cov-*
2 *erage shall be the larger of—*

3 *“(A) the amount in effect in the calendar year in*
4 *which the determination under this subsection is made, or*

5 *“(B) the product of the amount prescribed in para-*
6 *graph (1) which is required for a quarter of coverage*
7 *in 1978 and the ratio of the average of the total wages*
8 *(as defined in regulations of the Secretary and computed*
9 *without regard to the limitations specified in section 209*
10 *(a)) reported to the Secretary of the Treasury or his*
11 *delegate for the calendar year before the year in which*
12 *the determination under this paragraph is made to the*
13 *average of the total wages (as so defined and computed)*
14 *reported to the Secretary of the Treasury or his delegate*
15 *for 1976 (as published in the Federal Register in*
16 *accordance with section 215(a)(1)(D)),*

17 *with such product, if not a multiple of \$10, being rounded*
18 *to the next higher multiple of \$10 where such amount is a*
19 *multiple of \$5 but not of \$10 and to the nearest multiple of*
20 *\$10 in any other case.”.*

21 *(c) The amendments made by this section shall be*
22 *effective January 1, 1978.*

TECHNICAL AND CONFORMING AMENDMENTS

1 *SEC. 603. (a)(1) Section 203(f)(8)(B)(i) of the*
2 *Social Security Act is amended by striking out "was" wher-*
3 *ever it appears and inserting in lieu thereof "is".*

4 *(2) Section 203(f)(8)(B)(ii) of such Act is amended*
5 *to read as follows:*

6 *"(ii) the product of the exempt amount de-*
7 *scribed in clause (i) and the ratio of (I) the aver-*
8 *age of the total wages (as defined in regulations of*
9 *the Secretary and computed without regard to the*
10 *limitations specified in section 209(a)) reported to*
11 *the Secretary of the Treasury or his delegate for the*
12 *calendar year before the calendar year in which the*
13 *determination under subparagraph (A) is made to*
14 *(II) the average of the total wages (as so defined*
15 *and computed) reported to the Secretary of the*
16 *Treasury or his delegate for the calendar year*
17 *before the most recent calendar year in which*
18 *an increase in the exempt amount was en-*
19 *acted or a determination resulting in such an in-*
20 *crease was made under subparagraph (A), with*
21 *such product, if not a multiple of \$10, being*
22 *rounded to the next higher multiple of \$10*
23 *where such product is a multiple of \$5 but not*

1 of \$10 and to the nearest multiple of \$10 in any
2 other case.”.

3 (b)(1) *The first sentence of section 218(c)(8) of such*
4 *Act is amended by striking out “quarter” wherever it ap-*
5 *pears and inserting in lieu thereof “year”, and by striking*
6 *out “\$50” and inserting in lieu thereof “\$100”.*

7 (2) *Section 218(q)(4)(B) of such Act is amended*
8 *by striking out “any calendar quarters” and inserting in lieu*
9 *thereof “a calendar year”, and by striking out “such calendar*
10 *quarters” and inserting in lieu thereof “such calendar year”.*

11 (3) *Section 218(q)(6)(B) of such Act is amended*
12 *by striking out “calendar quarters designated by the State in*
13 *such wage reports as the” and inserting in lieu thereof*
14 *“period or periods designated by the State in such wage*
15 *reports as the period or”.*

16 (4) *Section 218(r)(1) of such Act is amended—*

17 (A) *by striking out “quarter” in the matter before*
18 *clause (A) and inserting in lieu thereof “year”,*

19 (B) *by striking out “in which occurred the calendar*
20 *quarter” in clause (A), and*

21 (C) *by striking out “quarter” in clause (B) and*
22 *inserting in lieu thereof “year”.*

23 (c)(1) *Effective with respect to estimates for calen-*
24 *dar years beginning after December 31, 1977, section 224*
25 *(a) of such Act is amended by striking out the last sentence.*

1 (2) Section 224(f)(2) of such Act is amended to read
2 as follows:

3 “(2) In making the redetermination required by para-
4 graph (1), the individual’s average current earnings (as
5 defined in subsection (a)) shall be deemed to be the
6 product of—

7 “(A) his average current earnings as initially
8 determined under subsection (a);

9 “(B) the ratio of (i) the average of the total wages
10 (as defined in regulations of the Secretary and computed
11 without regard to the limitations specified in section
12 209(a)) reported to the Secretary of the Treasury or
13 his delegate for the calendar year before the year in
14 which such redetermination is made to (ii) the average
15 of the total wages (as so defined and computed) re-
16 ported to the Secretary of the Treasury or his delegate
17 for calendar year 1977 or, if later, the calendar year
18 before the year in which the reduction was first com-
19 puted (but not counting any reduction made in benefits
20 for a previous period of disability); and

21 “(C) in any case in which the reduction was first
22 computed before 1978, the ratio of (i) the average of
23 the taxable wages reported to the Secretary for the
24 first calendar quarter of 1977 to (ii) the average of the
25 taxable wages reported to the Secretary for the first

1 *calendar quarter of the calendar year before the year in*
2 *which the reduction was first computed (but not count-*
3 *ing any reduction made in benefits for a previous period*
4 *of disability).*

5 *Any amount determined under this paragraph which is not*
6 *a multiple of \$1 shall be reduced to the next lower multiple*
7 *of \$1.”.*

8 *(d) Section 229(a) of such Act is amended—*

9 *(1) by striking out “shall be deemed to have been*
10 *paid, in each calendar quarter occurring after 1956 in*
11 *which he” and inserting in lieu thereof “, if he”, and*

12 *(2) by striking out “wages (in addition to the*
13 *wages actually paid to him for such service) of \$300.”*
14 *at the end thereof and inserting in lieu thereof the*
15 *following: “shall be deemed to have been paid—*

16 *“(1) in each calendar quarter occurring after 1956*
17 *and before 1978 in which he was paid such wages, addi-*
18 *tional wages of \$300, and*

19 *“(2) in each calendar year occurring after 1977*
20 *in which he was paid such wages, additional wages of*
21 *\$100 for each \$300 of such wages, up to a maximum*
22 *of \$1,200 of additional wages for any calendar year.”.*

23 *(e)(1) Section 230(b) of such Act is amended by*
24 *striking out the last sentence.*

1 (2) Section 230(b)(1) of such Act is amended to
2 read as follows:

3 “(1) the contribution and benefit base which is in
4 effect with respect to remuneration paid in (and taxable
5 years beginning in) the calendar year in which the
6 determination under subsection (a) is made, and”.

7 (3) Section 230(b)(2) of such Act is amended to
8 read as follows:

9 “(2) the ratio of (A) the average of the total
10 wages (as defined in regulations of the Secretary and
11 computed without regard to the limitations specified in
12 section 209(a)) reported to the Secretary of the Treas-
13 ury or his delegate for the calendar year before the
14 calendar year in which the determination under subsec-
15 tion (a) is made to (B) the average of the total wages
16 (as so defined and computed) reported to the Secretary
17 of the Treasury or his delegate for the calendar year
18 before the most recent calendar year in which an in-
19 crease in the contribution and benefit base was enacted
20 or a determination resulting in such an increase was
21 made under subsection (a),”.

22 (f)(1) Effective with respect to convictions after De-
23 cember 31, 1977, section 202(u)(1)(C) of such Act is
24 amended by striking out “quarter” wherever it appears and
25 inserting in lieu thereof “year”.

1 (2) (A) Section 205(c)(1) of such Act is amended by
2 striking out “(as defined in section 211(e))”.

3 (B) Section 205(c)(1) of such Act is further amended
4 by adding at the end thereof the following new subpara-
5 graph:

6 “(D) The term ‘period’ when used with respect to
7 self-employment income means a taxable year and when
8 used with respect to wages means—

9 “(i) a quarter if wages were reported or should
10 have been reported on a quarterly basis on tax
11 returns filed with the Secretary of the Treasury or
12 his delegate under section 6011 of the Internal Rev-
13 enue Code of 1954 or regulations thereunder (or
14 on reports filed by a State under section 218(e)
15 or regulations thereunder),

16 “(ii) a year if wages were reported or should
17 have been reported on a yearly basis on such tax
18 returns or reports, or

19 “(iii) the half year beginning January 1 or
20 July 1 in the case of wages which were reported or
21 should have been reported for calendar year 1937.”.

22 (C) Section 205(o) of such Act is amended by insert-
23 ing “before 1978” after “calendar year”.

24 (g) The amendments made by subsection (b) of this
25 section shall apply with respect to remuneration paid after

1 *December 31, 1977. The amendments made by subsections*
2 *(d) and (f)(2) shall be effective January 1, 1978. Except*
3 *as otherwise specifically provided, the remaining amend-*
4 *ments made by this section shall be effective January 1,*
5 *1979.*

6 *PART B—AMENDMENTS TO THE INTERNAL REVENUE*

7 *CODE OF 1954*

8 *DEDUCTION OF TAX FROM WAGES*

9 *SEC. 611. (a) Section 3102(a) of the Internal Reve-*
10 *nue Code of 1954 is amended by striking out “or (C) or*
11 *(10)”, and by inserting after “is less than \$50;” the fol-*
12 *lowing: “and an employer who in any calendar year pays*
13 *to an employee cash remuneration to which paragraph (7)*
14 *(C) or (10) of section 3121(a) is applicable may deduct*
15 *an amount equivalent to such tax from any such payment of*
16 *remuneration, even though at the time of payment the total*
17 *amount of such remuneration paid to the employee by the*
18 *employer in the calendar is less than \$100;”.*

19 *(b)(1) Paragraphs (1) and (2) of section 3102(c)*
20 *of such Code are each amended by striking out “quarter”*
21 *wherever it appears and by inserting in lieu thereof “year”.*

22 *(2) Paragraph (3) of section 3102(c) of such Code*
23 *is amended—*

24 *(A) by striking out “quarter of the” in subpara-*
25 *graph (A); and*

1 *(B) by striking out "quarter" wherever it appears*
2 *in subparagraphs (B) and (C) and inserting in lieu*
3 *thereof "year".*

4 *(c) The amendments made by this section shall apply*
5 *with respect to remuneration paid and to tips received after*
6 *December 31, 1977.*

7 **TECHNICAL AND CONFORMING AMENDMENTS**

8 *SEC. 612. (a) Sections 3121(a)(7)(C) and 3121*
9 *(a)(10) of the Internal Revenue Code of 1954 are each*
10 *amended by striking out "quarter" wherever it appears and*
11 *inserting in lieu thereof "year", and by striking out "\$50"*
12 *and inserting in lieu thereof "\$100".*

13 *(b) Section 3121(a) of such Code is amended by strik-*
14 *ing out "or" at the end of paragraph (14), by striking out*
15 *the period at the end of paragraph (15) and inserting in lieu*
16 *thereof "; or", and by adding after paragraph (15) the*
17 *following new paragraph:*

18 *"(16) remuneration paid by an organization*
19 *exempt from income tax under section 501(a) (other*
20 *than an organization described in section 401(a)) or*
21 *under section 521 in any calendar year to an employee*
22 *for service rendered in the employ of such organization,*
23 *if the remuneration paid in such year by the organiza-*
24 *tion to the employee for such service is less than \$100."*

1 **TITLE VII—MISCELLANEOUS PROVISIONS**2 **ACTUARIAL REDUCTION OF BENEFIT INCREASES TO BE**3 **APPLIED AS OF TIME OF ORIGINAL ENTITLEMENT**

4 **SEC. 701. (a)** *Effective with respect to monthly benefits*
5 *payable for months after December 1977, section 202(q)(4)*
6 *of the Social Security Act is amended by striking out all that*
7 *follows subparagraph (B) and inserting in lieu thereof the*
8 *following:*

9 *“then the amount of the reduction of such benefit (after the*
10 *application of any adjustment under paragraph (7)) for*
11 *each month beginning with the month of such increase in the*
12 *primary insurance amount shall be computed under para-*
13 *graph (1) or (3), whichever applies, as though the increased*
14 *primary insurance amount had been in effect for and after*
15 *the month for which the individual first became entitled to*
16 *such monthly benefit reduced under such paragraph (1) or*
17 *(3).”.*

18 **(b)** *For purposes of applying section 202(q)(4) of*
19 *the Social Security Act, as amended by subsection (a) of*
20 *this section, to monthly benefits payable for any month after*
21 *December 1977 in the case of an individual who was*
22 *entitled to a monthly benefit as reduced under section 202*
23 *(q) (1) or (3) of such Act prior to January 1978, the*

1 amount of reduction in such benefit for the first month for
2 which such benefit is increased by reason of an increase in
3 the primary insurance amount of the individual on whose
4 wages and self-employment income such benefit is based and
5 for all subsequent months (and similarly for all subsequent
6 increases) shall be increased by a percentage equal to the
7 percentage of the increase in such primary insurance amount
8 (such increase being made in accordance with the provi-
9 sions of section 202(q)(8) of such Act). Where such indi-
10 vidual's benefit, reduced under section 202(q) of such Act,
11 is increased as a result of the use of an adjusted reduction
12 period or an additional adjusted reduction period (in ac-
13 cordance with paragraphs (1) and (3) of such section 202
14 (q)), then for the first month for which such increase is
15 effective and for all subsequent months, the amount of such
16 reduction (after the application of the previous sentence,
17 if an increase in the primary insurance amount is appli-
18 cable) shall be determined—

19 (1) in the case of old-age and spouse's insurance
20 benefits, by multiplying such amount by the ratio of (A)
21 the number of months in the adjusted reduction period
22 to (B) the number of months in the reduction period,

23 (2) in the case of widow's and widower's insurance
24 benefits for the month in which such individual attains
25 age 62, by multiplying such amount by the ratio of

1 (A) the number of months in the reduction period
2 beginning with age 62 multiplied by $1\frac{9}{40}$ of 1 per
3 centum, plus the number of months in the adjusted reduc-
4 tion period prior to age 62 multiplied by $1\frac{9}{40}$ of 1 per
5 centum, plus the number of months in the adjusted
6 additional reduction period multiplied by $4\frac{3}{240}$ of 1 per
7 centum to (B) the number of months in the reduction
8 period multiplied by $1\frac{9}{40}$ of 1 per centum, plus the
9 number of months in the additional reduction period
10 multiplied by $4\frac{3}{240}$ of 1 per centum, and

11 (3) in the case of widow's and widower's insurance
12 benefits for the month in which such individual attains
13 age 65, by multiplying such amount by the ratio of (A)
14 the number of months in the adjusted reduction period
15 multiplied by $1\frac{9}{40}$ of 1 per centum, plus the number of
16 months in the adjusted additional reduction period mul-
17 tiplied by $4\frac{3}{240}$ of 1 per centum to (B) the number of
18 months in the reduction period beginning with age 62
19 multiplied by $1\frac{9}{40}$ of 1 per centum, plus the number of
20 months in the adjusted reduction period prior to age 62
21 multiplied by $1\frac{9}{40}$ of 1 per centum, plus the number
22 of months in the adjusted additional reduction period
23 multiplied by $4\frac{3}{240}$ of 1 per centum,

24 with each such decrease being made in accordance with the
25 provisions of section 202(q)(8) of such Act.

1 (c) *When an individual is entitled to more than one*
2 *monthly benefit under title II of the Social Security Act for*
3 *any month and one or more of such benefits are reduced under*
4 *section 202(q) of the Social Security Act, as amended by*
5 *this Act, subsection (b) of this section shall apply separately*
6 *to each such benefit before the application of section 202(k)*
7 *of such Act (pertaining to the method by which monthly bene-*
8 *fits are offset when an individual is entitled to more than one*
9 *kind of benefit), and the application of this subsection shall*
10 *operate in conjunction with section 202(q)(3) of the Social*
11 *Security Act.*

12 (d)(1) *Section 202(q)(7)(C) of the Social Security*
13 *Act is amended by striking out "because" and all that follows*
14 *and inserting in lieu thereof "because of the occurrence*
15 *of an event that terminated her or his entitlement to such*
16 *benefits,".*

17 (2) *Section 202(q)(3)(H) of such Act is amended*
18 *by inserting "for that month or" after "first entitled".*

19 **ELIMINATION OF CERTAIN OPTIONAL PAYMENT PROCE-**
20 **DURES UNDER THE OLD-AGE, SURVIVORS, AND DISA-**
21 **BILITY INSURANCE PROGRAM**

22 **SEC. 702. (a)(1)** *The first sentence of section 202(j)*
23 *(1) of the Social Security Act is amended by striking out*
24 *"An individual" and inserting "Subject to the limitations*
25 *contained in paragraph (4), an individual" in lieu thereof.*

1 (2) Section 202(j) of such Act is further amended by
2 inserting at the end thereof the following new paragraph:

3 “(4)(A) Except as provided in subparagraph (B), no
4 individual shall be entitled to benefits under subsection (a),
5 (b), (c), (e), or (f) for any month prior to the month
6 in which he or she files an application for such benefits if the
7 effect of such payment would be to reduce, pursuant to
8 subsection (q), the monthly benefits to which such indi-
9 vidual would otherwise be entitled.

10 “(B)(i) If the individual applying for retroactive
11 benefits is applying for such benefits under subsection (a),
12 and there are one or more other persons who would, except
13 for subparagraph (A), be entitled for any month, on the
14 basis of the wages and self-employment income of such in-
15 dividual and because of such individual’s entitlement to such
16 retroactive benefits, to retroactive benefits under subsection
17 (b), (c), or (d) not subject to reduction under subsection
18 (q), then subparagraph (A) shall not apply with respect
19 to such month or any subsequent month.

20 “(ii) If the individual applying for retroactive benefits
21 is a surviving spouse, or surviving divorced spouse who is
22 under a disability (as defined in section 223(d)), and such
23 individual would, except for subparagraph (A), be entitled
24 to retroactive benefits as a disabled surviving spouse, or
25 surviving divorced spouse for any month before he or she

1 attained the age of 60, then subparagraph (A) shall not
2 apply with respect to such month or any subsequent month.

3 “(iii) If the individual applying for retroactive benefits
4 has excess earnings (as defined in section 203(f)) in the
5 year in which he or she files an application for such benefits
6 which could, except for subparagraph (A), be charged to
7 months in such year prior to the month of application, then
8 subparagraph (A) shall not apply to so many of such
9 months immediately preceding the month of application as
10 are required to charge such excess earnings to the maximum
11 extent possible.”.

12 (3) Section 226(h) of such Act is amended by adding
13 at the end thereof the following new paragraph:

14 “(4) For the purposes of determining entitlement to
15 hospital insurance benefits under subsection (b) in the case
16 of an individual described in clause (iii) of subsection (b)
17 (2)(A), the entitlement of such individual to widow's or
18 widower's insurance benefits under section 202(e) or (f)
19 by reason of a disability shall be deemed to be the entitle-
20 ment to such benefits that would result if such entitlement
21 were determined without regard to the provisions of sec-
22 tion 202(j) (4).”.

23 (b) The amendments made by this section shall be
24 effective with respect to applications for benefits under title

1 *II of the Social Security Act filed on or after January 1,*
2 *1978.*

3 **EARLY MAILING OF BENEFIT CHECKS WHERE REGULARLY**
4 **SCHEDULED DELIVERY DAY FALLS ON SATURDAY,**
5 **SUNDAY, OR LEGAL HOLIDAY**

6 *SEC. 703. (a) Title VII of the Social Security Act is*
7 *amended by adding at the end thereof the following new*
8 *section:*

9 **"TIME FOR DELIVERY OF BENEFIT CHECKS WHEN REGULAR**
10 **DELIVERY DAY FALLS ON A SATURDAY, SUNDAY, OR**
11 **LEGAL HOLIDAY**

12 *"SEC. 708. (a) If the day regularly designated for the*
13 *delivery of benefit checks under title II or title XVI falls on a*
14 *Saturday, Sunday, or legal public holiday (as defined in*
15 *section 6103 of title 5, United States Code) in any month,*
16 *the benefit checks which would otherwise be delivered on*
17 *such day shall be mailed in time for delivery, and delivered,*
18 *on the first day preceding such day which is not a Saturday,*
19 *Sunday, or legal public holiday (as so defined), without re-*
20 *gard to whether the delivery of such checks would as a re-*
21 *sult have to be made before the end of the month for which*
22 *such checks are issued.*

23 *"(b) If more than the correct amount of payment under*
24 *title II or XVI is made to any individual as a result of the*

1 receipt of a benefit check pursuant to subsection (a) before
2 the end of the month for which such check is issued, no action
3 shall be taken (under section 204 or 1631(b) or otherwise)
4 to recover such payment or the incorrect portion thereof.”.

5 (b) The amendment made by subsection (a) of this
6 section shall apply with respect to benefit checks the
7 regularly designated day for delivery of which occurs on or
8 after the thirtieth day after the date of the enactment of this
9 Act.

10

DEFINITION

11 SEC. 704. As used in this Act and the amendments to
12 the Social Security Act made by this Act, the term “Sec-
13 retary” means, unless the context otherwise requires, the
14 Secretary of Health, Education, and Welfare.

Union Calendar No. 370

95TH CONGRESS
1ST SESSION

H. R. 9346

[Report No. 95_702, Parts I and II]

A BILL

To amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide coverage under the system for officers and employees of the United States, of the State and local governments, and of non-profit organizations, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes.

By Mr. ULLMAN

SEPTEMBER 27, 1977

Referred to the Committee on Ways and Means

OCTOBER 12, 1977

Reported with an amendment, referred to the Committee on Post Office and Civil Service for a period ending not later than October 17, 1977, for consideration of section 301 of the bill and amendment as reported by the Committee on Ways and Means, and ordered to be printed

OCTOBER 17, 1977

Reported from the Committee on Post Office and Civil Service with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

PROVIDING FOR CONSIDERATION OF H.R. 9346, SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

Mr. BOLLING. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 839 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. Res. 839

Resolved, That upon the adoption of this resolution it shall be in order to move, clause 2(1)(6) of rule XI and sections 303(a)(2) and 303(a)(4) of the Congressional Budget Act of 1974 (Public Law 93-344) to the contrary notwithstanding, that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1964 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide coverage under the system for officers and employees of the United States, of the State and local governments, and of non-profit organizations, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes. After general debate, which shall be confined to the bill and shall continue not to exceed three and a half hours, three hours to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, and a half hour to be equally divided and controlled by the chairman and ranking minority member of the Committee on Post Office and Civil Service, the bill shall be read for amendment under the five-minute rule. It shall be in order to consider the amendment in the nature of a substitute recommended by the Committee on Ways and Means now printed in the bill as an original bill for the purpose of amendment under the five-minute rule, said substitute shall be considered as having been read for amendment and shall not be subject to a demand for a division of the question in the House or in Committee of the Whole, and all points of order against said substitute for failure to comply with the provisions of clause 5 of rule XXI and of sections 303(a)(2) and 303(a)(4) of the Congressional Budget Act of 1974 (Public Law 93-344) are hereby waived. No amendments to the bill or to the committee amendment in the nature of a substitute shall be in order except the following amendments to the committee amendment in the nature of a substitute: said amendments shall be in order any rule of the House to the contrary notwithstanding, shall not be subject to amendment except as specified in this resolution, shall not be subject to a demand for a division of the question in the House or in Committee of the Whole, and shall only be considered in the following order:

(1) the amendment recommended by the Committee on Post Office and Civil Service now printed in the bill, and said amendment shall be subject to a substitute consisting of the text of an amendment printed in the Congressional Record of October 17, 1977, by, and if offered by, Representative Fisher of Virginia;

(2) an amendment printed in the Congressional Record of October 17, 1977, by, and

if offered by, Representative Jenkins of Georgia to title I of the committee amendment in the nature of a substitute;

(3) an amendment printed in the Congressional Record of October 18, 1977, by, and if offered by, Representative Pickle of Texas;

(4) an amendment printed in the Congressional Record of October 18, 1977, by, and if offered by, Representative Corman of California;

(5) an amendment printed in the Congressional Record of October 17, 1977, by, and if offered by, Representative Steiger of Wisconsin;

(6) an amendment printed in the Congressional Record of October 17, 1977, by, and if offered by, Representative Ketchum of California;

(7) an amendment printed in the Congressional Record of October 17, 1977, by, and if offered by, Representative Jenkins of Georgia adding a new title VIII to the committee amendment in the nature of a substitute; and

(8) an amendment in the nature of a substitute for the committee amendment in the nature of a substitute consisting of the text of the bill H.R. 9695 if offered by Representative Conable of New York.

Debate under the five-minute rule on each amendment made in order by this resolution to the committee amendment in the nature of a substitute or to an amendment thereto shall continue not to exceed thirty minutes, to be equally divided and controlled by the proponent of the amendment and the chairman of the Committee on Ways and Means or his designee. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and any Member may demand a separate vote in the House on any amendment adopted in the Committee of the Whole to the bill or to the committee amendment in the nature of a substitute. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

The SPEAKER pro tempore. The gentleman from Missouri (Mr. BOLLING) is recognized for 1 hour.

Mr. BOLLING. Mr. Speaker, I yield 30 minutes to the gentleman from Ohio (Mr. LATTA), pending which I yield myself such time as I may consume.

Mr. Speaker, this is an unusual rule and a complicated rule, but it is a rule very carefully designed to be fair and equitable. It is designed especially at the request of the two committees involved and it is designed to give the House and its Members an opportunity to work their will on a very complicated, difficult, and important matter.

When the rule was before the Committee on Rules, it was clear that all the members, virtually all the members of the two committees involved, were supportive of the rule and felt that it was necessary to have this kind of rule in order to deal with this extraordinarily difficult matter. That being the case, Mr. Speaker, I hope there will be little real opposition to the matter. I think it should be considered. I think the rule should be adopted. I think that the matter before us should be acted on.

I, therefore, reserve the balance of my time.

Mr. BAUMAN. Mr. Speaker, will the gentleman yield for a question?

Mr. BOLLING. I yield to the gentleman from Maryland.

Mr. BAUMAN. Mr. Speaker, the rule on pages 2 and 4 refers to debate under the 5-minute rule. Reading the context of the rule, I do not see any 5-minute rule permitted. All I see is a 30-minute rule to be controlled by the proponents and the opponents of each of the eight amendments made in order. That severely limits the usual rights of all Members, save a select few.

This is a rather extraordinary approach to the 5-minute rule. I assume it even prohibits pro forma amendments. That is a rather severe limitation on debate, even if the matter is extraordinarily difficult.

Mr. BOLLING. Mr. Speaker, there is no question it is a limitation on debate, but it really is not quite as limited as debate used to be on virtually all Ways and Means Committee matters. It used to be they were considered under closed rules, so this is an attempt to give to the House an opportunity in an orderly fashion to deal with the key questions that came up in the various committees. In that sense, it is a liberation. In another sense, it is a limitation.

Mr. BAUMAN. Mr. Speaker, if the gentleman will yield further, I would say to the gentleman that one man's liberation is another man's slavery. It seems to me if pro forma amendments are not in order then we do not have any rights under the 5-minute rule. The Committee on Rules is dealing with a rather euphemistic phrase even to refer to it. I thank the gentleman.

Mr. LATTA. Mr. Speaker, I yield myself such time as I may consume.

(Mr. LATTA asked and was given permission to revise and extend his remarks.)

Mr. LATTA. Mr. Speaker, I think the gentleman from Missouri has adequately described this rule. I would like to emphasize that it is a closed rule, except for certain amendments made in order by the Committee on Rules—to be offered by whom? Members of the Committee on Ways and Means. No other Member of this House will be permitted to offer an amendment, nor can any of these amendments to be proposed by the eight members of the Committee on Ways and Means be amended. We either take them or leave them just as they are proposed.

As a matter of fact, it is another one of these "trust us" arrangements made in order for the Ways and Means Committee.

Mr. Speaker, Members of the House will once again be relegated to the role of second-class Congressmen by this resolution, with the exception of members of the Committee on Ways and Means. How does this come about? We always hear the argument in the Committee on Rules that you cannot offer any amendments to tax bills on the floor in this body because we might inadvertently adopt an amendment which would cost the Treasury some revenue. Then what happens when the bill gets over on the other side of this Capitol Building? Do they have such a rule?

No, all Members of the U.S. Senate can offer amendments to tax bills on the

floor. I do not know how the Ways and Means Committee can prevail as often as it does before the House Rules Committee and before this body on these requests for so-called modified closed rules, but it does; and surely it did in this instance.

Let me say that, being from Ohio and having the Ohio State public employees, schoolteachers, county employees, local employees, fully covered by their own retirement systems, it goes without saying that we had more mail in the last week against mandating their coverage under the social security system than during any comparable time in my memory. And certainly, it goes without saying that I am going to support the Fisher amendment, even though I cannot amend it, because it does strike out their coverage under social security. I applaud him as a member of the Ways and Means Committee for offering the amendment.

Let me say that I cannot believe that the Ways and Means Committee would attempt to bring all of these millions of people not now covered by social security, and having their own individual retirement systems, into the social security system without the benefit of any hearings. But, this fact was so testified before the Rules Committee—no hearings.

The Ways and Means Committee said: "We want you, we are going to bring you in within a 2-year period. After we bring you in, we are going to have a study for the purpose of determining how we will treat you and your tremendous investment in your own retirement systems." Would this be fair and equitable?

Well, hopefully this procedure will not be agreed to by this House. Let me say I have heard from the Governor of Ohio, in opposition to this proposal. I would like to read what he says in paragraph 2 of his letter:

Should this bill become law in its amended form, it would immediately cost the State of Ohio over \$35 million in annual payroll taxes.

Where would this extra money come from?

We had testimony before the Rules Committee that another State, the State of California, would immediately have increased costs of something like \$400 million. And who prepared these cost figures? Well, they were prepared by the National Conference of Legislatures; the National League of Cities; the National Association of Counties; and the United States Conference of Mayors. I could insert other figures in the Record as to how much it would cost other States, how much it would cost various counties, and how much it would cost certain cities if this mandated coverage put in by the Ways and Means Committee is not stricken by the Fisher amendment but I will not do so. They are all available to the Members.

Let me say in Ohio, and probably a good many other States, many schools are closing. Why? Because of lack of funds. Yet, believe it or not, they are bringing in the teachers and other school employees under this provision and would be putting additional financial burdens on the school districts.

How much would this cost these school

districts? Well, it will cost them an added 6 percent of their payroll at the beginning with more later. I have a memorandum from Dr. Franklin Walters, superintendent of public instruction, Ohio Department of Education. Let me read just a paragraph of what he says about this legislation before us today.

This change—

Meaning bringing schoolteachers in under social security—

could in effect destroy many of the public employee retirement systems such as the State Teachers Retirement System in Ohio. The extra costs placed on school districts to participate in a dual system, and other differences in the system such as retirement age, render the two systems incompatible and would create great financial strain on school districts. Much further study is required before such a move should be considered.

Mr. Speaker, schoolteachers are underpaid, in my opinion, for the valuable and lasting service they provide. I know it to be a fact that many of them have taken a lesser salary over the years of their service with the thought that they would have an adequate retirement system—paid for by deductions of 8 percent from their paychecks and payments of another 13 percent by the board of education—awaiting them when they no longer answer the class bell. To now deny them this retirement or to modify it in any way, would be unfair and wrong.

Where would the school districts, which are having a hard time keeping their doors open now, get this added money to pay into the social security system when voters are rejecting operating levies in some school districts at present?

I have another telegram from Louis Koenig, chairman of the Ohio State Teachers Retirement Board, in opposition to this provision.

I have a wire from John Hauck, executive director of the Buckeye Association of School Administrators, against it.

I have a telegram from the president of the Ohio Federation of Teachers, AFL-CIO, which reads:

As you know, on October 20, 1977, the House of Representatives is scheduled to hear H.R. 9346 which would place the State Retirement Systems of Public Employees under the national Social Security System.

Some states have public employees who are covered both by their own retirement systems and social security. This is not the case in Ohio nor do Ohio teachers desire to be included in the Social Security System now.

Talk about local government. We have heard from practically every village and every city in my district, in opposition to this provision. Why? Because they do not have these extra funds and their employees are satisfied with the retirement systems they now have.

Mr. STEIGER. Mr. Speaker, will the gentleman yield?

Mr. LATTA. When I finish my statement I will be happy to yield to the gentleman, a member of the Committee on Ways and Means, which reported this bill.

Mr. Speaker, let me say I have a letter from the city of Bowling Green,

which sets forth how much this added coverage will cost this community.

Mr. Speaker, I wonder if the Committee on Ways and Means gave any thought as to how the additional funds would be raised if this provision became law?

Mr. GIBBONS. Mr. Speaker, if the gentleman will yield, may I help the gentleman on that point?

Mr. LATTA. No, I do not need the gentleman's help at this point.

Mr. Speaker, let me say that no thought—no thought—was given by the Committee on Ways and Means, which had no hearings on it, as to where these extra dollars would come from to maintain these local communities, counties, school districts, and the States, if this extra burden was thrust upon them.

Mr. Speaker, let me say that I have a telegram in my hand from the Ohio County Officials Association, in opposition to this provision.

And so the opposition goes. I just wished I could insert all of the letters we received in opposition to this proposal in the Record, but it would be too costly to do so.

Mr. MOTT. Mr. Speaker, will the gentleman yield?

Mr. LATTA. I yield to the gentleman from Ohio (Mr. MORRI) who is not a member of the Committee on Ways and Means, but who knows something about the Ohio situation if this provision stays in the bill.

(Mr. MOTT asked and was given permission to revise and extend his remarks.)

Mr. MOTT. Mr. Speaker, I rise to oppose the rule and the bill because I sincerely feel that the entire effort by the Ways and Means Committee, to bolster the financially distressed social security trust funds, is a total disaster.

Their answer to the social security trust fund dilemma is to add Federal, State, and local employees into the social security system when most of these employees are extremely reluctant to join and are presently happy with their own retirement systems.

There has been no explanation by the Ways and Means Committee as to what will happen to the present retirement funds they have paid into for so many years.

Therefore, I support the Fisher amendment to exclude the Federal, State, and local employees from the social security system.

Another aspect of this bad piece of legislation is to raise dramatically the taxes charged to the employer and employee over the next few years.

I would suggest that the Ways and Means Committee consider my proposal which I have introduced in the past two sessions of Congress that would impose a severance tax on natural resources such as oil, natural gas, coal, uranium, timber, salt, et cetera, that are extracted by private companies from Federal lands. The proceeds of this severance tax would be used to make solvent once again the social security trust funds. I think this is a much more palatable solution to the entire dilemma.

I also oppose the rule because there is not an opportunity to offer additional

constructive amendments to the Ways and Means Committee's proposal as contained in H.R. 9346.

Mr. WYLIE. Mr. Speaker, will the gentleman yield?

Mr. LATTA. I yield to the gentleman from Ohio (Mr. WYLIE) who knows something about this.

Mr. WYLIE. I thank the gentleman for yielding.

Mr. Speaker, I want to state my strong opposition to the incorporation of public employee retirement systems into the social security fund.

As a member of the general assembly for the State of Ohio, I participated in the drafting of legislation on which the five State employee retirement funds in the State of Ohio are based.

I have a letter here from the Ohio Education Association, Sally Savage, president, who states:

The Ohio Education Association and its members are totally and unalterably opposed to mandatory inclusion of Ohio teachers under Social Security.

She talks about the fine, well-funded, and actuarially sound teacher's retirement system which she thinks will be jeopardized by inclusion in this system.

So I think the gentleman from Ohio (Mr. LATTA) has performed a very valuable service by his statement. I, too, have received more mail on this particular issue than on any issue since I have been in Congress. I am unalterably opposed to the inclusion provision and I will support the Fisher amendment. I thank my friend for yielding and wish to commend him for his statement.

Mr. LATTA. Mr. Speaker, I thank the gentleman for his comments.

Let me just continue. I have a couple more things to say, and then I will be happy to yield.

I was happy to read this morning that Secretary Califano has felt the heat and saw the light on the Fisher amendment and is now supporting it. This indicates what people at the grassroots can do when they get aroused on an issue and let their voices be heard.

I am glad the administration got the word, but Califano should have gotten the word on some of the other amendments made in order which he is not supporting. He is only supporting the Fisher amendment, according to the Washington Post of October 26, 1977. He is not supporting, for example, the Pickle amendment which is made in order by this rule.

In the legislation before us today, there is a provision for borrowing from the General Treasury for social security purposes. What would this mean? It means that whenever they run low, they can borrow what they need from the General Treasury. Now, the people have already spoken out against financing social security from general revenues in no uncertain terms. Once they dip in the General Treasury, how could they ever pay it back? Raise more taxes and nobody wants more taxes.

Mr. ULLMAN. Mr. Speaker, will the gentleman yield?

Mr. LATTA. I will be happy to yield to the chairman of the Committee on Ways and Means.

Mr. ULLMAN. Mr. Speaker, I think the gentleman would want the record to be perfectly clear. In the event that the borrowing authority were triggered, I think the gentleman would want the record to be clear in stating that the bill provides for an automatic rate increase, and that would result in a payback to the general fund. That is an automatic tax rate increase, if they borrow, so we know it is going to be paid back.

Mr. LATTA. Mr. Speaker, let me ask the chairman of the Committee on Ways and Means this question: How could the gentleman at this moment tell us how much that increase would be when he does not even know how much borrowing would be required?

Mr. ULLMAN. Well, we do have a formula. The rate increase will remain in effect until the payback is accomplished, and only for that long. I think it is a good trigger mechanism, and it maintains the provision as a very sound proposition.

Mr. LATTA. Mr. Speaker, this points up in a small way why we are in the trouble. We thought we had actuarially sound recommendations coming from the Committee on Ways and Means in the past.

We cannot estimate the size of the tax increase today, because we do not know how much they are going to borrow tomorrow. To say that we can do this is, I think, a little bit ridiculous.

Everybody knows the social security system is in financial trouble. In a couple of years the social security system is going to be broke unless something is done about it. Something has to be done about it, but we do not have to raid other retirement systems to do it.

We had testimony before the Committee on Rules that they really were not going to raid these systems, but then in the next breath they say the only way we can have the Fisher amendment is to put in a tax to offset what they would have gotten from these other retirement systems. They cannot have it both ways.

The question is: How did the social security system get into the financial condition it is in, in the first place? Well, because the pay-outs were greater than the pay-ins. It is not actuarially sound, and we ought to do something about it. We ought to recognize this problem and then make it actuarially sound.

We should not do as they would have us do today: Pass a rule that says, "Trust us. Don't amend this bill. Our actuaries are the best."

These are undoubtedly the same group of actuaries who have been advising the committee over the years.

What should be done about putting the system back on an actuarially sound basis? Should it not be fair for the people who are going to participate in the retirement fund to help make it actuarially sound?

Mr. GIBBONS. Mr. Speaker, will the gentleman yield on that point?

Mr. LATTA. I will be happy to yield to the gentleman from Florida.

Mr. GIBBONS. Mr. Speaker, I am impressed with the gentleman's sincerity, his honesty, and his desire in wanting to do the correct thing. I want to help him

understand this program a little, if I may.

May I ask; first of all, is the gentleman for this rule or against this rule?

Mr. LATTA. I am against this rule.

Mr. GIBBONS. Then the gentleman and I are on the same side.

Let me help explain why the public employees in Ohio do not want to come in the system. It is because they can get in anyway.

I know the gentleman represents all the people in his district from Ohio, not just the public employee.

Here is what the public employee can do and does do today: A public employee is not prohibited from participating in the social security system, so the public employee in Ohio contributes as little as \$111 in a lifetime in taxes to the social security system.

Does the gentleman know how much that public employee draws out the first day he is retired? Does the gentleman know how much he would draw out in the first month's payment after having contributed \$111?

Mr. LATTA. Is the gentleman referring to this proposed legislation?

Mr. GIBBONS. No; I am referring to existing law.

Mr. LATTA. The existing law came out of the Committee on Ways and Means. They had a closed rule so that other Members could not amend it on the floor.

Mr. GIBBONS. Mr. Speaker, if the gentleman will yield further, the existing law would allow that public employee to draw \$114 in benefits for 1 month after having made contributions in a lifetime of just \$111 to the social security system. Therefore, the cost of that would be passed on to other taxpayers in Ohio, whom the gentleman represents.

Mr. Speaker, I am sure that the gentleman wants to be fair. He does not want to prefer public employees over all of the other people.

Mr. LATTA. Absolutely not. I just want to protect the retirement funds to which these people have contributed over the years.

Mr. Speaker, I refuse to yield any further as my time is running out.

Mr. GIBBONS. I know the gentleman wants to be fair about this matter.

Mr. LATTA. You are correct about that.

The SPEAKER pro tempore. The gentleman from Ohio (Mr. LATTA) refuses to yield further.

Mr. LATTA. That is correct, Mr. Speaker.

I will just answer the gentleman by saying that he is a member of the Committee on Ways and Means, and it brought out this legislation under a closed rule so that it cannot be amended other than in the form dictated by the Ways and Means Committee. You either take it or leave it.

Mr. Speaker, I am glad to hear that the gentleman is with me in opposing this rule.

As I mentioned before the Committee on Rules, they have the power in that committee to bring out legislation to prohibit precisely what the gentleman referred to here, so-called double dipping.

That is all they have to do, Mr. Speak-

er. If they are against that, all they need to do is to bring the legislation out here on the floor and pass it.

Mr. GIBBONS. Mr. Speaker, if the gentleman will yield further, that is what we have done in this bill.

Mr. LATTA. No, what the Committee on Ways and Means is attempting to do is to put public employees into the system who do not want in; and I am going to see to it, as far as my vote and influence is concerned, that they are not brought in.

Mr. SNYDER. Mr. Speaker, will the gentleman yield?

Mr. LATTA. I yield to the gentleman from Kentucky.

Mr. SNYDER. Mr. Speaker, I was interested in the comment of the gentleman from Florida (Mr. GIBBONS) about how someone could pay \$111 in a lifetime to the social security system and get \$114 in benefits the first month of retirement under the system. I do not question that.

However, when the social security amendments were brought out over the years, as the gentleman said, it was done under a closed rule. They assured us that they were actuarially sound.

I would say, based on that assurance, they are actuarially sound.

Mr. LATTA. Mr. Speaker, let me just say in conclusion that I think the public employees who are in the State systems or the county systems or in the local systems are going to prevail on this issue this time. They are going to prevail, but they must remain vigilant. These same forces are going to be back here next year or the next year attempting to raid their retirement systems. So I caution these public employees to be forever vigilant and alert if they want to retain and maintain their actuarially—and I repeat “actuarially”—sound retirement systems in the future.

Mr. BOLLING. Mr. Speaker, I have no further requests for time at the moment.

Mr. LATTA. Mr. Speaker, I yield 2 minutes to the gentleman from Missouri (Mr. COLEMAN).

(Mr. COLEMAN asked and was given permission to revise and extend his remarks.)

Mr. COLEMAN. Mr. Speaker, I oppose the rule to H.R. 9346 because of the mandatory inclusion provisions. I agree that there are some good factors in this bill which is coming up before us; but the fact that we will not have the opportunity to amend or change the three alternatives or the three options which we have before us, that are mandatory inclusions, causes me to rise in opposition to the rule.

Mr. Speaker, let us look at the three options which the Committee on Rules has given us.

One excludes Federal employees from the social security system. The price of this amendment is a blatant discrimination against those employees in the State and local and municipal systems.

Option No. 2 excludes not only Federal workers, but also State and local workers and nonprofit employees. The price of this amendment is that we are going to have to pass a tax increase even

greater than the one the bill has in it.

The third option they give us is to put everybody in the social security system, including ourselves and the staffs of the Congress.

Mr. Speaker, I suggest that there are the three options which the Committee on Rules has given us. I do not think that these options are adequate to address the problem we have today. The social security problem confronting us is more than just something that should be done in a day or in 2 weeks.

The gentleman from Ohio (Mr. LATTA) indicated that the people back home at the grassroots level are upset about this and they are writing to us and calling us. Indeed, this legislation was proposed to be on our calendar last week before they ever got the word of what we were going to do to help them. Thank goodness, we did not get it last week. We have it this week, and over the weekend they have been calling us, and they have been writing to us. I suggest to the Members that in my own State 44,000 teachers are going to be placed under the social security system against their will, and we are telling them that we are not going to affect at all their pension system. Who knows? We do not know. The Committee on Ways and Means has not told us. You and I will be voting on amendments on things we do not have full knowledge of.

Mr. LATTA. Mr. Speaker, I yield 1 minute to the gentleman from California (Mr. KETCHUM).

(Mr. KETCHUM asked and was given permission to revise and extend his remarks.)

Mr. KETCHUM. Mr. Speaker, while I normally do not support a closed or modified open rule, I am willing to face facts. This is the only rule we could get. I would like to see the whole body debate in depth everything that has been said here.

I do want to correct one statement that was just made on my side of the aisle, and that is that the public employees did not hear anything about this until last Wednesday. That is baloney. It was announced on September 8. The hearings took place in the subcommittee I believe on September 18. If they did not know anything about this, believe me, they have got to be deaf, dumb, and blind.

I am asking this body to pass this rule only so we can get on with the debate on a bill that is very necessary. I hope that some of the amendments can be adopted. I do not believe that the bill in its entirety is perfect. I believe that the rule before us is the very best that the Committee on Rules can come up with, and I ask that the Members support the rule.

Mr. LATTA. Mr. Speaker, I yield 1 minute to the gentleman from North Carolina (Mr. MARTIN).

(Mr. MARTIN asked and was given permission to revise and extend his remarks.)

Mr. MARTIN. Mr. Speaker, this rule is a good innovation. For years the intertwining complexity of tax legislation was protected from floor amendments that would raid the Treasury, by the device of a closed rule. That way, no amend-

ments whatsoever could be considered by the House.

Recent efforts to open this process to the 398 congressional districts not represented on the Ways and Means Committee have been less than satisfactory. In effect, these rule experiments favored amendments only if they were offered by liberal Democrats. That denied the opportunity for the House to consider amendments that came from any rival philosophy.

To open up the rule entirely so as to make in order any amendment would unfortunately set the stage for passing a lot of disastrous proposals. It would be irresistibly tempting, for example, to amend social security to pay out bigger benefits without having to worry about either a corresponding tax increase or the fiscal predicament of the system.

With one exception; namely, the amendment to be offered by the Committee on Post Office and Civil Service, this rule sets a standard of fiscal responsibility. It requires (with that one exception) that amendments must balance expenditures and revenues so as not to change the fiscal balance of the overall package.

That makes sense, but it ought to be extended to all Members.

If you want to increase benefits to those over 65 who are still gainfully employed, you must combine that with a tax increase to pay for it.

If you want to reduce the tax increase of this bill, you must reduce benefits somewhere in order to maintain the balance.

If you want to allow some 6 million public employees to continue to be able to qualify for social security benefits that will exceed what they put into the system, by excusing them from mandatory universal coverage, then you must tie that to a substitute tax increase on the other 100 million workers. You've got to do that to pay for continuing the windfall benefit to any public employees who take legal advantage of the present system. Somebody has got to come up with the billion dollars.

That is a sound concept for a tax bill rule. If you want to sweeten the payout—you must also define who will have to pay more in.

Mr. LATTA. Mr. Speaker, I yield 3 minutes to the gentleman from New York (Mr. CONABLE).

(Mr. CONABLE asked and was given permission to revise and extend his remarks.)

Mr. CONABLE. Mr. Speaker, I rise in strong support of this rule. It is not a perfect rule. It is not the best of possible parliamentary situations when every Member in this body cannot propose anything he wants. But I tell the Members quite frankly that our propensity for doing whatever lovely thing we want to do whenever we want to do it, regardless of the consequences, is one of the reasons that we have got the social security system in some trouble. This rule is necessary.

The rule is carefully designed, as the gentleman from Missouri said, to try to deal with the major options that we think the Members may want to ad-

dress in the course of considering how to improve the situation of the social security system. Unless we provide financing as well as the opportunities for providing benefits—unless we do that, we can be sure the situation of the social security system will get worse.

It has been said that the Ways and Means Committee has not performed well because we are not in an actuarially sound condition at this point. I want to recall to the Members that in 1972, in a bill that did not come from the Ways and Means Committee at all but was a Senate amendment to a debt ceiling bill, we provided for a 20-percent benefit increase with no financing whatsoever except a revision of the actuarial assumptions, and everybody who was in Congress at that time participated in that wonderful opportunity to provide benefits to people without the unpleasant other side of the obligation: the financing.

The Ways and Means Committee could not have anticipated the birth rate, the unemployment rate, or the fact that we were going to have continuing increases in the longevity and the number of retired people who are going to be drawing these benefits for extended periods of time.

The antidote for this actuarially unsound condition obviously is not to go to a situation in which once again we can provide every benefit we want regardless of the cost to a closed-end system. So I ask the Members in accepting this less-than-perfect rule to consider what the realities facing us are rather than what they would like as a parliamentarily maximum option type of amendment procedure.

We simply must face this issue. Unless we are willing to face it on a realistic basis, we can foresee only further difficulty with the social security system.

Mr. LATTI. Mr. Speaker, I yield 1 additional minute to the gentleman from Missouri (Mr. COLEMAN).

Mr. COLEMAN. Mr. Speaker, I want to get back to my 44,000 Missouri schoolteachers who have just found out what is going to happen to them. We are being asked to vote on things that are going to affect not only my Missouri schoolteachers but also firemen in Florida, policemen in Pennsylvania, college professors in Kansas, and road workers in Rhode Island. I say let us oppose the rule and send it back and find out the answers to some of the questions we have and then let us consider what the ramifications will be for not only the elderly but also for those now in their thirties, forties, and fifties who, if we do not make some changes, will find they are not going to receive any benefits from their social security payments.

Mr. BOLLING. Mr. Speaker, clearly this rule on this very important matter should be passed.

Mr. KETCHUM. Mr. Speaker, will the gentleman yield?

Mr. BOLLING. I yield to the gentleman from California.

Mr. KETCHUM. I thank the gentleman for his courtesy in yielding.

I simply take the time to ask a question. Under the rule any of the amend-

ments made in order under the rule must be balanced. If an amendment is offered to take something out or add something in, it must be accompanied with a wage base increase or tax increase to bring the bill back into balance. Is my understanding correct?

Mr. BOLLING. That was the underlying basis for the Rules Committee action. The chairman of the Ways and Means Committee testified to that effect in the Rules Committee, and it is my understanding that amendments made in order would be balanced.

Mr. KETCHUM. I appreciate the gentleman's courtesy in yielding.

Mr. LATTI. Mr. Speaker, will the gentleman yield?

Mr. BOLLING. I yield to the gentleman from Ohio.

Mr. LATTI. Mr. Speaker, I understand if the loss were \$1 billion due to a certain amendment, that loss would have to be made up by providing \$1 billion in new revenues. The amendments would have to be self-supporting.

Mr. ULLMAN. Mr. Speaker, will the gentleman yield?

Mr. BOLLING. I yield to the gentleman from Oregon.

Mr. ULLMAN. The gentleman is correct. If the amendments are carried, then the increased benefits would have to be compensated by increases in taxes to make up for that. Insofar as the Federal, State, and local government employees are concerned, there will be a Fisher amendment that will totally accommodate their problem. If we remove those groups, there will be a slight impact on the fund, and therefore we have to refurbish the fund with a small tax increase. But I do not think there is a Member here who would want to deplete the fund and have it get into an unsound condition.

So if a Member opposes the inclusion of the Federal and State and local government employees, there is an amendment ready-made to take them out of the bill.

Mrs. FENWICK. Mr. Speaker, will the gentleman yield?

Mr. BOLLING. I yield to the gentleman from New Jersey.

Mrs. FENWICK. Mr. Speaker, it seems to me the gentleman from Missouri (Mr. BOLLING) and the gentleman from Oregon are not in agreement. As I understood the answer to the question of our colleague, the gentleman from California, every amendment has to be self-contained; in other words, if that amendment contains an increase in expenditure, that same amendment would have to contain an increase in taxes.

Is that wrong? According to what I understood the gentleman from Oregon to say, the amendment might be adopted, but then would be followed by another amendment.

Mr. ULLMAN. No; the amendment is self-contained. If we increase benefits or expenditures from the trust fund in an amendment, in the same amendment we have to increase the taxes to compensate for the loss.

Mr. CONABLE. Mr. Speaker, will the gentleman yield?

Mr. BOLLING. I yield to the gentleman from New York.

Mr. CONABLE. Mr. Speaker, I would like to point out that the Nix amendment is not a self-contained amendment. For that reason, we have to make an exception.

Mr. ULLMAN. Mr. Speaker, if the gentleman will yield further, I am glad the gentleman raised the issue. Therefore, the Fisher amendment will be a substitute for the Nix amendment, which will accomplish the purpose of eliminating Federal, State, and local employees, and refurbish the fund with the increase in revenue, all at the same time.

Mr. BOLLING. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered. The SPEAKER pro tempore. The question is on the resolution.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. LATTI. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 265, nays 153, not voting 16, as follows

[Roll No. 696]

YEAS—265

Addabbo	Dodd	Kastenmeier
Akaka	Downey	Kemp
Alexander	Drinan	Ketchum
Ammerman	Duncan, Oreg.	Keys
Anderson	Early	Krueger
Anderson, Calif.	Eckhardt	LaFalce
Anderson, Ill.	Edwards, Ala.	Le Pante
Andrews, N.C.	Edwards, Calif.	Lederer
Annunzio	Ellberg	Leyman
Applegate	English	Lloyd, Calif.
Ashley	Evans, Colo.	Long, La.
Aspin	Evans, Ga.	Lujan
Badillo	Fary	Lundine
Baldus	Fenwick	McClory
Barnard	Fisher	McCormack
Beard, R.I.	Fithian	McDade
Bellenson	Filippo	McEwen
Bevill	Flood	McFall
Blaggi	Florio	McKay
Bingham	Flowers	Mahon
Boggs	Foley	Mann
Boland	Ford, Tenn.	Markey
Bolling	Forsythe	Martin
Bonior	Fountain	Mathis
Bonker	Fraser	Mattox
Brademas	Frey	Mazzoli
Breaux	Fuqua	Meeds
Breckinridge	Gammage	Metcalfe
Brinkley	Gaydos	Meyner
Brodhead	Gephardt	Mikulski
Brooks	Gialmo	Mikva
Burke, Calif.	Gilman	Miller, Calif.
Burke, Mass.	Ginn	Mineta
Burleson, Tex.	Gore	Minish
Burison, Mo.	Gradison	Mitchell, Md.
Burton, John	Gudger	Mitchell, N.Y.
Burton, Phillip	Hall	Moakley
Byron	Hamilton	Moffett
Carney	Hanley	Mollohan
Carr	Hannaford	Montgomery
Cederberg	Harkin	Moorhead, Pa.
Chisholm	Harrington	Moss
Clay	Harris	Murphy, Ill.
Collins, Ill.	Hawkins	Murphy, N.Y.
Conable	Hefner	Murphy, Pa.
Conyers	Heftel	Murtha
Corman	Hillis	Myers, Michael
Cornwell	Holland	Natcher
Cotter	Hollenbeck	Neal
D'Amours	Howard	Nedzi
Danielson	Hubbard	Nichols
Davis	Huckaby	Nix
Delaney	Ichord	Nolan
Dellums	Jenkins	Nowak
Dent	Jenrette	O'Brien
Derrick	Johnson, Calif.	Oakar
Dicks	Jones, N.C.	Obey
Diggs	Jones, Tenn.	Ottinger
Dingell	Jordan	Panetta

Patterson	Ruppe	Thomas
Pattison	Russo	Tucker
Pease	Ryan	Udall
Pepper	Santini	Ullman
Pettis	Scheuer	Van Deerlin
Pickle	Sebelius	Vander Jagt
Pike	Seiberling	Vanik
Poage	Shipley	Vento
Pressler	Sikes	Waggonner
Preyer	Simon	Walgren
Price	Sisk	Walsh
Pursell	Skelton	Wampler
Quis	Slack	Watkins
Quillen	Smith, Iowa	Waxman
Rahall	Smith, Nebr.	Weaver
Rallsback	Solars	Weiss
Rangel	Spellman	Whitley
Reuss	St Germain	Whitten
Richmond	Staggers	Wiggins
Risenhoover	Stanton	Wilson, C. H.
Rodino	Stark	Wilson, Tex.
Roe	Steed	Wirth
Rogers	Steers	Wright
Roncalio	Steiger	Yates
Rooney	Stokes	Yatron
Rose	Stratton	Young, Fla.
Rosenthal	Studds	Young, Mo.
Rostenkowski	Stump	Zablocki
Roybal	Thone	Zerfetti
Runnels	Thornton	

NAYS—153

Abdnor	Edwards, Okla.	McDonald
Allen	Emery	McKinney
Ambro	Ertel	Madigan
Andrews,	Evans, Del.	Maguire
N. Dak.	Evans, Ind.	Marks
Archer	Fascell	Marlenee
Armstrong	Findley	Marriott
Ashbrook	Flynt	Michel
AuCoin	Ford, Mich.	Milford
Badham	Fowler	Miller, Ohio
Bafalis	Frenzel	Moore
Baucus	Gibbons	Moorhead,
Bauman	Glickman	Calif.
Beard, Tenn.	Goldwater	Mottl
Bedell	Gonzalez	Myers, Gary
Benjamin	Goodling	Myers, John
Bennett	Grassley	Perkins
Blanchard	Guyer	Quayle
Blouin	Hagedorn	Regula
Bowen	Hammer-	Rhodes
schmidt		Rinaldo
Broomfield	Hansen	Roberts
Brown, Mich.	Harsha	Robinson
Brown, Ohio	Heckler	Rousselot
Broyhill	Hightower	Rudd
Buchanan	Holt	Sarasin
Burgener	Holtzman	Satterfield
Burke, Fla.	Horton	Sawyer
Butler	Hughes	Schroeder
Caputo	Hyde	Schulze
Carter	Jacobs	Sharp
Cavanaugh	Jeffords	Shuster
Clausen,	Johnson, Colo.	Skubitz
Don H.	Jones, Okla.	Snyder
Cleveland	Kasten	Spence
Cochran	Kazen	Stangeland
Cohen	Kelly	Stockman
Coleman	Kildee	Symms
Collins, Tex.	Kindness	Taylor
Conte	Kostmayer	Traxler
Corcoran	Krebs	Treen
Cornell	Lagomarsino	Trible
Coughlin	Latta	Volkmer
Crane	Leach	Walker
Cunningham	Leggett	White
Daniel, Dan	Lent	Whitehurst
Daniel, R. W.	Levitas	Wilson, Bob
de la Garza	Livingston	Winn
Derwinski	Lloyd, Tenn.	Wylie
Devine	Long, Md.	Young, Alaska
Dickinson	Lott	Young, Tex.
Dornan	Luken	
Duncan, Tenn.	McCloskey	
Edgar		

NOT VOTING—16

Brown, Calif.	Koch	Thompson
Chappell	McHugh	Whalen
Clawson, Del.	Oberstar	Wolf
Erlenborn	Patten	Wydler
Fish	Pritchard	
Ireland	Teague	

The Clerk announced the following pairs:

Mr. Thompson with Mr. Del Clawson.
 Mr. Wolf with Mr. Wydler.
 Mr. Patten with Mr. Fish.
 Mr. Koch with Mr. Erlenborn.
 Mr. Teague with Mr. Pritchard.
 Mr. McHugh with Mr. Whalen.
 Mr. Ireland with Mr. Chappell.
 Mr. Oberstar with Mr. Brown of California.

Mrs. HECKLER and Messrs. DE LA GARZA, RINALDO, BAUCUS, SKUBITZ, HYDE, and YOUNG of Alaska changed their vote from "yea" to "nay."

Mr. CHARLES WILSON of Texas changed his vote from "nay" to "yea."

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERMISSION FOR COMMITTEE ON SMALL BUSINESS TO FILE REPORT

Mr. SMITH of Iowa. Mr. Speaker, I ask unanimous consent that the Committee on Small Business may have until midnight tonight to file a report.

The SPEAKER pro tempore (Mr. ROSENKOWSKI). Is there objection to the request of the gentleman from Iowa?

There was no objection.

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

Mr. ULLMAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide coverage under the system for officers and employees of the United States, of the State and local governments, and of nonprofit organizations, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Oregon (Mr. ULLMAN).

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 9346, with Mr. EVANS of Colorado in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Oregon (Mr. ULLMAN) will be recognized for 1½ hours, the gentleman from New York (Mr. CONABLE) will be recognized for 1½ hours, the gentleman from Pennsylvania (Mr. NIX) will be recognized for 15 minutes, and the gentleman from Illinois (Mr. DERWINSKI) will be recognized for 15 minutes.

The Chair recognizes the gentleman from Oregon (Mr. ULLMAN).

Mr. ULLMAN. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, the Committee on Ways and Means brings to the House today a social security bill of vital concern to virtually every American. Practically every American is either a beneficiary under the social security system, a contributor building protection which will

provide future benefits, or a dependent of a contributor. About 93 percent of people 65 years of age and older are eligible for benefits. More than 33 million persons, one out of seven Americans, are receiving benefit checks each month. Benefits this year, including hospitalization, will exceed \$100 billion for the first time. About 107 million individuals are paying social security taxes this year.

Unfortunately, in the last few years this huge system has developed financing problems which require the most serious and careful attention of the Congress. Starting in 1975, the system began to run annual trust fund deficits with outgo exceeding income. In 1977, the cumulative deficit in the three funds financed from the payroll tax is expected to reach \$5.6 billion. These trends have caused a loss of confidence in the system both on the part of current beneficiaries and of workers paying social security taxes who expect to receive benefits in the future. I am sure that Members of the House are aware through communications from their constituents of the fears that have been aroused.

I am glad to be able to report to the House that your Committee on Ways and Means has fashioned a financing bill, H.R. 9346, which will restore social security to a sound basis and enable us to tell our constituents that we have met the problems that have caused their justified concerns. The provisions of this bill will turn the system around so that it is estimated to run a surplus in the next 25 years. It will eliminate approximately four-fifths of the long-range deficit which is figured on a 75-year basis. It will meet the most pressing single problem, the status of the disability insurance fund, which is estimated to run out of money completely by early 1979 or late 1978 unless corrective action is taken. It will do these things without increasing social security taxes over present law for the low- and middle-income worker before 1981.

Economic conditions in the last few years have contributed heavily to the short-range social security financing problems which have developed since the last time the system's financing schedules were adjusted in 1973. Rates of inflation have been much higher than were expected, leading to substantially large annual cost-of-living increases in benefits than had been estimated. Unemployment also has been higher so that income into the system was affected, because fewer workers than expected were contributing and outgo was affected as well, because more people applied for benefits.

The long-range deficit in the system, now estimated at the unsustainable rate of 8.2 percent of taxable payroll, is the result of two factors. One is a flaw in the benefit formula put into the Society Security Act in 1972 when automatic cost-of-living adjustments were added to the system. This formula would result in much higher benefit levels beginning in the 1990's than were intended or that workers could be asked to support with their payroll taxes. The second factor involves demographic trends which have developed in a way that is highly unfavorable to the social security financing arrangements. The high birth rates after

World War II and the very low birth rates of recent years mean that, around the turn of the century, the number of workers paying taxes to support the system will drop to about two for every one beneficiary as compared with a 3-to-1 ratio at present. I am glad to be able to report that the provisions of H.R. 9346 will reduce the long-range deficit to 1.69 percent of payroll. Your committee believes that, since the bill will put the social security system fully in balance through the year 2010, the remaining long-range deficit can be dealt with at a later time when more is known about how the economic and demographic factors affecting the system develop.

H.R. 9346 includes important "decoupling" provisions to correct the unintended effects of the benefit formula adopted in 1972. The provisions are designed to stabilize future benefit replacement rates on a permanent basis at about 5 percent less than those that will be paid in 1979. The replacement rate is the benefit received as a percentage of final earnings just before the beneficiary went on the social security rolls. Under the provisions, benefit amounts payable to workers who retire in the future would generally reflect the increase in the standard of living that occurs during their working years. Once an individual begins receiving benefits, these would be adjusted annually to keep up with the cost-of-living as under present law. This "decoupling" provision would eliminate more than half of the system's present long-range deficit.

In adjusting the social security financing schedules to meet the problems of the system, your committee followed the traditional and tested method. That is, changes were made in both the payroll tax rates and the taxable wage base, and the 50-50 system was maintained under which employers and employees both pay each year on the same taxable base. Under H.R. 9346, there would be tax rate increases over present law in 1981, 1985, and 1990, in effect accelerating the 1 percent OASDI tax rate increase scheduled for the year 2011 under present law. The taxable base would be raised in the years 1978 through 1981 above the levels that would be reached under present law. In 1981 the base level provided in the bill would cover 90 percent of earnings as compared with 85 percent at present. When social security was established in the 1930's, more than 92 percent of earnings were covered by the original \$3,000 taxable base. The financing provisions of the bill also would reallocate into the disability insurance trust fund some revenues from the old age and survivors insurance and hospitalization insurance trust funds.

Your committee also included in the bill provision for automatic loans from Federal general revenues to the OASDI trust funds whenever the assets in a fund drop below 25 percent of the outgo from the fund in a calendar year. It is the committee's expectation that these loans will not have to be made if the financing provisions work as now calculated. However, this loan feature does provide additional assurance to beneficiaries and workers that the system will continue to

be fully viable even in the face of sudden unfavorable economic conditions. Under this feature of the bill, there would be automatic repayment of the loans through the proceeds of temporary payroll tax increases which would be triggered if the loans had to be made.

The bill would carry out a concept of universal coverage under social security by bringing into the system on a mandatory basis about 6 million Federal, State, and local government employees and employees of nonprofit organizations. These are the largest groups not now covered by social security. The provisions would make the coverage effective January 1, 1982, to allow time for adjustments to be made in the benefit systems under which these workers may now be covered. As for Federal employees in the civil service retirement system, the bill directs that a plan be developed for coordinated social security-civil service coverage which is designed to provide for them benefits and costs under a dual system equivalent to what they now expect under the civil service retirement system alone.

H.R. 9346 contains some provisions to improve social security benefits with the financing schedules arranged to cover the additional costs. One of the features of social security which many Members of the House consistently want liberalized is the retirement test or earnings limitation. The bill would increase to \$4,000 in 1978 and to \$4,500 in 1979 the amount a beneficiary aged 65 to 72 can receive in the year without any loss of social security benefits. Under present law, the limitation would be \$3,240 in 1978 and an estimated \$3,480 in 1979.

Other benefit provisions in the bill would increase the retirement credit for persons working beyond age 65 so that their benefits would be increased 3 percent for each year they did not draw social security payments up to age 72 instead of 1 percent as at present; increase the special minimum payment for individuals who work under social security for many years but at low wages; provide that widows and other beneficiaries would not lose benefits, because of remarriage; and revise a number of relatively minor provisions in the Social Security Act so that men and women would be guaranteed the same rights.

The bill also contains a provision, the International Social Security Agreements Act, authorizing the President to enter into agreements with foreign countries which could provide additional benefits for Americans who work for periods in foreign countries, so long as this country extends the same treatment to foreigners who work in the United States.

I include a full description of H.R. 9346 in the RECORD at this point:

A. FINANCING

1. Increase in contribution and benefit base

Your committee's bill provides for increasing the contribution and benefit base—in four steps—to a level where about 90 percent of all payroll in covered employment would be taxable for social security purposes (and about 93 percent of all workers would have their full earnings credited for benefit purposes). Accordingly, the bill would increase

the base to \$19,900 in 1978, \$22,900 in 1979, \$25,900 in 1980, and \$27,900 in 1981, with automatic adjustments to keep up with average wage levels thereafter (as under present law).

2. Changes in OASDI contribution rates

Your committee has included provisions for allocating a small portion of future income from currently scheduled HI tax-rate increases to the OASDI program. In addition, tax rates for the OASDI program for employers and employees, each, would be increased (beyond the increases resulting from reallocation of scheduled HI tax-rate increases, which do not result in any net OASDI tax rate increase over present law).

Specifically, the reallocations from HI to OASDI would be 0.1 percent each for 1978-80 and 0.05 percent each for 1981 and after. Also, the OASDI contribution rates would be further increased from 5.0 percent each, by 0.15 percent each in 1981, an additional 0.30 percent each in 1985, and another 0.55 percent each for 1990-2010. The reallocations plus the rate increases result in OASDI rates of 5.05 percent for 1978-80, 5.15 percent for 1981-84, 5.45 percent for 1985-89, and 6 percent for 1990 and after.

3. Changes in self-employed contribution rates for OASDI

Your committee's bill would restore the self-employed rate to its original level of one and one-half times the employee rate, effective in 1981. (Since 1972, the social security cash benefits contribution rate for the self-employed has been below the level of one and one-half times the employee rate that was originally provided when the self-employed were first covered under the social security program in 1951.)

4. Change in allocation to the disability insurance trust fund

The committee bill would allocate an additional 0.35 percent of taxable payroll in the early years and even higher additional allocations in later years to the disability insurance trust fund to assure the financial soundness of the disability insurance program.

5. Standby authority for loans to the OASDI trust funds from general revenues with repayment tax provision

Your committee is especially concerned about the need for the public—current and future workers as well as social security beneficiaries—to be assured that the program will be able to meet its benefit obligations at all times. While the other actions your committee has taken would restore the financial soundness of the program, your committee believes that a further guarantee of the future financial stability of the cash benefit program is necessary.

Accordingly, your committee has included provision granting standby authority for automatic loans to the social security cash benefit trust funds from Federal general revenues whenever the assets of a cash trust funds drop below a 25-percent level of outgo. Your committee emphasizes its belief that, under reasonable projections, it will not become necessary for such loans to the trust funds to be made. If such loans are made in the future, the committee bill, would provide for temporary social security tax-rate increases of 0.1 percent for employees and employers, each, and 0.15 percent for the self-employed, when the reserve level is 34 percent or less and the loan debt exceeds \$2 billion, to provide funds to repay the loans; repayment would begin when the reserve level rises above 30 percent.

B. REVISED BENEFIT STRUCTURE

About half of the existing long-range deficit in the OASDI program is the result of unintended effects of the cost-of-living increase provisions of present law. The basic problem under the present benefit structure is that future benefits for current workers will reflect increases in both wages and prices

that occur during their working years. As a result, replacement rates—initial benefits as a percent of preretirement earnings—are erratic and unpredictable and, under current long range economic assumptions, are projected to rise significantly over time. About one-half of the long-range deficit is due to rising replacement rates in the future.

The bill would prevent the unintended rise in future replacement rates (and costs), and assure that future replacement rates would remain fairly constant at a level approximately 5 percent lower than the level that will prevail in January 1979. A major feature of the plan is that the worker's earnings (and the benefit formula) would be indexed to reflect the change in wage levels that has occurred during his working lifetime. As a result, benefits would be based on the worker's relative earnings position averaged over his working lifetime.

1. Wage indexing of earnings

A worker's earnings would be updated (indexed) to just prior to when the worker reaches age 62, becomes disabled, or dies to reflect the increases in average wages that have occurred since the earnings were paid. (Under present law, a worker's earnings are counted in actual dollar value.) The worker's earnings would be indexed by multiplying the actual earnings by the ratio of average wages in the second year before he reaches age 62, becomes disabled, or dies to the average wages in the year being updated.

2. Base year for indexing

A worker's earnings would be indexed by average wage increases through the second year before age 62 (the age of first eligibility), disability, or death. Earnings after age 62 or disability would be counted in actual dollar amount; cost-of-living increases would apply beginning with age 62, disability, or death.

3. Computation period

Benefits would be based on a worker's indexed earnings averaged over the number of years after 1950 (or age 21, if later) up to the year he reaches age 62, becomes disabled, or dies, whichever occurs first (excluding 5 years of lowest indexed earnings or no earnings). As under present law, the computation period would expand from 23 years for those reaching age 62 in 1979, up to 35 years for those reaching age 62 in 1991 or later.

4. Benefit formula

The benefit formula shown below would be applied to the average indexed monthly earnings (AIME) of workers who reach age 62, become disabled, or die in 1979:

90 percent of the first \$180 of AIME, plus
32 percent of AIME over \$180 through
AIME of \$1,085, plus 15 percent of AIME
above \$1,085.

For those who become eligible for benefits in the future, the dollar amounts (bend points) in the formula would be adjusted automatically (and rounded to the nearest dollar) as average wages increase.

5. Maximum family benefit

Maximum family benefits would bear the same relationship to primary insurance amounts (PIA) as they do under present law—ranging from 150 percent to 188 percent of the PIA. The family maximum would be determined by applying the following formula to the worker's PIA:

150 percent of the first \$230 PIA, plus
272 percent of PIA's over \$230 through
\$332, plus
134 percent of PIA's over \$332 through
\$433, plus
175 percent of PIA's above \$433.

In the future, the dollar amounts in the formula would be increased (and rounded to the nearest dollar) based on increases in average wages.

6. Transition

A worker who reaches age 62 after 1978 and before 1989 would be guaranteed a benefit no lower than he would have received

under present law as of January 1979. For purposes of the guarantee, the January 1979 benefit table would not be subject to future automatic benefit increases, but all individual benefits would be subject to all cost-of-living increases in benefits beginning with age 62. This guarantee would not apply in disability and death cases.

7. Treatment of earnings after age 62 or disability

Earnings subsequent to the year of first eligibility (age 62) or onset of disability would be counted at actual dollar value (i.e., unindexed) and substituted for earlier years of indexed earnings if they would increase the worker's AIME and his PIA.

8. Increase in delayed retirement credit

For workers reaching age 62 after 1978, the current delayed retirement credit of 1 percent per year would be increased to 3 percent per year beginning at age 65 and taking account of months up to age 72 for which benefits are not paid. (For workers eligible for retirement benefits before 1979, the current 1-percent per year credit would continue to apply.)

Estimated number of people affected and dollar payments: In 1983 (the first year increased benefits reflecting the 3-percent delayed retirement credits would be payable based on credits provided for 1982), 100,000 people would get higher benefits, and \$15 million in additional payments would be made as a result of his provisions.

9. Freeze the minimum benefit

The minimum benefit for future beneficiaries would be frozen at an amount equal to the minimum benefit in effect in January 1979 (estimated to be about \$121). Benefits based on the minimum would be kept up to date with rising prices only after age 62, disability, or death.

Estimated number of people affected and dollar payment: Some 150,000 people would be affected by this amendment, and benefit payments would be reduced by an estimated \$7 million in the first full calendar year, 1980.

10. Increase in the special minimum benefit

Under present law, a special minimum benefit is provided for long-term low-paid workers equal to 89 times the number of years of coverage a worker has in excess of 10 and up to 30; the special minimum benefit is not subject to cost-of-living increases under the automatic adjustment provisions. The bill would increase the 89 figure to \$11.50 and provide that the special minimum would be kept up to date with future increases in the cost of living for both present and future beneficiaries. Thus, the highest possible special minimum would be increased from \$180 to \$230 in 1979.

Estimated number of people affected and dollar payments: 220,000 people would get increased benefits on the effective date, and additional benefit payments in the first full calendar year, 1980, would amount to an estimated \$14 million.

C. COVERAGE

Old-age, survivors, disability, and hospital insurance coverage would be extended to an additional 6 million jobs.

1. Federal civilian employees

Under present law, services performed in Federal civilian employment that are covered under a staff-retirement system established by a law of the United States are excluded from social security coverage, as are services performed in Federal employment by the President, the Vice President, Members of the U.S. Congress, legislative employees of the U.S. Congress, inmates of Federal penal institutions, certain student employees of Federal hospitals, and temporary, emergency employees. The bill would extend social security coverage to Federal services performed by these offices and employees. The bill directs the Secretary of Health, Education, and Welfare to conduct a study with the Civil Service

Commission to make recommendations for coordinating benefits and costs of the OASDI and Civil Service Retirement programs in such a way that Federal workers will be no worse off so far as costs and benefits are concerned compared to their treatment under present law. The report would be submitted by January 1, 1980.

Effective date: January 1, 1982.

2. State and local employees

Under present law, social security coverage for State and local employees generally is available only on a group basis through voluntary agreements between the States and the Secretary of Health, Education, and Welfare. Coverage for a group of State and local employees can be terminated after 2 years' notice by the State if the group has been covered under social security for 5 years at the time notice is given, or by the Secretary at any time, if he finds that the State has failed or is unable legally to comply with the terms of the agreement and 2 years' notice is given. The bill would provide compulsory social security coverage for State and local employees (including employees of Guam, American Samoa, and the District of Columbia) who are not compulsorily covered under present law.

Effective date: January 1, 1982.

The bill also would provide that coverage could not be terminated by either the State or the Secretary of Health, Education, and Welfare before compulsory coverage was effective unless the notice was given before September 14, 1977. In such cases where coverage has been terminated it would be restored effective January 1, 1982.

Effective date: September 14, 1977.

3. Employees of nonprofit organizations

Under present law, employees of certain nonprofit organizations, described in section 501(c)(3) of the Internal Revenue Code, are excluded from coverage under social security unless the organization files a certificate expressing a desire to have coverage extended to its employees. Coverage of the employees of an organization that filed such a certificate may be terminated after 2 years' notice by the organization, if the employees had been covered under social security for at least 8 years before the notice was given, or by the Secretary of the Treasury, with concurrence of the Secretary of Health, Education, and Welfare, at any time if he finds that the organization has failed or is unable to comply with the law and 60 days' notice is given. The bill would provide compulsory coverage under social security for these employees of nonprofit organizations.

Effective date: January 1, 1982.

The bill also would provide that coverage could not be terminated by either the nonprofit organization or the Secretary of the Treasury before compulsory coverage was effective unless the notice was given before September 14, 1977. In such cases where coverage has been terminated, it would begin again on January 1, 1982.

Effective date: September 14, 1977.

4. Quarter-of-coverage provision

The bill would grant retroactive quarter-of-coverage credits for eligibility, but not benefit computation purposes, to employees who were in Federal civilian, State, or local, or nonprofit organization employment to which social security coverage was extended under this bill on January 1, 1982, if the employees earned at least six quarters of coverage in such employment after 1981. The quarters of coverage would be granted based on periods of employment prior to January 1, 1982, which were in the same category of employment and which were excluded from social security coverage.

Effective date: January 1, 1982.

5. Totalization

Under present law, there is no authority in the Social Security Act for entering into agreements with other countries to provide

for coordination between the social security systems of the United States and of other countries. The bill would authorize the President to enter into bilateral agreements (of a kind generally known as totalization agreements) with interested foreign countries to provide for limited coordination between this country's social security system and those of other countries, subject to congressional oversight. Draft agreements worked out with Italy and West Germany have been implemented by their laws but cannot become effective agreements in the United States until the Congress enacts the authority provided in this bill.

Effective date: Upon enactment.

6. Exclusion of limited partnership income

Under present law each partner's share of partnership income is includable in his net earnings from self-employment for social security purposes, irrespective of the nature of his membership in the partnership. The bill would exclude from social security coverage, the distributive share of income or loss received by a limited partner from the trade or business of a limited partnership. This is to exclude for coverage purposes certain earnings which are basically of an investment nature. However, the exclusion from coverage would not extend to guaranteed payments (as described in section 707(c) of the Internal Revenue Code), such as salary and professional fees, received for services actually performed by the limited partner for the partnership.

Effective date: Taxable years beginning after December 31, 1977.

7. Social security employer taxes on tips when deemed as wages for the Federal minimum wage

Under the Fair Labor Standards Act of 1938, an employer can pay an employee less than the Federal minimum wage by an amount equal to the tips received by the employee but not less than 50 percent of the minimum wage. Social security taxes are not paid by the employer on the amount of tips deemed to be wages. Under the bill, employers would be liable for the employers' share of the social security taxes on the deemed wages up to the minimum wage.

Effective date: Wages paid for employment performed after December 31, 1977.

8. Clergymen

Under present law, the services of a clergyman are covered under the self-employment provisions of the Social Security Act unless the clergyman files an application for an irrevocable exemption from coverage on the grounds that he is opposed either conscientiously or because of religious principles to the acceptance of public insurance such as social security. Under the bill, a clergyman who filed an application for exemption in the past would be given an opportunity to revoke his exemption and obtain social security coverage prospectively.

Effective date: Taxable years ending on or after enactment.

9. Other State and local changes

Other changes relate to social security coverage of policemen and firemen in Mississippi and Illinois who are under staff retirement systems, and social security coverage of State and local employees in New Jersey under the divided retirement system procedure, and the special provision in the law applying to the Wisconsin retirement fund.

Effective date: Upon enactment.

D. EQUAL TREATMENT OF MEN AND WOMEN

1. Equal rights

(a) Father's benefits

Benefits would be provided for young husbands and fathers who have in their care a child who is under age 18, or disabled, and who is entitled to benefits.

Effective date: Effective with respect to benefits for months after December 1977.

Estimated number of people affected and dollar payments: 2,000 people would become eligible for benefits or eligible for larger benefits on the effective date. About \$2 million in additional benefits would be paid in the first full year of operation.

(b) Benefits for divorced men

Benefits would be provided for aged divorced husbands and aged or disabled divorced widowers.

Effective date: Effective with respect to benefits for months after December 1977.

Estimated number of people affected and dollar payments: 2,000 people would become eligible for benefits or eligible for larger benefits on the effective date. About \$3 million in additional benefits would be paid in the first full year of operation.

(c) Remarriage of widowers before age 60

A widower would be permitted to obtain benefits on a deceased wife's earnings record if he is not married at the time he applies for widower's benefits, as widows now can, instead of if he has not remarried, as present law provides.

Effective date: Effective with respect to benefits for months after December 1977.

Estimated number of people affected and dollar payments: Very few people would be affected and the additional benefits would be negligible.

(d) Transitional insured status benefits

Husband's and widower's benefits would be provided under the transitional insured status amendment of 1965.

Effective date: Effective with respect to benefits for months after December 1977.

Estimated number of people affected and dollar payments: Very few people would be affected and the additional payments would be negligible.

(e) Special age-72 payment amounts for certain uninsured individuals

When both members of a couple are receiving special age-72 payments, the amount of the payments would be divided equally between the two, instead of giving the husband a full benefit and the wife one-half the husband's benefit.

Effective date: Effective with respect to benefits for months after December 1977.

Estimated number of people affected and dollar payments: 2,000 couples would be affected. Provision would have no cost.

2. Elimination of marriage (or remarriage) as a bar to entitlement to dependents' or survivors' benefits, and as an event which terminates entitlement to, or reduces, such benefits.

Entitlement to benefits as a divorced wife or husband, widow or widower, or surviving divorced widow or widower (including those with an entitled child in their care), parent, or child would not be barred or terminated because of marriage or remarriage. Neither would remarriage serve to cause any reduction in the benefits paid aged widows or widowers.

Effective date: Effective with respect to benefits for months after December 1978.

Estimated number of people affected and dollar payments: 670,000 people would become eligible for benefits or eligible for larger benefits on the effective date. About \$1.4 billion in additional benefits would be paid in the first full calendar year, 1980.

3. Reduced duration-of-marriage requirement for divorced spouses

The length of time a divorced person must have been married to a worker in order for benefits to be payable to the person as an aged divorced spouse or aged or disabled surviving divorced spouse would be reduced from 20 years to 5.

Effective date: Effective with respect to benefits for months after December 1978.

Estimated number of people affected and

dollar payments: 70,000 people would become eligible for benefits or eligible for larger benefits on the effective date. About \$160 million in additional benefits would be paid in the first full calendar year, 1980.

4. Study of proposals to eliminate dependency and sex discrimination

The Secretary of Health, Education, and Welfare would be directed to carry out a detailed study of proposals (1) to eliminate dependency as a requirement for entitlement to social security spouse's benefits, and (2) to bring about the equal treatment of men and women (in any and all respects under the program). A full and complete report on the study shall be submitted to the Congress within 6 months of enactment of the bill.

E. IMPROVEMENT OF THE EARNINGS TEST

1. Increase in annual exempt amount of earnings

The amount that a beneficiary age 65 or over but under age 72 may earn in a year and still be paid full social security benefits for the year would be increased from the present \$3,000 in 1977 to \$4,000 in 1978 and \$4,500 in 1979 with future automatic increases as wage levels rise. The amount that a beneficiary under age 65 could earn and still be paid full benefits would be determined under present law.

Effective date: Taxable years ending after December 1977.

Number of people affected and dollar payments: For 1978, 800,000 people would receive increased payments; 100,000 people who get no payments under present law could get some payment. For 1979, 800,000 people would receive increased payments; 100,000 people who get no payments under present law could get some payments. Additional benefits amounting to \$0.3 billion would be paid out in 1978 and \$0.5 billion in 1979.

2. Elimination of the monthly earnings test

Under present law, full benefits are paid to a beneficiary, regardless of the amount of annual earnings for any month in which the beneficiary neither works for wages in excess of the monthly measure (\$250 in 1977; more in later years) nor renders substantial services in self-employment. The bill would eliminate the monthly measure of retirement and convert the retirement test to a strictly annual test for years after the initial year of retirement.

Effective date: Taxable years ending after December 1977.

Number of people affected and dollar payments: About 250,000 people would be affected during the first full year. Benefit payments would be reduced by about \$0.2 billion each year.

3. Foreign work test

The number of days that a beneficiary under age 72 who works outside the United States in noncovered employment can work in a month and still be eligible for a benefit for that month would be increased from 6 to 8 in 1978 and to 11 in 1979 and thereafter.

Number of people affected and dollar payments: It is estimated that the proposed changes would be a liberalization for about one-half of the 1,500 beneficiaries (out of the approximately 300,000 beneficiaries who live in foreign nations) who now lose benefits because of work activity.

The cost of such a change would be negligible.

F. ANNUAL WAGE REPORTING

Under present law, employers will report their employees' wages for social security and income tax purposes annually on forms W-2 beginning with wages paid in 1978. Employers are required to report quarterly wage data on the forms W-2 to enable the Social Security Administration to determine whether a worker has enough quarters of coverage to be eligible for social security ben-

ests. The bill would change the quarter-of-coverage measure and certain automatic provisions of the social security law so that annual data would be used, instead of quarterly data. Under the bill, employers would no longer have to report quarterly data on the forms W-2 and they and the Government would realize the maximum advantages that annual reporting was designed to achieve.

The most significant program change would be a provision setting out how annual wages would be credited in terms of quarters of coverage. Under present law, a worker generally receives credit for a quarter of coverage for a calendar quarter in which he received at least \$50 in wages. Under your committee bill, a worker would receive one quarter of coverage (up to a total of four) for each \$250 of earnings in a year, and the \$250 measure would be increased automatically every year to take account of increases in average wages.

Effective date: January 1, 1978.

G. OTHER PROVISIONS

1. Eliminate windfall cost-of-living increases

Under your committee's bill, future benefit increases for people receiving actuarially reduced benefits, would be reduced in proportion to the reduction in the person's basic benefit. (Under present law, the failure to fully reduce the amount of the increase results in increases beyond those needed to

keep up with changes in the cost of living.) The provision would apply to people who receive reduced benefits after December 1977; special rules would apply to those already on the rolls.

Effective date: Benefit increases after 1977.

Estimated number of people affected and dollar payments: About 15 million people would have their benefits affected by the provision at the time of the June, 1978 cost-of-living benefit increase, and there would be a program saving of \$90 million in calendar year 1978.

2. Limitation on retroactive benefits

Under present law, a person who files an application after he is first eligible for benefits may be paid benefits, including actuarially reduced benefits, for a retroactive period up to 12 months before the month in which the application is filed, if all conditions of entitlement are met for those months. Under the bill, except in those cases where the benefits were disability-related or where unreduced dependent's benefits were involved, monthly cash benefits would not be paid retroactively for months before the month in which the application was filed when such retroactivity would result in permanently reduced benefits.

Effective date: With applications filed on or after January 1, 1978.

Number of people affected and dollar payments: In 1978, an estimated 1 million peo-

ple would be affected by the change. Reductions in benefit payments would range from \$0.3 billion in 1978 to \$0.6 billion in 1982.

3. Early payment of social security and SSI benefit checks in certain situations

Under present law, social security benefit payments for a particular month are payable after the end of that month, and payment is normally made on the third day of the month; SSI benefit checks for a particular month are delivered on the first day of that month. Under the bill, when the delivery date falls on a Saturday, Sunday, or legal public holiday, social security and SSI checks would be delivered on an earlier date.

Effective date: Upon enactment.

The following table shows the contribution and benefit bases projected under present law and under your committee's bill:

Year:	Present law		Committee bill	
	law	bill	law	bill
1978	\$17,700	\$19,900		
1979	18,900	22,900		
1980	20,400	25,900		
1981	21,900	27,900		
1982	23,400	30,000		
1983	24,900	31,800		
1984	26,400	33,600		
1985	27,900	35,400		
1986	29,400	37,500		
1987	31,200	39,600		

¹ Ad hoc increases.

TAX RATES FOR EMPLOYER AND EMPLOYEE, EACH, PRESENT LAW AND COMMITTEE BILL

Years	[In percent]					
	OASDI		HI		Total	
	Present law	Bill	Present law	Bill	Present law	Bill
1977	4.95	4.95	0.90	0.90	5.85	5.85
1978-80	4.95	5.05	1.10	1.00	6.05	6.05
1981-84	4.95	5.15	1.35	1.30	6.45	6.45
1985	4.95	5.45	1.35	1.30	6.75	6.75
1986-89	4.95	5.45	1.50	1.45	6.45	6.45
1990-2010	4.95	6.00	1.50	1.45	6.45	6.45
2011 and later	5.95	6.00	1.50	1.45	7.45	7.45

TAX RATES FOR THE SELF-EMPLOYED, PRESENT LAW AND COMMITTEE BILL

Years	[In percent]					
	OASDI		HI		Total	
	Present law	Bill	Present law	Bill	Present law	Bill
1977	7.00	7.00	0.90	0.90	7.90	7.90
1978-80	7.00	7.10	1.10	1.00	8.10	8.10
1981-84	7.00	7.70	1.35	1.30	8.35	8.35
1985	7.00	8.20	1.35	1.30	8.35	8.35
1986-89	7.00	8.20	1.50	1.45	8.50	8.50
1990 and later	7.00	9.00	1.50	1.45	8.50	10.45

ESTIMATED EFFECTS OF H.R. 9346 ON THE NET INCREASE IN THE OASI AND DI TRUST FUNDS, COMBINED, IN CALENDAR YEARS 1978-83, BY PROVISION

	Effective date	[In millions of dollars]					
		1978	1979	1980	1981	1982	1983
REDUCTION IN BENEFIT PAYMENTS							
Decoupling, with 3 percent delayed retirement credits	January 1979		70	351	803	1,473	2,377
Elimination of marriage or remarriage as a bar to entitlement to benefits	do.		-1,135	-1,355	-1,454	-1,551	-1,654
Reduction in duration of marriage required for divorced spouses benefits from 20 yr to 5 yr.	do.		-137	-164	-177	-190	-204
Changes in retirement test (total)	January 1978		-54	-266	-328	-346	-390
Increase annual exempt amount to \$4,000 in 1978 and to \$4,500 in 1979	do.		-267	-491	-554	-582	-642
Eliminate the monthly measure	do.		213	225	226	236	244
Eliminate retroactive payments of actuarially reduced benefits	do.		339	536	550	559	569
Increase special minimum benefit from \$9 per year of coverage to \$11.50, and apply automatic increases in the future	January 1979		-12	-14	-14	-15	-16
Changes in annual wage reporting provisions	January 1978		(1)	-1	-4	-9	-26
Eliminate gender-based distinctions from the law	do.		-4	-5	-6	-7	-8
Limit increases in actuarially reduced benefits	do.		90	280	500	751	948
Increase in contribution and benefit base	do.		(1)	-12	-44	-112	-209
Subtotal, excluding universal coverage			371	-682	-514	-6	628
Universal coverage of Federal civilian employees, employees of State and local governments, and employees of nonprofit organizations	January 1982					(1)	-94
Total, reduction in benefit payments			371	-682	-514	-6	628
ADDITIONAL INCOME							
Contribution income resulting from financing charges	January 1978		3,967	6,661	8,560	11,858	13,265
Contribution income resulting from universal coverage	January 1982		113	475	1,005	1,786	3,132
Additional interest income							
Total, additional income			4,080	7,136	9,565	13,644	28,138
Net effect of bill			4,451	6,454	9,051	13,638	28,766

¹ Less than \$500,000.

CHANGES IN ACTUARIAL BALANCE OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM OVER THE MEDIUM-RANGE PERIOD (1977-2001) EXPRESSED AS PERCENT OF TAXABLE PAYROLL, BY TYPE OF CHANGE, PRESENT LAW AND THE BILL

(In percent)

Item	OASI	DI	Total	Item	OASI	DI	Total
Medium-range actuarial balance under present law	-1.45	-0.89	-2.34	Universal coverage	.49	.07	.56
Wage-indexing decoupling	.35	.19	.54	Miscellaneous provisions ¹	0	0	0
Benefit level	.26	.08	.33	Increase in the taxable wage base	.41	.08	.48
Freezing the minimum benefit ¹	.03	.01	.04	Increase in self-employed tax rates	.08	.01	.09
Delayed retirement increment	-.04	0	-.04	Tax rate increases	.75	.56	1.31
Retirement test	-.05	0	-.05	Total, effect of changes in bill	2.29	1.00	3.29
Elimination of remarriage terminations	-.10	0	-.10	Medium-range actuarial balance under bill	.84	.10	.95
Elimination of windfall for early retirees	.13	0	.13				

¹ Includes updating the special minimum and increasing it automatically after 1979.
² Includes equal treatment by sex (without the effect of any dependency test or pension offset provisions), employer liability for taxes on minimum wage for employees receiving tips, correction of the flaw in present law regarding limited partnerships, elimination of retroactive payments of actuarially reduced benefits, reducing marriage requirements from 20 yr to 5 yr for certain divorced beneficiaries, and annual reporting of earnings.

NOTES

Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which are described in the 1977 Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. These assumptions incorporate ultimate annual increases of 5 1/4 percent in average wages in covered employment and 4 percent in Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate. Figures may not add due to rounding.

CHANGES IN ACTUARIAL BALANCE OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM OVER THE LONG-RANGE PERIOD (1977-2051) EXPRESSED AS PERCENT OF TAXABLE PAYROLL, BY TYPE OF CHANGE, PRESENT LAW AND THE BILL

(In percent)

Item	DASI	DI	Total	Item	OASI	DI	Total
Long-range actuarial balance under present law	-6.06	-2.14	-8.20	Universal coverage	.29	.05	.34
Wage-indexing decoupling	3.19	.95	4.14	Miscellaneous provisions ¹	0	0	0
Benefit level	.53	.12	.66	Increase in the taxable wage base	.36	.07	.43
Freezing the minimum benefit ¹	-.07	.02	-.05	Increase in self-employed tax rates	.09	.02	.11
Delayed retirement increment	-.09	0	-.09	Tax rate increases	.19	.56	.75
Retirement test	-.07	0	-.07	Total, effect of changes in bill	4.73	1.78	6.51
Elimination of remarriage terminations	-.08	0	-.08	Long-range actuarial balance under bill	-1.33	-.36	-1.69
Elimination of windfall for early retirees	.24	0	.24				

¹ Includes updating the special minimum and increasing it automatically after 1979.
² Includes equal treatment by sex (without the effect of any dependency test or pension offset provisions), employer liability for taxes on minimum wage for employees receiving tips, correction of the flaw in present law regarding limited partnerships, elimination of retroactive payments of actuarially reduced benefits, reducing marriage requirements from 20 yr to 5 yr for certain divorced beneficiaries, and annual reporting of earnings.

NOTES

Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which are described in the 1977 Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. These assumptions incorporate ultimate annual increases of 5 1/4 percent in average wages in covered employment and 4 percent in Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate. Figures may not add due to rounding.

[Dollar amounts in billions]

[Dollar amounts in billions]

OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, CALENDAR YEARS 1972-87

Calendar year:	Income	Disbursements	Net increase in fund	Percentage of disbursements during year		
				Funds at end of year	Fund at beginning of year	Fund at end of year
1972	\$40.1	\$38.5	\$1.5	\$35.3	88	92
1973	48.3	47.2	1.2	36.5	75	77
1974	54.7	53.4	1.3	37.8	68	71
1975	59.6	60.4	-.8	37.0	63	61
1976	66.3	67.9	-1.6	35.4	54	52
Estimated future experience:						
1977	72.5	75.6	-3.1	32.3	57	43
1978	80.6	83.6	-3.1	29.3	39	35
1979	90.8	92.7	-1.9	27.4	32	30
1980	100.8	101.3	-.4	26.9	27	27
1981	110.7	109.9	.8	27.8	25	25
1982	129.4	118.5	10.9	30.7	23	33
1983	140.5	127.5	12.0	31.6	30	40
1984	150.7	137.5	13.3	34.9	38	47
1985	168.2	148.3	19.9	34.8	44	57
1986	181.3	159.7	21.6	38.4	63	67
1987	194.4	171.9	22.5	42.6	62	76

OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND THE DISABILITY INSURANCE TRUST FUNDS, COMBINED, CALENDAR YEARS 1972-87

Calendar year:	Income	Disbursements	Net increase in funds	Percentage of disbursements during year		
				Funds at end of year	Funds at beginning of year	Funds at end of year
1972	\$45.6	\$43.3	\$2.3	\$42.8	93	99
1973	54.8	53.1	1.6	44.4	80	84
1974	62.1	60.6	1.5	45.9	73	76
1975	67.6	69.2	-1.5	44.3	66	64
1976	75.0	78.2	-3.2	41.1	57	53
Estimated future experience:						
1977	82.1	87.6	-5.5	35.6	47	41
1978	94.7	97.3	-2.5	33.1	37	34
1979	106.7	108.0	-1.3	31.7	31	29
1980	118.5	118.4	.1	31.8	25	27
1981	131.0	128.9	2.2	34.0	25	26
1982	153.4	139.4	14.0	48.0	24	34
1983	166.5	150.5	16.0	64.0	32	42
1984	178.7	162.8	15.9	79.8	39	49
1985	201.5	176.2	25.3	105.1	45	60
1986	217.4	190.4	27.1	132.2	55	69
1987	233.2	205.6	27.6	159.8	64	78

[Dollar amounts in billions]

[Dollar amounts in billions]

OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND, CALENDAR YEARS 1972-87

PROGRESS OF THE SOCIAL SECURITY HOSPITAL INSURANCE TRUST FUND UNDER BILL, CALENDAR YEARS 1972-87

Calendar year:	Income	Disbursements	Net increase in fund	Percentage of disbursements during year		
				Funds at end of year	Fund at beginning of year	Fund at end of year
1972	\$5.6	\$4.8	\$0.8	37.5	140	157
1973	6.4	6.0	.5	7.9	125	133
1974	7.4	7.2	.2	8.1	110	113
1975	8.0	8.8	-.8	7.4	92	84
1976	8.8	10.4	-1.6	5.7	71	55
Estimated future experience:						
1977	1.6	12.0	-2.4	3.3	48	27
1978	14.2	13.7	.5	3.8	24	28
1979	15.9	15.3	.6	4.4	25	29
1980	17.6	17.1	.5	4.9	26	28
1981	20.3	19.0	1.4	6.2	26	33
1982	24.0	20.9	3.1	9.3	30	45
1983	26.1	23.0	3.1	12.4	40	54
1984	28.0	25.3	2.6	15.0	49	59
1985	33.3	27.9	5.4	20.4	54	73
1986	36.2	30.7	5.5	25.9	66	84
1987	38.8	33.7	5.2	31.0	77	92

Calendar year:	Income	Disbursements	Net increase in fund	Percentage of disbursements during year		
				Funds at end of year	Fund at beginning of year	Fund at end of year
1972	\$6.4	\$6.5	-\$0.1	32.9	47	47
1973	10.8	7.3	3.5	6.5	40	40
1974	12.0	9.4	2.7	9.7	69	69
1975	13.0	11.6	1.4	10.5	79	79
1976	13.8	13.7	.1	10.6	77	77
Estimated future experience:						
1977	16.1	16.2	-.1	10.5	66	66
1978	19.7	19.0	.6	11.1	55	55
1979	22.3	22.2	.1	11.2	50	50
1980	24.5	25.7	-1.2	10.0	44	44
1981	33.5	29.7	3.8	13.8	34	41
1982	39.7	33.9	5.8	19.6	41	41
1983	43.1	38.5	4.6	24.2	51	51
1984	46.1	43.7	2.4	26.6	55	55
1985	49.0	49.2	-.1	26.5	54	54
1986	57.5	55.0	2.5	29.0	48	48
1987	61.7	61.4	.3	29.4	47	47

Note: Figures may not add due to rounding.

The rule provides for eight amendments and we have 30 minutes debate on each amendment. The amendments have been outlined in the rule. They are designed to give Members of this Committee of the Whole an opportunity to vote on most of the very basic substantive alternatives that we have as we look into the social security system.

We do it in a responsible way, because each amendment is required to contain revenue adjustments that will keep the fund solvent.

I think this is an extremely important issue. I think it would be a grave mistake to allow introduction of amendments on the floor that would throw the social security fund out of balance. I think all of us are concerned about keeping it solvent. In this bill we do that, both on a short-range and on a long-term basis. If you vote for an amendment, you can have assurances that the fund will be solvent, with the one exception being the amendment offered by the Committee on Post Office and Civil Service, which would leave the Federal workers out; if you go with that, if you vote to leave Federal workers out without increasing revenue, you would vote to throw the funds out of balance; but even more importantly, you would still leave State and local workers in.

The CHAIRMAN. The time of the gentleman from Oregon has again expired.

Mr. ULLMAN. Mr. Chairman, I yield myself 1 additional minute.

Mr. Chairman, I think that would not be the kind of result that the Members would want to achieve. Therefore, the gentleman from Virginia (Mr. FISHER) will offer a substitute amendment for the Post Office and Civil Service Committee amendment, which I think we can all support, which will remove not only Federal workers, but State and local workers and nonprofit employees and provide the revenue increase to compensate the fund and keep in proper balance.

So, Mr. Chairman, I urge that we support the committee on this bill, use your best judgment on the matter of Federal employees; but other than that, I would

hope we would support the committee, oppose the other amendments, and finally vote for the bill.

Mr. ALLEN. Mr. Chairman, will the gentleman yield for a question?

Mr. ULLMAN. I am happy to yield to the gentleman.

Mr. ALLEN. Mr. Chairman, I believe I heard the gentleman mention the amount of income that a retired person on social security would be permitted to earn without subtracting any part of the social security benefits. When does that begin?

The CHAIRMAN. The time of the gentleman from Oregon has again expired.

Mr. ULLMAN. Mr. Chairman, I yield myself 1 additional minute.

Mr. ALLEN. Mr. Chairman, if the gentleman will yield further, now it is \$3,000 they can earn.

Mr. ULLMAN. Yes. We provide next year that it will be \$4,000 and the following year \$4,500.

Mr. ALLEN. Mr. Chairman, if the gentleman will yield further: Today, on the \$3,000 limitation, what they make over that, for every \$2 they earn, \$1 is deducted from their social security benefits. Is that correct, under the present formula?

Mr. ULLMAN. Yes, that is correct.

Mr. ALLEN. That same formula would apply?

Mr. ULLMAN. That same formula would apply.

Mr. ALLEN. Yes, because I understood the gentleman to say that it would be dollar for dollar.

Mr. ULLMAN. No; the gentleman is absolutely correct, the same formula would continue.

Mr. ALLEN. If they make over \$4,000, they would cut \$1 from their social security for every \$2 they earn above that amount, next year.

Mr. ULLMAN. That is correct.

Mr. CONABLE. Mr. Chairman, I yield myself 10 minutes.

(Mr. CONABLE asked and was given permission to revise and extend his remarks.)

Mr. CONABLE. Mr. Chairman, Robert Browning and Rabbi Ben Ezra said:

Grow old along with me!
The best is yet to be,
The last of life, for which the first was made.

The lucky among us grow to be old eventually. Aging is a very sensitive condition, because we all hope to share it. We all look forward to the years in which we are going to have our retirement and our reward for a life of hard work.

Social security is a terribly important situation to Americans for this reason. I do not mean to imply that it is of importance only to the aging among us. It is important also to survivors and to the disabled. It is closely related, of course, to medicare, a very important public health program.

There can be little doubt in anyone's mind that this is one of the most important bills the 95th Congress is going to consider. It is important because of its sensitivity, because it is central in the retirement plans, the hopes and aspirations of all Americans.

It is terribly important then that the Members understand this complex issue, understand that it is not to be dealt with as your run-of-the-mill bill, where if we do not finance, we can always raise taxes or print money or in some other way at some other time somehow fill the gap. This is a closed-end system. If we do not engage in the business of trade-offs here, we inevitably will bring the system not only into further imbalance—and it is now 8.2 percent out of balance—but we will ultimately affect the confidence of all those people who depend on social security.

Their hopes for a responsible Government are going to be dashed if we do not deal with this in a responsible way. Now, I hope the Members will not take the easy way out on this bill and vote no on everything today. It is easy to be critical of an issue as sensitive as this and to say, "Well, it could be dealt with better." We have provided a number of alternatives that permit the Members to pick and choose among aspects of this program in a responsible way, where they will be able to provide the necessary

financing as well as the adjustments in benefits that many of us desire.

We have available a Republican substitute somewhat different in concept, involving substantially lower payroll taxes. We commend that to the Members' attention. There will be further details on it later.

But remember, if Members vote no on everything, they are voting for the bankruptcy of the system. It is easy to say, "Oh, well, you can always go back and come up with something else," but we all know that something else will be subject to further criticism, too, and ultimately we have to follow a course broad enough to realize that we must choose among alternatives, some of which may not be entirely to our liking. So, I hope the Members will not follow the course that frequently is followed where we are dissatisfied with this or that detail and vote against all possible options that are available to them today.

Mr. GIBBONS. Mr. Chairman, will the gentleman yield?

Mr. CONABLE. I yield to the gentleman from Florida.

Mr. GIBBONS. I am sure, when the gentleman from New York is encouraging people not to vote no on all amendments, he was not meaning not to vote no on the Fisher amendment, because the Fisher amendment, as a matter of justice, would bring people in who should be paying the taxes.

Mr. CONABLE. I expect to oppose the Fisher amendment. I am talking about the major options that are available in this measure as it has been brought to the floor. The Fisher amendment involves the coverage of public employees. I frankly think that they should be covered.

Mr. GIBBONS. The gentleman would urge Members to vote no on the Fisher amendment?

Mr. CONABLE. Yes. I certainly am urging Members to vote in an indiscriminate way and to reject all the major options. That is what I am concerned about.

Mr. GIBBONS. I thank the gentleman.

Mr. WYLIE. Mr. Chairman, will the gentleman yield?

Mr. CONABLE. Yes.

Mr. WYLIE. I thank the gentleman for yielding.

The gentleman from Florida has asked the gentleman in the well if he is going to vote no on the Fisher amendment. The gentleman from New York says he is and that he thinks all public employees should be included in social security.

Mr. CONABLE. We will get into that later.

Mr. WYLIE. I know we will get into that later, but why are public employees' funds going to be included in the social security system?

Mr. CONABLE. The public employees' funds are not going to be included in the social security system. We are advocating an integrated program where public employees' funds would be used to supplement social security coverage, a similar situation to that which obtains in most of big business today where there are private pension plans which supplement social security coverage.

Mr. WYLIE. But why should funds maintained by the States, the State Teachers Retirement System, the School Employees—

Mr. CONABLE. They would remain inviolate.

Mr. WYLIE. They would remain inviolate, separate and apart?

Mr. CONABLE. Yes.

Mr. WYLIE. Then why include public employee retirement funds in the system at all? I thought the original purpose in putting them into the system was that we have to get money into the system from some new source, either through an increase in payroll taxes on employees and employers, increase the base, from the general revenue fund, or from some other viable pension system which has money in it.

Mr. CONABLE. The extent to which State pension systems would be adjusted as a result of social security coverage is up to the States. I doubt that many States or many localities would want to have a total pension system piled on top of a social security system, and so I hope the two will be used to supplement each other.

But I must point out to the gentleman that 70 percent of State and local employees are now covered by social security. It may not be so in Ohio. I certainly do not intend to try to review all of the States. And, quite frankly, I would much prefer to leave this debate until we are talking about the public employees issue, because we must deal with the basic bill now.

Mr. WYLIE. Mr. Chairman, will the gentleman yield that I may ask one more question?

Mr. CONABLE. I yield to the gentleman from Ohio.

Mr. WYLIE. I thank the gentleman for yielding.

Mr. Chairman, the gentleman from Florida has said that what we are attempting to do here, by one process or another, is to prevent some form of double dipping; that public employees of the State of Ohio, for example, will draw their pension and that should be quite adequate. Is that the point?

Mr. CONABLE. No one will take their rights away from them.

Mr. WYLIE. I hope not. They pay 8 percent into it. Now, if they retire at the end of 20 years, the gentleman from Florida says their first social security check could be more than he paid into the social security fund during 40 quarters.

Mr. CONABLE. That is theoretically possible.

Mr. WYLIE. Then why don't we make that program economically feasible and say, "You will have to pay as much in as you take out on an actuarial basis"?

Mr. CONABLE. To do that would alter many existing systems to their detriment. We will have to go through a rather extensive transition period for any change that is made.

Mr. STEIGER. Mr. Chairman, will the gentleman yield?

Mr. CONABLE. I yield to the gentleman from Wisconsin.

Mr. STEIGER. I thank the gentleman for yielding.

Mr. Chairman, I do not want to prolong this discussion, but the remarks of our very distinguished and perceptive colleague, the gentleman from Ohio (Mr. WYLIE), pinpointed precisely the very kind of misinformation and the very kind of misperception that exists about the issue of universal coverage. So far as I know, no one—no one—has said, so far as State employees, municipal employees, county employees, or Federal employees are concerned, that we are somehow going to transfer their civil service retirement system into the social security system, nor are we going to transfer the Ohio State employees retirement system into the social security system. But you better believe, based on the mail that is coming in, that there are an awful lot of people out there who are being severely misled by those who represent those employees that that is what is intended. That is absolutely wrong. I am delighted that the gentleman asked the question so that issue could be clarified.

Mr. CONABLE. Mr. Chairman, if I could reclaim my time, I would like to discuss the bill. This is obviously a very sensitive issue and one which I hope we will have ample opportunity to discuss. But I would like the Members to understand some of the more basic elements involved in this issue we get too far down the road.

The CHAIRMAN. The time of the gentleman from New York (Mr. CONABLE) has expired.

Mr. CONABLE. Mr. Chairman, I yield myself an additional 8 minutes.

Mr. Chairman, I want to mention some of the good features of the committee bill—and there are good features in it. I think it happens to be fatal in some ways, but I want to stress that there are some important improvements, as well.

First of all, the decoupling and wage indexing provisions, as the chairman mentioned, are very important ones on which almost everyone agrees. We must decouple and stabilize replacement rates. This bill stabilizes them at a level about 5 percent lower than those existing in January 1979. I think it is a sound proposal, and I am glad it is in there. It has a positive impact upon the actuarial improvement of the total package. It freezes minimum primary benefits at the January 1979 level, or at an estimated \$121. It reduces disproportionately high payments to those with short periods of covered work and relatively high earnings. Those are the ones who get the minimum primary benefits, and many already are retired from other systems.

Or they are moonlighters who are primarily engaged in some noncovered employment.

By freezing the minimum benefit we are eliminating eventually a substantial part of the windfall in the system for those who play-off two different types of coverage.

We also are updating the special minimum benefit in the committee bill to \$230. The special minimum is primarily for those who have worked in covered employment around 30 years at comparatively low wages. These often are the marginally skilled, who, because of their marginal skills, receive compara-

tively low social security benefits, although they have a stable employment record. These people, we think, should be on the same kind of cost-of-living escalator that the others have been on. They have not been on such an escalator, and the committee bill takes care of that basic inequity. We think they should be primary objects of our concern, and they have not been up until this time.

The bill also provides for improved treatment of women through the elimination of marriage or nonmarriage requirements as a bar to dependent or survivors' benefits.

We have all heard stories of old folks in their retirement homes who cannot get married because either or both of them would lose social security benefits that they have been entitled to from other sources if they remarried.

The bill also changes the duration of marriage requirements for divorced spouses from 20 years to 5 years. The woman who has lived with a husband for 18 years and is then divorced loses her social security benefits under present law. Now, if she lives with her husband for over 5 years, she gets a derivative right which will continue.

The bill eliminates sex discrimination language through a whole panoply of minor changes to equalize the treatment of men and women. We are only getting into step with the Supreme Court on that particular issue.

I regret that the bill does not include a working spouse's benefit such as the Republican substitute suggests.

There are controversial features of the committee bill. Let us now talk about coverage just briefly. This involves Federal civilian employees.

I want the Members to understand how this can work to the advantage of our Federal civilian employees. Remember, I said, "Federal civilian employees." Federal military employees are now covered by social security. They have been ever since the days of the draft. They have been covered, 2.5 million of them, because we did not want to interrupt their social security coverage when we forced them to go into the armed services. So the military retirement system of the Federal Government does supplement social security, and we now would like to see us move our civilian Federal workforce toward that coverage.

Major industries have integrated pension plans now. Because the cost of social security has been going up, many of our major companies have found that they could not afford to maintain as rich a private pension plan as they had previously. So what they have done is this: They have moved toward basic coverage through social security and used their private pension plans to supplement, bringing benefits to a certain level.

Let us take the Federal worker who is now earning \$25,000 and show how this would work, if we were to go along with an integrated plan similar to that in private industry. That worker now pays 7 percent of his salary into a retirement fund. Under the integrated compensation plan, he or she would pay social security tax at the rate of 6.5 per-

cent of the first \$17,000 next year under present law and would then pay into the retirement fund the difference between that and what he or she formerly paid. That is 0.95 percent of \$17,700 plus 7 percent of the next \$7,300, above the social security covered wage base.

The worker would be protected thereafter under a broader blanket of social security, providing greater disability and survivor benefits than workers get under the Federal system now. The worker also could receive a net retirement pay equal to or even slightly higher than what he or she would have received formerly. The social security benefits, to the extent those would be taken over at an increased portion of the total pension, would be tax exempt.

As we know, Federal pension benefits are taxable after the worker gets back what was paid in.

Such an integrated system is not against the interests of the Federal employees, if they are willing to listen to how it works.

State and local units would have to integrate their pension plans also. There is not universal coverage under the committee bill until 1982, and that would allow plenty of time to work out the integrated coverage features.

Seventy percent of our State and local governmental employees already are covered by the social security system, and the remainder would have 4 years to consider alternative methods.

Mr. ARCHER. Mr. Chairman, will the gentleman yield?

Mr. CONABLE. I yield to the gentleman from Texas.

Mr. ARCHER. Mr. Chairman, I thank the gentleman for yielding.

I know the gentleman is not going to spend a lot of time on this issue, which came up earlier; but almost 30 percent of State and local employees are not covered by social security now. That does not fall evenly across all the States of the country.

Mr. CONABLE. No, it does not.

Mr. ARCHER. Therefore, some States have large percentages of their employees, perhaps all, who are not covered under social security. Those particular States would be hit very hard.

Mr. CONABLE. They would be hit harder, correct.

Mr. ARCHER. For example, the State of California will face \$400 million a year in total costs at all levels of government as a result of this bill.

If the gentleman will yield further, as far as the integration of State and local employees is concerned, it would be far more difficult and is a totally different issue from that of Federal employees because many State constitutions prohibit integration, which will require constitutional amendments.

Mr. Chairman, I regret that the Committee on Rules did not make in order a separate amendment for State and local employees.

The CHAIRMAN. The time of the gentleman from New York (Mr. CONABLE) has expired.

Mr. CONABLE. Mr. Chairman, I yield myself 4 additional minutes.

The CHAIRMAN. The gentleman from New York (Mr. CONABLE) is recognized for 4 additional minutes.

Mr. CONABLE. Mr. Chairman, I thank the gentleman from Texas (Mr. ARCHER). I agree with what he has said generally. I would like to point out, though, that the effect of the integrated system need not be to add anything to the cost of State retirement systems. Any integrated system would substantially reduce the contributions of the State thereafter because they would be supplemental to the social security coverage. The net cost would be substantially less.

Mr. Chairman, I must say that most of the State and local pension systems of which I know are at considerably greater expense to the State and locality than basic social security coverage would be.

Mr. MICHEL. Mr. Chairman, will the gentleman yield?

Mr. CONABLE. I yield to the gentleman from Illinois.

Mr. MICHEL. Mr. Chairman, I appreciate the gentleman's yielding, and I commend him for his statement. I am persuaded by his argument, particularly with respect to inclusion of Federal employees.

Is it going to be possible under the rule under which we are considering this legislation to be able to vote to include Federal employees at the exclusion of State and local employees, my feeling being that if we are embarking initially on a new step—and we obviously have gone into a lot of educational matters around the country—that maybe we could take an initial step first and follow on later, in which case the gentleman's thesis is correct.

Mr. CONABLE. Mr. Chairman, the gentleman makes a good point.

The Republican alternative does not include this option; and for that reason, I hope the gentleman will take up this issue with the minority leader and with myself in connection with a possible motion to recommit.

Mr. MICHEL. Mr. Chairman, if the gentleman will yield further, today we talk so much about a number of other programs, particularly education and whatnot and public grants to communities, and about a hold-harmless provision, that this question occurs to me: Is it not really correct to describe what we have had heretofore done with respect to Federal employees as holding them harmless?

Mr. CONABLE. I cannot conceive of the Congress or of the Committee on Post Office and Civil Service coming up with an integrated program that would be less desirable for them than what they now have. There are many advantages to basic social security coverage for them.

First, the benefits are tax exempt. Second, one gets much better disability protection and survivorship protection than under the Federal plan.

Mr. Chairman, if I may reclaim my time, the objections I have to the committee bill will be dealt with by the Republican substitute. But let me note now that the committee bill takes a short-

term financing approach. It still leaves a 1.69 percent taxable payroll deficit over the next 75-year period. It is the dollar equivalent over 75 years of \$880 billion that we will be in deficit. Frankly, that disturbs me.

Our Republican substitute has, by contrast, an actuarial deficit of about 0.3 percent of taxable payroll over the next 75 years. The committee bill falls far short of that.

The committee bill provides a rapid three-step increase in the wage base that hits middle-income people. It also substantially increases the maximum pension payable for those whose incomes are now considerably above the wage base but would be included in the wage base in the future. Thus, raising the wage base does not improve the long-term actuarial situation of the system. Instead, it makes it less easy for us to finance future cost-of-living increases, because as we raise the wage base, obviously we have to compensate by raising it considerably more every time we have to make a cost-of-living adjustment in benefits under existing law.

The committee bill also provides for potential use of general revenues through standby borrowing authority. I think that is a bad precedent. I think it is a step toward a needs based program rather than an insurance program.

There are other issues in this bill that will emerge as we proceed. I thank my colleagues for their patience in my extensive discussion.

Mr. BROWN of Ohio. Mr. Chairman, would the gentleman yield?

Mr. CONABLE. I yield to the gentleman from Ohio.

Mr. BROWN of Ohio. Mr. Chairman, when I was in Ohio last week to speak to a professional group in the Seventh District, the executive director took me aside for an urgent private conference. His wife, a teacher, had given his strict instructions to lobby me to vote against dragging Federal, State, and local government employees into the ailing social security system. I assured him that he could tell his wife she has nothing to worry about; my wife, also a teacher, had gotten to me first.

But even if I did not have a wife, mother, sister and grandfather who taught in the public schools in Ohio, I would not be inclined to place the burdens of our social security system on such dedicated public servants—Federal, State, and local—who already work hard to support their own solvent retirement systems. Public employees—teachers, firemen, policemen, State, and Federal employees—represent one of the most important and underappreciated groups in our Nation. They have, for the most part, labored faithfully and honorably under restrictions not to strike for higher wages. And they have generally been content to accept wages not commensurate with the salaries they might have been able to obtain in the private sector. That the Congress would consider turning such dedicated and self-sacrificing public employees to force them to help in salvaging a system that is going bankrupt through no fault of theirs—but because of our mismanagement—is simply evidence of our own moral bankruptcy.

The State and local retirement systems provide a stunning example of solvency when compared to the problems faced by the social security system. Assets held by the State and local retirement systems reached \$111.5 billion at the end of fiscal year 1976, according to an analysis by the tax foundation. That is more than twice the amount held by these systems in 1970 and it obviously represents an amount that the Federal Government finds very tempting. As assets have increased, investment earnings have become an ever larger source of income for these funds, increasing from 25 percent in 1970 to 29 percent in 1976. Ohio, with one of the best public retirement systems in the Nation, had \$1.1 billion in receipts in fiscal 1976, with 24 percent coming from the employees, 40 percent from State and local governments and 36 percent from earnings on investments. That seems to me to be a fair balance of paying your own way, having the taxpayer—or employee pay—and earning from investment.

Despite the apparent health of the State and local systems, they cannot withstand the assault on their actuarial soundness that would occur if their employees were drawn into social security. While the bill we are considering today would not actually absorb any of the existing retirements funds, but merely open that possibility to study, it would represent a serious added burden on the employees by making him pay additional taxes immediately. I cannot in good conscience support a bill which would do such damage to our public servants' tax burden now and retirement savings for the future.

Mr. Chairman, this debate over inclusion of Federal, State and local government workers has gotten us away from the basic cause of the problem, which has absolutely nothing to do with public employees. Actually, we have a social security financing problem for two reasons:

First. The relatively short-term problem is caused originally by the current high rate of inflation and specifically by the fact that the 1972 legislation that tied benefits to the cost of living has led to benefits for retirees rising faster than the general wage rate.

Second. The longer range problem, which will occur largely in the next century, arises from the fact that birth rates are lower than previously assumed so that in the long run there will be a higher number of retired persons drawing social security benefits in relation to the number of wage-earning contributors. It is anticipated that the current ratio of 30 beneficiaries for every 100 workers will increase to 50 or more beneficiaries per 100 workers by the year 2030.

The first problem is solely the responsibility of this Congress. We should not have made the error in the first place. Once it was discovered, we should have acted more quickly to correct it. President Ford made a proposal during the last Congress, which we ignored, that would have dealt directly with the problem by "decoupling" future benefits from the current cost of living increases. We would not even consider that then. Now today, the bill before us also takes that

approach. I applaud that action—even if it has been too slow in coming.

The longer range problem may require more thought. Obviously, Congress has no role to play in influencing Americans' personal decisions about the size of their families. And the fact that people are living longer and enjoying better health should be seen as a blessing and not a curse; and Congress has recently addressed that by terminating our archaic laws on forced retirement at 65. But it also should be clear that massive tax increases on those paying into the system are bound to be self-defeating. All tax increases, whether on employees or employers, tend to retard economic growth. It makes much more sense to cut personal income taxes, boosting economic growth and job opportunities and providing a healthy wage base to bring new revenues into the social security system and into the Federal general fund to try to balance the budget. An increase of just one-half to three-quarters of 1 percent in our rate of economic growth would be sufficient to increase real wages enough to make our social security financing problem disappear. That growth increase will come if we cut taxes and let American workers have more of their own money to spend, save or invest, thus increasing jobs and economic expansion.

Mr. Chairman, I would like to conclude by noting that I do not intend to gloss over the obvious social disparities we face in our present retirement systems where a small portion of our retirees qualify for more than one retirement program by paying into civil service retirement, a private pension plan and social security for a few years each. Such people, with more than one retirement plan, can obviously do better in retirement than a teacher who works 40 years under a public employee retirement system and then can barely make it on the returns of a single retirement benefit. But I do not think the solution to that problem should involve dragging everyone into social security, changing the rules for those who have faithfully contributed to their State or local retirement systems throughout their entire careers. I believe it is time for a deep, thorough and thoughtful study of all of our retirement systems. To that end, I have asked Joint Economic Committee Chairman RICHARD BOLLING to include the topic in a long-range economic study the committee is preparing to launch. It may take awhile to get the answer, but the right answer in the long run is better than a quick answer that is wrong.

Mr. ULLMAN. Mr. Chairman, I yield as much time as he may consume to the distinguished chairman of the subcommittee, the gentleman from Massachusetts (Mr. BURKE).

Mr. BURKE of Massachusetts. Mr. Chairman, I wish to thank the chairman of the Committee on Ways and Means.

Mr. Chairman, we have before us today a social security financing bill, H.R. 9346, which is the most important legislation to be considered by the 95th Congress. It affects the vital concerns of virtually every American and particularly the 1 out of 7 Americans now

receiving benefits each month. The fears of these beneficiaries have been aroused by the widespread reports of the financing problems of the social security system. H.R. 9346 is designed to restore the soundness of the system, and to allay the concerns of all of those covered by the system.

While I do not agree with every provision in the financing bill as reported by the Committee on Ways and Means, I am supporting this legislation because of the vital importance of restoring the viability of the system at the earliest possible time. It is absolutely essential that the Congress pass and the President sign into law a financing bill this year.

The Social Security Subcommittee which I chair has been concerned about the financing problems of the system for some time. We held hearings on these problems several times in the preceding Congress but never were able to surmount the differences between the Ford administration and the Congress as to how best to meet them. In the 95th Congress, we went to work on financing legislation as soon as President Carter submitted his social security proposals in May. There were many different viewpoints in the subcommittee, but we finally were able to hammer out a bill in September. The Committee on Ways and Means worked with our framework in ordering the bill reported October 6, although some modifications in the tax and wage base schedules were made in the full committee.

H.R. 9346, important as it is, does not by any means solve all of the problems facing the social security system. I already have announced that, in the 1978 session, the Social Security Subcommittee will work on a phase II bill for this Congress. This phase II legislation will be directed primarily to the problems of the disability program, but some other issues which we could not consider in connection with H.R. 9346 also will be included. The costs of the disability program have for several years been running far above the estimates, and we hope to find the reasons for this and provide solutions if possible. I have introduced a disability bill, H.R. 8076, to serve as a basis for our work next year.

The important business at hand, however, is to enact the Social Security Financing Amendments of 1977 and thus assure the elderly and working people of this country that the social security system will continue as a sound and durable institution. In recent years there have been many irresponsible articles about the system and misleading attacks on it. We in Congress repeatedly have assured our constituents that we never would let the system get in a position where it could not fully meet all of its obligations. The financing problems of the system now are the most serious since the Social Security Act originally was enacted in 1935. We have an opportunity in acting on H.R. 9346 to demonstrate that we will carry out our pledges to maintain social security as the bulwark of retired and disabled persons and surviving families in this country.

Mr. CONABLE. Mr. Chairman, I yield

10 minutes to the gentleman from Texas (Mr. ARCHER).

Mr. ARCHER. Mr. Chairman, I would like first to compliment the chairman of our Social Security Subcommittee, the gentleman from Massachusetts, JIM BURKE, for his untiring efforts under adverse physical conditions during the deliberations on this bill, for his fairness to all members of the committee, and for the openness in which the deliberations occurred. I would also like to compliment the chairman of the full committee, the gentleman from Oregon (Mr. ULLMAN), in the same way for the openness and the fairness in attempting to reach a solution to the social security problem.

Before I begin saying any unkind things about the committee bill, I would like to pay it a couple of compliments.

First, it is better than the bill H.R. 8218, the social security financing bill submitted by the administration. That scheme would have taxed employers on their total payrolls and used general revenues which do not exist. That fortunately was put to death as soon as it was submitted to the Committee on Ways and Means. The committee majority, especially the chairman, deserve a great deal of credit for that mercy killing.

Second, the committee bill does have some attractive features. Among other improvements it includes sound decoupling—plus-wage-indexing provisions. It improves the treatment of women under the system and it freezes the much abused minimum primary benefit which should go entirely to those who need it, but does not under the present law.

Other improvements have been mentioned by my colleague, the gentleman from New York (Mr. CONABLE).

Having said this, however, in my opinion the good points are outweighed by the bad. It imposes far too heavy a tax load on our already overburdened middle-income citizens. That is the worst aspect of the bill as far as I am concerned. The measure calls for sharp and rapid increases in the taxable wage base on the amount of earnings on which the social security tax rate is levied. Under current law the base is adjusted automatically in step increases and average wage levels, this year at \$16,500, next year scheduled to rise to \$17,700, and by 1981 it would reach an estimated \$21,900. Under the committee bill the taxable wage base would rise to \$19,900 next January and by 1981 it would advance to \$27,900, which is \$6,000 higher than the current law level.

These excessive increases hit the middle-income Americans where it hurts them the most. It deprives them of income they otherwise would have used for savings to supplement their social security checks when they reach retirement age. It not only cuts deeply into the amount of money available for them to spend in the marketplace but also has a deepening effect on employment at a time when the jobless rate is already running at 7 percent, and pulls the rug out from under capital formation efforts.

I should emphasize, Mr. Chairman, that our faltering economy needs more capital formation, not less. Yet this bill offers exactly what we do not need.

Mr. KEMP. Mr. Chairman, will the gentleman yield?

Mr. ARCHER. I yield to the gentleman from New York.

Mr. KEMP. Mr. Chairman, I appreciate my friend yielding.

I want to compliment the gentleman on his remarks, as well as those of our colleague, the gentleman from New York (Mr. CONABLE).

The gentleman from Texas has pointed out very well that ultimately the social security system of this country is totally dependent upon the economic growth of our Nation. This bill raises the marginal tax rates of all the American people, not only the middle-class but also the low-income and wealthy Americans by 13 percent on top of the rates they are already paying. The result will be to discourage the workers and savers plus slow the economic growth upon which ultimately a sound social security system must be based. For instance a working man or woman who earns \$12,000 and pays in the 18-percent marginal tax bracket and who gets a cost of living increase in salary, will then pay in 38- to 40-percent tax bracket on every dollar over \$12,000 by 1980. It is outrageous.

So the gentleman is absolutely correct in bringing to the attention of this body this extremely important information. I personally appreciate it very much, compliment him on his remarks, and associate myself with him in his effort to reduce rather than raise the taxes of the American people.

This bill is designed to increase both unemployment and inflation.

The Conable substitute moves in a much more proper direction and in a more responsible way.

Mr. ARCHER. Mr. Chairman, I thank the gentleman from New York.

Increasing a wage base also is unwise because it gives the illusion, and only the illusion, of trust-fund wealth. Certainly, more money is pumped into the funds immediately; but large wage bases mean greater average earnings, and greater average earnings mean greater benefits; so revenues generated in the early years through wage-base increases must be paid out in later years in the form of higher benefits.

Another deficiency of H.R. 9346, as I see it, is its handling of the so-called earnings limitation, the amount of money a social security beneficiary can earn without having benefits reduced. That amount, which also is adjusted annually, is \$3,000 this year and is scheduled to rise to \$3,240 in 1978. Under the committee bill, it will go up to \$4,000 next year, to \$4,500 in 1979, and thereafter be automatically adjusted again to rising wage levels.

Mr. Chairman, the increases in the earnings limitation which H.R. 9346 provides are entirely too skimpy. Frankly, I am amazed that the bill does so little in this regard.

There has been more legislation introduced to increase the earnings limitation substantially, or to remove it altogether, than any other change in the social security system. I have long been among those advocating outright repeal.

I am pleased to note that the House will have at least two opportunities to join me in this effort.

Perhaps the most serious deficiency of the bill, however, is its short-ranged, as well as short-sighted, approach to meeting the social security system's financial needs.

I agree with the gentleman from Massachusetts (Mr. BURKE) that it is important, not just tomorrow, not just in the next year, but for the 75-year projection of the system, that the fund be viable.

H.R. 9346 does not really come close to erasing the long-term, or 75-year deficit.

The committee bill leaves a deficit of 1.69 percent of taxable payroll, which translates into a deficit of almost \$1 trillion. Our children, and our children's children, will have to raise that money if they want to keep the social security system going. That is a heavy burden to pass along to them.

We have been dodging the system's financial needs too long. We have been bold with benefits, but timid with taxes to pay for them. Our track record, unfortunately, is clear on that score.

Since the social security system first began paying monthly benefits in 1940, benefits have been increased by 510 percent, while the cost of living, as reflected in the Consumer Price Index, has gone up 333 percent. Over the past 25 years, benefits have gone up 40 percent more than the Consumer Price Index.

In just one recent Congress, the 92d, benefits were increased across the board by 32 percent—in one Congress. The consumer price index over that 2-year period went up only 11.4 percent.

Even more illuminating is the fact that two-thirds of the 32-percent benefit increase instituted during the 92d Congress was not accompanied by any increase in taxes or trust fund revenues of any kind that occurred in 1972. Those who voted for that 20-percent increase in 1972 justified it on the ground that the system's financial needs had been projected on assumptions that were too conservative. On the basis of dynamic future assumptions, nothing else, benefits were increased 20 percent across the board.

Today, the two main social security trust funds face bankruptcy. Within a year, the disability insurance fund is expected to approach an exhaustion point, to be followed a few years later by the old age and survivors insurance fund.

If the 92d Congress had not approved that 20-percent benefit increase, without adequate financing, we would face no trust fund crisis now.

In fact, had they only increased it 10 percent, we would face no trust fund crisis now. The trust fund's balance at the end of 1979, if it had only been a 10-percent increase, would be about \$77 billion, or 7 percent of outgo that year, instead of just \$21 billion, or 18 percent of outgo, as is currently projected.

In short, Mr. Chairman, the predicament in which we find ourselves today could have been avoided. It was not, as some have insisted, brought on entirely by the twin factors of rising inflation

and high levels of unemployment. Those were contributing elements, to be sure.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. CONABLE. I yield 2 additional minutes to the gentleman from Texas.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. CONABLE. Mr. Chairman, I yield 3 additional minutes to the gentleman from Texas.

Mr. ARCHER. But despite them, the social security trust funds would not be in a state of crisis in 1977 had we been less reckless 5 years ago. My chief point in bringing up this unhappy bit of history is to underscore the folly of taking a shortsighted view of social security financing. The bill before us not only would put an unfair burden on middle-income Americans, but it would delude them into thinking social security had been taken care of in such a way that they could forget about it.

That simply will not be the case. The Congress will have to tackle hard choices on social security financing again within the next decade or two, perhaps within the next several years. We already know that there are more older Americans every year. Between the time the social security system was launched and the next century, average life expectancies at age 65 will have increased more than 3 years for American males and for American females, about 7 years. Not only are we living longer, we also are more active longer.

We also know that the birth rate in this country has been declining markedly. As far as we can see in the future, it is likely to at least remain at a low level. The combination of these two trends—a sliding birth rate and advancing longevity—will combine to produce another financial crisis for the social security system. There are slightly more than three working contributors to social security for every beneficiary today. In the next century, that ratio will have dropped at least as low as 2-to-1. The demographics are clear. If we do not face this problem and give advanced notice to the citizens of this country many years in advance, then our children and even many of us will have to face it.

That is why, Mr. Chairman, I hope a sufficient number of my colleagues will join in support of the substitute for the committee bill which will be offered by the gentleman from New York (Mr. CONABLE). The substitute will make many more improvements in equity than will the committee bill. It also will solve the system's financial problems for the projected 75 years at a total cost to the contributing taxpayers of less than 1¼-percent increase in the tax rates, and with no increase above present levels in the taxable wage base.

Most important, Mr. Chairman, it would be a signal to our children that we are not going to pass this awesome problem on to them. It would mean that, for once, the social security buck—in this case the "megabuck"—would stop here.

Mr. ULLMAN. Mr. Chairman, I yield 10 minutes to the distinguished chairman of the Health Subcommittee of the

Ways and Means Committee, the gentleman from Illinois (Mr. ROSTENKOWSKI).

Mr. ROSTENKOWSKI. Mr. Chairman, there is no doubt about the need to strengthen the financing of the social security program in order to give assurance to the American people that the benefits they are counting on will in fact be paid when the time comes to receive them. H.R. 9346 provides the assurance that is needed, and makes clear the Government's intention to fully honor the promises that have been made in the social security law.

Some aspects of this bill are controversial, I realize. This was clearly evidenced in the deliberations of the Committee on Ways and Means. But, although the members of the committee strongly disagreed on particular features of this bill, a majority were united in a resolve to report legislation now to strengthen the financing of the social security system.

I am among those who would have preferred a bill somewhat different from the one before us. As chairman of the Subcommittee on Health of the Committee on Ways and Means, I want to note that the bill, as reported by the committee, provides a slight improvement in the actuarial status of the hospital insurance trust fund—the fund from which medicare's hospital insurance benefits are paid. I must say, however, that before this outcome was reached in committee there were several different efforts by others to divert very substantial sums of money from the hospital insurance fund, simply because that fund—even though it had a long-range deficit—was in the short run far more solvent than the trust funds from which social security cash benefits are paid.

I might not have resisted these efforts to divert substantial moneys from the medicare trust fund if that had truly been necessary to meet a financial emergency facing the social security cash benefits program. But that was clearly not the situation. For, as Members know, this bill before you does more than improve the financial status of the trust funds. It also provides substantial improvements in benefit protection. Three of these benefit improvements (liberalization of the retirement test exempt amount, elimination of marriage or remarriage as a bar to entitlement to certain benefits, and a reduction in the duration of marriage required for divorced spouses' benefits) will cost \$10.9 billion between 1979 and the end of 1983 alone. Although it is true that other benefit changes (mainly the correction of errors in the benefit formula through "decoupling") have offsetting cost effects, I believe it should be understood that the bill before us does contain some significant benefit improvements.

Let me make it plain that I do not object to benefit improvements. What does distress me, though, is that some people do not seem to make a clear distinction between legislative action that is necessary to correct an emergency in the financing of the program, and legislative action taken merely because of an understandable desire to liberalize benefits.

It is my intention to support the Fisher amendment, which would delete from the bill mandatory coverage for Federal, civilian, State, and local government employees and employees of nonprofit organizations. The committee action in adopting these universal coverage provisions was taken, in my opinion, without sufficient consideration of the issues involved. A number of important factors originally led to the exclusion of groups such as local police and firemen from coverage may still be valid. As a result of the committee bill, State and local retirement systems would have to be adjusted to take account of the new social security coverage. Rather than vote in expanded mandatory coverage now, we should spend some time working with those who would be affected to insure, before we proceed, that there will be no substantial increase in overall contributions and no loss of benefits under existing pension and retirement plans. We must study the financial impact on State and local governments which are already hard pressed to meet revenue needs. To illustrate the impact of the committee bill, I might point out that it would require the city of Chicago, as an employer, to pay \$66 million in addition to the \$116.6 million it now pays to existing pension systems. Of primary importance is the confidence of my constituents in the future solvency of pension and retirement programs into which some have been paying for 25 to 30 years. We should do nothing which would jeopardize these programs.

Deleting the universal coverage provisions, as the Fisher amendment does, is defensible only if provision is made to replace the tax contributions that are lost as a result. The Fisher amendment attempts to do this. I regret very much, however, that the amendment inadvertently fails to fully replace this lost revenue. Under the amendment, the hospital insurance trust fund would lose nearly \$25 billion in revenue over the 6 years beginning in 1982 and running through 1987. In my view this seriously violates the understanding by which the committee agreed to recommend that specific amendments be made in order under the rule. The understanding is that each amendment would maintain the actuarial status of the trust funds at the same level as in the reported committee bill. Also, under the amendment, there is an additional long-run deficit of 0.09 percent of taxable payroll in the cash benefits program (OASDI) that I feel does not comply with the understanding by which the amendment was to be made in order. At an appropriate time, I intend to seek to correct these defects in the financing of the Fisher amendment.

Let me say, before concluding, that I believe credit should be given to the Office of the Actuary of the Social Security Administration for its highly professional assistance to the committee.

Mr. Chairman, despite a number of reservations, I support this legislation and I urge my colleagues to support it also.

Mr. NIX. Mr. Chairman, I yield myself such time as I may consume.

Mr. NIX asked and was given permission to revise and extend his remarks.)

Mr. NIX. Mr. Chairman, as my colleagues know, at the conclusion of general debate an amendment, which has been approved by the Post Office and Civil Service Committee, will be in order to title III of this bill. Our committee amendment, which would strike those provisions of the bill which require mandatory coverage for Federal employees beginning in 1982, was adopted by a record vote of 25 to 0, when it was considered by our committee.

There are any number of reasons why our amendment should be adopted and many of them will be discussed by my colleagues. At this time, however, I want to stress for the Members that in the past, attempts have been made to find methods to provide social security coverage for Federal employees and such attempts have failed.

In this regard, I read with deep interest the discussion on page 35 of the report of the Ways and Means Committee concerning previous studies of this issue.

That committee's report points out that over the years, particularly in 1960, 1965, and 1972, studies concerning social security coverage for Federal employees have been conducted and various proposals have been considered. However, the committee report then goes to state that none of the proposals advanced has proved acceptable to all concerned.

Therefore, while several studies have been performed, no one yet has come up with an acceptance plan for extending social security coverage to Federal employees.

Notwithstanding this fact, however, the Committee on Ways and Means now has decided that the proper way to resolve this problem is to mandate social security coverage for Federal employees in 1982 and hope that an acceptable method of achieving such coverage can be developed before that date.

Mr. Chairman, in my opinion, this is an incredible approach to a very complex problem.

What happens if an acceptable method of coverage for Federal employees can not be developed by 1982; or if it is found that extending social security coverage for Federal employees is not a very good idea after all?

Obviously, the sensible approach is to study the feasibility of extending social security coverage to Federal employees before we mandate such action.

That is what the Post Office and Civil Service Committee amendment does and, therefore, I urge you to support that amendment.

Mr. ANNUNZIO. Mr. Chairman, will the gentleman yield?

Mr. NIX. I yield to the gentleman from Illinois.

Mr. ANNUNZIO. Mr. Chairman, I appreciate the distinguished chairman of the Committee on Post Office and Civil Service yielding to me.

The gentleman mentioned in his remarks that the amendment by the Committee on Post Office and Civil Service passed in the committee 25 to nothing.

With respect to this amendment which

will exclude Federal employees from the system, can the gentleman tell me whether that is the Fisher amendment so that, when we go into the 5-minute rule, I will know what I am referring to?

Mr. NIX. I have been referring to the committee amendment. The FISHER amendment is a separate amendment. I will say to the gentleman that I, of course, intend to support the Fisher amendment.

Does that answer the gentleman?

Mr. ANNUNZIO. Then the amendment of the chairman of the Committee on Post Office and Civil Service is a separate amendment from the Fisher amendment?

Mr. NIX. The gentleman is correct. The Fisher amendment will be offered as a substitute for my amendment.

Mr. ANNUNZIO. I thank the chairman.

Mr. DERWINSKI. Mr. Chairman, I yield myself 5 minutes.

(Mr. DERWINSKI asked and was given permission to revise and extend his remarks.)

Mr. DERWINSKI. Mr. Chairman, in mandating universal social security coverage for Federal employees, the Committee on Ways and Means resembles a sinking ship sending its last desperate distress signal. Actually, it is not a unique experience for the committee and its ministrations of the social security system. It has been bailing water for 40 years with a spoon.

In the current crisis, after filling all the lifeboats the committee came up short and found itself in need of at least one more life preserver. It managed to find one sound and sturdy specimen in the person of the Federal employee whose contributions to a bankrupt social security system could provide artificial, but temporary, relief.

In unanimously voting to reject the mandatory coverage of Federal employees under the social security system, the Committee on Post Office and Civil Service responded with genuine bipartisan concern to extract the Committee on Ways and Means from a highly impractical and possibly untenable position.

Our committee amendment represents a return to reason. Adopted by a 25-to-0 vote, it provides a logical basis for arriving at a decision as to whether or not Federal employees should be compelled to contribute to the social security system. In addition, our amendment calls for comprehensive studies of all aspects and consequences of universal coverage for Federal employees within 2 years. Following that there would be legislative recommendations, and then, and only then, would there be congressional decisions. It is a careful, step-by-step approach, with each separate piece being developed with the view of fitting into a master mosaic, if such a design proves worthwhile.

Contrast that with the approach taken by the Committee on Ways and Means. Their bill dictates that Federal employees will be covered by social security, effective in 1982. In a fill-in-the-blanks-later approach, the committee was silent on such key issues as a dual system for Federal employees, the level of their contributions, or for that matter, how

the new expanded system would work. Instead, the committee decided that between now and 1980 the Secretary of Health, Education, and Welfare and the Civil Service Commission will prepare a detailed study on how this mandatory integration is to be accomplished. It is an approach which goes well beyond the credit card philosophy of "buy now, pay later." The committee is telling Federal employees they must buy its product, sight unseen, and perhaps suffer the consequences at a later date.

The Post Office and Civil Service Committee, by its action, did not dismiss out of hand the possibility of eventual social security coverage for Federal employees. What we are proposing is a study of the issue to be followed by recommendations and then legislation.

Although the Federal civil service retirement system is burdened with an unfunded liability of its own, its current assets and cash flow evidently are too tempting to resist for a bankrupt social security system. Total assets of the fund are \$43 billion and the annual earned interest is \$2.5 billion.

Now let us look at the Federal old-age and survivors insurance trust fund. Outgo exceeded income in calendar year 1975 by \$1.5 billion, and in calendar year 1976 by \$3.2 billion. This year (1977), outgo is expected to exceed income by an estimated \$5.6 billion. Unless additional funding is provided, the trustees of the system predicted—

The assets of the disability insurance trust fund are expected to decline until the fund is exhausted in 1979. The assets of the old-age and survivors trust fund are also expected to decline, in the absence of additional financing, until the fund is exhausted in the early 1980's . . .

To tamper with the civil service retirement fund in the absence of statutory assurance that accrued benefits of Federal employees and annuitants will not be denied or diminished is to break faith with our Federal employees. It is an act of infidelity which deserves to be soundly rejected. In rejecting the Ways and Means Committee approach we will be telling our employees that we prefer to base our actions on facts rather than gimmicks.

Mr. Chairman, I join in supporting the amendment that will be offered by the House Committee on Post Office and Civil Service, under Chairman NIX.

I should also like to point out—and I say this appreciating the reputation, well-deserved or otherwise, that the Committee on Ways and Means has acquired over the years—that it is the House Committee on Post Office and Civil Service which is adopting a statesmanlike role at this time. The men wearing the black hats, the villains, are clearly those members of the House Ways and Means Committee whom we will be saving from their own folly.

If it is a matter, then, of committee consideration, Mr. Chairman, I urge all of the Members to support the statesmen of the House Committee on Post Office and Civil Service, who are doing their best for the Federal employees of our Nation.

I would like to point out that the basic problem here is that we are changing the rules in the middle of the stream, because the charge that many members of the civil service are also covered by social security is an accurate one. However, there is not anything illegal, anything immoral, anything improper about this.

What you are doing now is coming along and saying to the people covered by civil service retirement that we think their fund should be absorbed into the old-age and survivors insurance fund. We are saying, "We think that after 1982 you should be penalized if you have also acquired Social Security coverage."

That is the goal of the Committee on Ways and Means.

I would like to point out that we are thus adversely affecting potentially 2.9 million people, and I say "potentially" because our figures indicate that at the present time approximately 80 percent of the Federal civil service employees are already covered by social security. This is because of employment prior to entering Federal service or because of moonlighting or because of employment after they have retired. It is a perfectly legitimate, normal procedure that they follow.

Therefore, Mr. Chairman, I would urge support of the House Committee on Post Office and Civil Service's position.

Mr. CONABLE. Mr. Chairman, will the gentleman yield?

Mr. DERWINSKI. Yes, I will yield to the gentleman from New York, the distinguished minority member of the Committee on Ways and Means who, I understand, has been using his own time and obviously needs much more time to develop the reasons for his own position.

Mr. CONABLE. Could we sum up the gentleman's position by saying that the Committee on Post Office and Civil Service represents Federal employees and the Committee on Ways and Means represents everybody else?

Mr. DERWINSKI. No. No. I would say that the House Committee on Post Office and Civil Service also represents everybody else because we have not been responsible for the last 40 years as the gentleman's committee has for mismanagement of the social security trust fund.

Mr. CONABLE. It is suggested that if we were not to adopt the Fisher amendment, we would require not the changing of horses in midstream but the changing of horses 4 years before we get to midstream, and at that point the Committee on Post Office and Civil Service would work out the integration formula. Can we not assume that the Committee on Post Office and Civil Service would do it in the interest of Federal employees?

Mr. DERWINSKI. No.

Mr. CONABLE. The gentleman would not do it in the interest of Federal employees?

Mr. DERWINSKI. No. I think we can assume that what we call for is a study, and based on the information we would then legislate. What the gentleman's committee has done is legislate before they have conducted proper research as to the effect on the 2,900,000 Federal employees.

Mr. CONABLE. Civil employees, the gentleman is talking about. The Federal military employees are already covered; is that not correct?

Mr. DERWINSKI. That is right. In other words, what the gentleman is doing is presuming that by 1982 there will be a formula, good or bad, to take care of their absorption into the trust fund.

Mr. CONABLE. Can the gentleman tell me if we gave 4 years warning to all other occupational groups that were included under civil service? We did not give them any choice; we said this was mandated coverage and that we intended to move toward universal coverage. If we told them that 4 years from now they will have to have dealt with the gentleman's patrons on the Committee on Post Office and Civil Service and worked out with them a favorable arrangement, as the gentleman is charging now, the gentleman might be capable of doing it?

Mr. DERWINSKI. No. I do not recall that very many people have been given the choice, but I would hazard the guess that if we had the traditional American secret ballot and gave people the option now to withdraw and then take the route of some form of insurance coverage rather than social security, we would have a massive exodus.

Mr. CONABLE. Would the gentleman also suggest that if we had a public referendum on the income tax that most people would elect not to be taxed?

Mr. DERWINSKI. Yes; I think that is true, but I think the difference is in one case the income tax is certainly needed to operate the country; in the case of the social security trust fund, where for 40 years there has been an emphasis on the benefits and, a deliberate delay in requiring balanced payments, a monster has been created. I do not believe at this point the Federal civil service employees should be utilized in an attempt to conduct a short-run operation. I think we would have to address the entire problem and not just suddenly erase the retirement system of the Federal civilian employees as an effort to bail out the social security system.

Mr. CONABLE. I would urge the gentleman to read the record on this. Nobody is advocating ceasing the Federal retirement system, and that has been addressed at some length earlier here today. We are talking about an integration of the benefits, but the systems would remain separate, inviolate, and complementary, and probably the benefits for Federal employees would be increased in the process, if I know the Committee on Post Office and Civil Service.

Mr. DERWINSKI. No. In the integration goal of the gentleman's committee it is to place a ceiling upon the Federal civil service employees in which an individual qualified under both programs would have one or the other penalized. That, as the gentleman knows, is the ultimate goal.

Mr. CONABLE. I disagree with the gentleman's interpretation.

Mr. NIX. Mr. Chairman, I yield 3 minutes to the gentlewoman from Maryland (Mrs. SPELLMAN).

(Mrs. SPELLMAN addressed the Committee. Her remarks will appear hereafter in the Extensions of Remarks.)

Mr. NIX. Mr. Chairman, I yield 3 minutes to the gentleman from Virginia (Mr. HARRIS).

Mr. HARRIS. Mr. Chairman, I rise in support of the committee amendment which will be offered and in opposition to section 301. I hope to clear up some of the confusion with respect to what this vote for the committee amendment will accomplish. It is not a vote on universal coverage. The proposal is simply to be able to say to 3½ million American citizens what we are going to do to them as we do it to them, not to say to them that we are going to put them under a system but we do not know what the effect on them is going to be when we put them into that system.

I think this is an extremely important point. We are talking about the security of 3½ million Americans. Whatever your views of Government employees may be—my view happens to be rather high of them and I think they are good, loyal Americans and that we have depended upon them a great deal—I think we have to realize that when we are talking about their retirement program we are talking about something terribly important to them which has to do with their life and security and future.

Can Members imagine going to one of my constituents or a constituent of another Member, a person who happens to be a Government employee and explain to him or her the following: "You have been contributing to a retirement program for 15 years. You have planned for the future of your family and yourself, and their future, on that retirement program, but now we are going to change that retirement program rather drastically. We do not think it is going to hurt you a whole lot, but we do not know exactly how we are going to do it, but we, the Congress of the United States, have made the decision to do this." Can Members imagine telling someone who has been planning on the retirement program like this for 15 years, who is expecting in the next 5 or 10 or 15 years to utilize the fruits of that program to which he or she has been contributing, can Members imagine telling that person that we are going to change the program drastically but we do not know how? It may be that this body will decide to integrate the civil service and social security programs in 1980. It may be that we decide that is the thing to do, that there is a way to do it. We do not know now and we should not go to 3½ million Americans and say: "We have done something that we do not know the results of."

I urge the Members to give us the chance to come up with a program that at least says to those American citizens: "This is what we are going to do" as we do it. I think it is absolutely essential if we are going to exhibit the responsibility that we have here in the House of Representatives.

Mr. LEVITAS. Mr. Chairman, will the gentleman yield?

Mr. HARRIS. I yield to the gentleman from Georgia.

Mr. LEVITAS. Mr. Chairman, I thank the gentleman for yielding.

The CHAIRMAN. The time of the gentleman from Virginia has expired.

Mr. NIX. Mr. Chairman, we only have 3 minutes left and that has been allotted.

Mr. DERWINSKI. Mr. Chairman, I will yield 3 minutes to the gentleman from Virginia.

Mr. HARRIS. I thank the gentleman from Illinois. Mr. Chairman, I yield to the gentleman from Georgia.

(Mr. LEVITAS asked and was given permission to revise and extend his remarks.)

Mr. LEVITAS. Mr. Chairman, I would like to ask the gentleman from Virginia, would a vote for the Civil Service Committee amendment and the Fisher amendment, be a vote against universal coverage, or it is simply an opportunity to design the system of universal coverage before the universal coverage becomes effective?

Mr. HARRIS. It most certainly is not a vote against universal coverage. It is a vote in favor of a study that will bring to us an implementing plan, if the Congress decides to implement universal coverage. It is simply putting the horse before the cart.

Mr. GRADISON. Mr. Chairman, will the gentleman yield?

Mr. HARRIS. I yield to the gentleman from Ohio.

Mr. GRADISON. Mr. Chairman, I thank the gentleman for yielding.

In referring to Federal employees, the gentleman used the word "they". It is my understanding that the committee amendment as it comes to us would extend coverage to Members of Congress, that the Fisher amendment would for the time being, at least, exclude Members of Congress from such coverage.

I would pose to the gentleman this question. I frequently run into comments from my own constituents who wonder why if Social Security is such a desirable plan we are mandating them to be under it, whether they wish to be under it or not, but we fail to bring ourselves as Members of Congress under this plan.

I would welcome the gentleman's comments on this question, which I am sure the gentleman has run into also.

Mr. HARRIS. Mr. Chairman, quite simply, if the amendment were before us with regard to Members of Congress, I am sure my colleague and I would have a much more difficult choice. This amendment is not with regard to Members of Congress exclusively. It is with regard to the Federal civil service retirement program. It would seem to me that a vote for the committee amendment would enable my colleague to tell those that ask the gentleman this question that the gentleman has, in fact, voted in favor of coming up with a program that would allow the gentleman to decide that the gentleman could come under the program without disrupting the civil service program.

Mr. DERWINSKI. Mr. Chairman, I yield such time as he may consume to the

gentleman from Minnesota (Mr. FRENZEL).

(Mr. FRENZEL asked and was given permission to revise and extend his remarks.)

Mr. FRENZEL. Mr. Chairman, in consideration of amendments to the Social Security Act, I believe Congress first priority should be to restore financial integrity to the system for as long a period of time possible and thus insure annuity payments to people who have worked all their lives and to whom we have promised such payments.

The bill before us today (H.R. 9346), if passed by the House without amendments, would stabilize the social security trust funds for the next several years, but still leaves a long-range actuarial deficit of 1.69 percent of taxable payroll over a 75-year period. That is a deficit of \$880 billion—a figure far larger than the public debt. Further, the bill contains unnecessary, substantial tax increases and huge raises in the wage base, which can only result in decreasing employment and depressing our economy.

Successful management in the consolidation of funds would have obviated the bulk of the extra taxes, provided some additional "sweeteners," and resulted in a long term, financially sound social security system. The committee had these alternatives available to them, but chose otherwise.

The Conable, Archer, Steiger, Ketchum, Schulze, and Rhodes plan is the only responsible plan developed to restore complete public confidence in the system. Not only is this 15 point package economically sound, but it restructures the financing without an added tax to employers and employees until 1982, and at the same time, it eliminates a majority of the inequities in the current system.

There are three things that my constituents seem to want most in a social security system: First, a sound financial structure that guarantees the benefits we have promised; second, the raising or removing of earnings limitations; and third, the smallest tax increase possible, or none at all, to support the system. The Conable alternative comes closest to meeting these requests.

The major differences between H.R. 9346 and the Conable alternative, which is being offered to us today, is that the Conable approach would solve the system's short-range financial problems with a total tax rate increase of only 1.2 percent above present law levels over the next 75 years. It would also remove the limit on the amount of money a social security retiree aged 65 and older can earn without having benefits reduced. It would provide a new "working spouse's benefit" designed to help working wives receive an additional benefit based on their own contributions to the system, as opposed to that 50 percent benefit received by all spouses, whether or not they contributed to the funds.

Most importantly the Conable proposal places the system within safe actuarial

bounds—considered to be close to absolute if the deficit is not greater than 0.67 of taxable payroll—the proposal leaves a minute deficit of 0.23 percent. I urge my colleagues to give this alternative proposal serious consideration.

An enormous amount of misinformation has been published and circulated recently on the bill's universal coverage provisions. The vast majority of my constituents who would be affected by title III have been led to believe that the committee intended to confiscate all the Federal and other retirement funds and deposit these funds into the ailing social security trust funds—leaving vested annuitants without coverage—in order to bail out the social security system.

I cannot think of a better way to create panic among some 7 million workers than to distort these provisions. Actually they would assure no disadvantage to employees and would alleviate many gaps and disadvantages in the current system. I do not believe that misunderstanding of these facts should be sufficient cause for us to prolong the sensible enactment of universal coverage for possibly another 42 years.

The committee adopted universal coverage for a number of strongly felt reasons. Universal coverage is a natural, desirable goal of any nationwide, mandatory social insurance system. This goal has prevailed since the inception of the program in 1935 but has been a political problem. Public discussion of universal coverage has taken place for many years and it has long appeared that a large majority of Americans favor it.

It has become increasingly difficult to justify to those 9 out of 10 American workers covered by the system why the 10th person is not covered—and why those who administer and legislate the program are not covered by it. The most recent Social Security Advisory Council's report indicated that universal coverage is of great importance toward assuring good protection and portability for all workers on an equal basis and strongly recommended its enactment.

The civil service retirement program contains a number of gaps or disadvantages to Federal employees which will be alleviated by enactment of universal coverage. Improvements will be: First, civil service benefits become taxable when the total amount of the employee's own contributions to his retirement have been paid out but social security is not taxable; second, assuring portability of coverage and eliminating serious gaps in existing coverage; third, assuring survivor coverage without reduced benefits; fourth, shorten eligibility time for disability benefits; and fifth, provide quality health benefit coverage. The enactment of universal coverage is plain commonsense. Efforts to delete or delay this coverage should be opposed.

Consistent with the Conable proposal are the amendments being offered to increase and/or phase out the earnings limitations provisions. Earnings limitations are the most unpopular provisions of the Social Security Act as evidenced by the number of bills introduced to abolish the limitation that have far outnumbered other proposed changes. Earn-

ings limitations was the most widely discussed issue during the recent public hearings before the Social Security Subcommittee.

My own constituents have indicated to me that they, too, are disturbed by the existing limits and would support substantial increase in the limitations. My first preference would be to repeal the earnings limitations. However, I would support amendments to increase the limitations above those provided in H.R. 9343—\$4,000 in 1978 and \$4,500 in 1979.

Finally, I am hopeful that we can pass a sensible bill that will restore public confidence and financial soundness to the social security system with the minimum cost to employers and employees with the maximum extend possible benefit structure.

Mr. DERWINSKI. Mr. Chairman, I yield such time as he may consume to the gentleman from Missouri (Mr. TAYLOR).

(Mr. TAYLOR asked and was given permission to revise and extend his remarks.)

Mr. TAYLOR. Mr. Chairman, I rise in support of the amendment to strike the provisions of H.R. 9346, that seek to force the merger into the social security system of all Federal, State, and local government retirement plans.

The proposal, for example, could have an extremely detrimental effect on the retirement plan of the teachers of the State of Missouri who pay into it a considerable amount of their income each year. It is a good, strong plan and the teachers of Missouri are not interested in having it diluted in any way. I think they are right.

The idea of establishing a date when such a merger should take place and then requiring that a study be made on how best to accomplish it is to me a questionable, if not irresponsible way to legislate. It is in fact placing the cart before the horse.

Mr. Chairman, hardly a day goes by that someone in this body does not rise to denounce the bureaucracy for usurping the prerogatives of the Congress by issuing regulations to implement laws that we have enacted. You know as well as I that requiring the Secretary of HEW to tell this body how to merge all of the retirement systems into one means that we will be reading the results in the Federal Register, probably too late to do anything about them. Furthermore, our constituents will have lost more faith in the ability of their representatives to act only after thoughtful and open deliberation and we will deserve it.

Mr. Chairman, let us not act today in a manner that would further erode the prestige of this body. Let us remove this ill advised portion of the bill and move on to the work at hand.

Mr. DERWINSKI. Mr. Chairman, I yield 2 minutes to the gentleman from Illinois (Mr. McCLORY).

(Mr. McCLORY asked and was given permission to revise and extend his remarks.)

Mr. McCLORY. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, I want to express myself in support of both the amendment

to be offered by the Committee on Post Office and Civil Service and the substitute amendment to be offered by our colleague, the gentleman from Virginia (Mr. FISHER).

It would seem to me most unfair to not only the Federal-employees who are enjoying the benefits of Federal retirement programs, but likewise the State and local employees who are under municipal and State retirement plans, to provide for the combination or the coordination of all such retirement programs with social security, as appears to be mandated by this legislation. It is my view that we should first have an appropriate study. Indeed, it would seem to me to be quite improper, quite wrong way to legislate such "universal coverage" without the benefit of a prior study.

I am hopeful, therefore, that both the amendment and the substitute will prevail and that we can study this subject and see to what extent, if any, we want to establish a program of what is called universal coverage, by which retirement programs would be combined or coordinated in some manner or other.

Mr. NIX. Mr. Chairman, I yield such time as he may consume to the gentleman from Connecticut (Mr. COTTER).

(Mr. COTTER asked and was given permission to revise and extend his remarks.)

Mr. COTTER. Mr. Chairman, I rise in support of H.R. 9346, the Social Security Financing Amendments of 1977.

As a member of the Social Security Subcommittee, I am keenly aware of the scope of this legislation. The steps taken in the bill require additional hundreds of dollars of tax for average working men and women. These painful steps will provide the financial stability the system now lacks.

Many Members are too young to remember the suffering of America's elderly during the years of the Great Depression. When the banks closed and their lifetime savings were wiped out, many retired workers were left completely unprotected. They often could not turn to their impoverished children for help, and municipal relief programs were losing ground to unemployment so massive that, as Fortune magazine reported at the height of the crisis, "city after city has been compelled to abandon a part of its dependent population."

The Social Security Act, which President Roosevelt signed into law on August 4, 1935, was designed to make sure this disaster never happened again. "The civilization of the past hundred years, with its startling industrial changes, has tended more and more to make life insecure," Roosevelt said at that time. "Young people," he said, "have come to wonder what would be their lot when they came to old age."

Today there are over 28.4 million retired workers and other social security recipients. In addition, there are over 4.6 million Americans receiving social security disability payments. Total social security benefits are in excess of \$76 billion each year.

In my own State of Connecticut, over 441,000 residents receive social security benefits—approximately one-sixth of

Connecticut's total population and we all know older citizens whose monthly check is the bedrock of their financial existence.

Given this impact on so many Americans, it is no wonder that stories of "social security going broke" create fear and apprehension.

The disability trust fund will literally be broke by 1979, and actuaries inform us that the retirement fund will be in the same position by 1982, and the medicare trust fund by the late 1980's.

There is understandable confusion over this situation. Many persons still believe that social security is like a traditional insurance program, but in fact, social security is actually an income transfer program; today's workers are providing the money for today's benefits.

There are two related problems—inflation and population. Inflation has played havoc with the automatic cost-of-living increases. By indexing both benefits and wage base, the old formula actually increased benefits beyond the traditional wage replacement ratio. If allowed to continue into the future, this deficit would cost the system billions of dollars. In addition, the demographic changes in our population are a source of grave concern. Briefly, our population is getting older. Presently there are three workers for every social security recipient. By the year 2000, there will be only two workers for every recipient. With fewer workers, the tax burden must increase to keep the system solvent.

Here are some of the controversial provisions we must consider in H.R. 9346:

The wage base used to calculate social security taxes would increase from \$16,500, the present figure, to \$39,500 in 1987. Under the present law, the base would have increased to \$31,200 in 1987.

The social security tax rate will also increase, but only after 1981. The increase will be fifteen one hundredths of 1 percent. It will be higher if we adopt the Fisher amendment.

This means that taxpayers whose income is \$16,500 or less will not pay higher taxes at first, but those who earn over \$16,500 will find that more of their income is eligible for the tax.

The Ways and Means Committee decided to increase the wage base because, under the original 1935 act, 90 percent of the Nation's payroll was supposed to be subject to the social security tax. Since 1935, however, the tax has fallen to 83 percent. Under this new bill we will again cover 90 percent by 1987.

The committee also voted to keep the tax equal for both employers and employees. This is essential in my view.

The legislation includes a decoupling amendment which will correct the present law's defective cost-of-living formula. This provision alone should reduce the long-term deficit by half.

The system will be granted emergency borrowing authority under the bill. This provision was written on the assumption that the economic forecasts could prove to be wrong. An unexpected economic disaster, for example, would upset unemployment predictions.

Borrowing authority is not the same

as using general revenues to finance the system's deficit, an option the committee rejected. The committee felt that general revenue financing, if given a precedent, would make it impossible for future administrations to balance the Federal budget. The philosophy of the Social Security Act has always been that the system should pay its own way.

As a result of this thinking, the borrowing authority could be used only in an economic emergency and the money borrowed would have to be paid back to the U.S. Treasury. I must tell my colleagues that I am not enthusiastic over this provision and since the reserves will not dip below 25 percent it will probably never be triggered. I will vote to kill this provision.

One of the committee's most controversial decisions was to approve "universal coverage," a requirement that Federal, State, municipal, and Postal Service employees, who have their own pension programs, would join the system by January of 1982. This provision is supposed to increase tax revenues for the system's short-term deficit.

The original justification for universal coverage was to get early year revenues to help with the short-term deficit.

I voted against "universal coverage" because the committee had no plans to explain how the pension programs would be integrated with the social security system. Almost 10 million presently uncovered workers have planned their retirement on the assumption that they would receive the benefits guaranteed in their pension plans, and I think it is unfair for Congress to legislate a major change without understanding how it would affect these workers.

I am hopeful that the House will reject universal coverage in this legislation and vote for the Fisher amendment.

For beneficiaries one of the most dramatic changes under the legislation will permit them to earn more than \$3,000, the present income limit, without any reduction in benefits. The limit would be raised to \$4,000 in 1978, and \$4,500 in 1979. Any further increase in retirement would be unjustified at this time.

Several serious problems were not addressed in this year's bill and will be taken up next session.

I commend H.R. 9346 to my colleagues and urge their careful consideration.

The House must act this year to set the social security system on a sound financial basis. This bill is strong but necessary medicine to accomplish this goal.

MR. NIX. Mr. Chairman, I yield the remaining time allotted to me to the distinguished gentleman from Michigan (Mr. Ford).

THE CHAIRMAN. The gentleman from Michigan (Mr. Ford) is recognized for 3 minutes.

(Mr. FORD of Michigan asked and was given permission to revise and extend his remarks.)

MR. FORD of Michigan. Mr. Chairman, we find ourselves in a very difficult state here today with an absolute recognized need to act with dispatch on social security reform. There is not anyone in this Chamber who can legitimately question

the need to go ahead and go ahead quickly. Unfortunately, the Committee on Ways and Means has presented us with a three-horned dilemma, if there is such a thing, and the Committee on Rules has added another horn to the three-horned dilemma by combining it with an enigma.

The situation we find ourselves in parliamentarily at the moment is that the recommendation of the Committee on Post Office and Civil Service which we have been debating and we have been hearing about for the last few moments cannot be reached for a vote until after we first vote on a substitute to be offered by the gentleman from Virginia (Mr. FISHER), which is made in order as the substitute amendment will be up for a vote first.

I supported and voted for the Spellman or committee amendment in the Committee on Post Office and Civil Service—to exclude Federal employees from coverage at this time and mandate a proper study of the need for future change.

There will not be an amendment offered by the committee because the amendment is already printed in the bill as it is reported to the floor. Members will find the Post Office Committee's recommended language starting on page 168, going through page 169 of the bill. It is in the bold black print, following the previous pages of language starting on page 164 of the original proposed bill from the Ways and Means Committee, which would be stricken by the committee amendment. So, it is now a committee amendment printed in the bill. The Fisher amendment will be offered as a substitute for it.

Here is where we get into trouble: As a member of the Post Office Committee, I voted with the majority. The chairman has indicated that there was not a dissenting voice or vote in that committee on rejecting the Ways and Means Committee proposal which presupposes the need for universal coverage, including Federal and local employees. Having decided to do that and recognizing that we do not know how to do it, it is suggested that in the interim, before it becomes effective, somebody will study it and come up with a way to do it.

I have never heard anything quite so ridiculous. We have a suggestion that can affect millions of people and their families with a change in the law, and we are then told to delay it for 2 years and say, "We are going to study how it is going to react upon you." The Ways and Means Committee then threw some frivolous language into the report saying, "We trust that the people we have asked to study this will figure out how to do it so that you will not be disadvantaged with respect to your futures and your families."

That is totally unrealistic. Predicated on what has been occurring in the Ways and Means Committee, they looked around to find where they could find more money; they said, "Yes, look at all these Federal employees. Maybe we can get some money from them." Sadly, I am led to believe that this may be the real

reason why we are now considering the need for these amendments.

I am opposed to any action in this or any Social Security Act which will affect existing employee pension systems.

Mr. DERWINSKI. Mr. Chairman, I yield such time as he may consume to the gentleman from California (Mr. DON H. CLAUSEN).

(Mr. DON H. CLAUSEN asked and was given permission to revise and extend his remarks.)

Mr. DON H. CLAUSEN. Mr. Chairman, the news that the social security system is in serious trouble sent shock waves of concern throughout my congressional district. However, the "quick fix" being proposed by the House Ways and Means Committee in the present form of H.R. 9346, the "social security financing bill," has sent even greater shock waves throughout my six counties.

There is no question but that the social security system faces serious trust fund deficits as a result of inflation, high unemployment and the decline in the birth rate. More importantly, some congressional actions have changed the basic character of the system from a retirement plan to a welfare program and have led to the crisis we now face—namely, the bankruptcy of the disability fund by 1979 and the exhaustion of all funds in the old age and survivor's fund by the early 1980's. In 1940, when the system was first started, there were 42 workers paying into the system for every one person receiving benefits. Today, this ratio has slipped to about three workers for every one beneficiary.

In 1965, I stated on the floor of the House that:

The costs will continue to rise and the problems of administration will increase. Further, I will predict that each Congressman's mail over the next decade will increase tenfold as he finds himself in the position of claims adjuster for disillusioned and dissatisfied constituents.

I venture to say that my prediction has been fulfilled as witnessed by the development of this legislation.

We must consider long-term solutions to this crisis and avoid any hastily imposed solutions which may send the system into a worse tail-spin. A politically expedient solution is not going to satisfy the 34 million people now depending on the system for benefits nor will it reassure the 100 million working Americans on whom the burden of supporting the system falls. A thorough reform is needed to place the system on a sound-running basis.

I have been following the discussions with great interest here today and I intend to listen to and evaluate every amendment to be offered. In the final analysis, my voting pattern will be directed toward these basic guiding principles:

The social security system must be financially sound;

We must adjust the system to reflect changes in the living and working patterns of both men and women which have taken place in our society;

Policies which discriminate against women and working spouses must be changed;

The earnings limitation must be increased and hopefully removed entirely; and

We must address the short-range financing problems of the system but also look to establishing an actuarially sound long-term approach.

What is needed is a comprehensive plan which restores financial soundness and equity to the social security system without imposing unacceptable tax burdens. Hard-working middle income Americans must not be saddled with the full burden.

Developing legislation which is the best solution to these problems will not be an easy task and all of us will be forced to make a number of very tough decisions on pending amendments.

One particular proposal has, I believe, been misinterpreted and misunderstood by many people. I refer to the proposal which would change the retirement age from 65 to 68. Many working people fear that they would be suddenly forced to work three more years for which they have not planned. This is not the intent of the proposal. It calls for a gradual advancement in the retirement age to 68 which would not be effective until the year 2000 and would become fully effective in the year 2011. I urge my colleagues to listen closely to the debate on this issue—because no person over 42 years of age today would be affected by this proposal. They will continue to qualify for benefits at age 65 or 62 as is now the case.

Of utmost concern in my area is the question of mandatory coverage. H.R. 9346 in its present form mandates for the first time social security coverage for three categories of workers; Federal employees, State and local government employees, and the employees of nonprofit organizations.

It is a well established principle of constitutional law that the Federal Government cannot force a State to spend money. Requiring the States to participate in the social security system clearly violates this principle.

A similar problem arises with any attempt to force nonprofit organizations to join the system. Since these organizations are now exempt from paying taxes, joining the social security system would violate this exemption. Also, once the precedent of weakening the tax exempt status of these groups has been established, I fear that additional burdens may be placed on them, driving many under and costing the American public the many valuable services they provide.

In addition to the constitutional questions raised by this legislation, there is also a number of practical considerations. Cities within my congressional district have written expressing concern over the impact this legislation will have on local budgets. For example, the city of Sonoma estimates that it will cost the city \$43,000 per year. Taxes would have to be raised 25 cents per \$100 assessed valuation or 4 to 5 employees would have to be laid off. Sonoma, at the present time, only employs 40 full-time workers. Laying off 4 employees would be a 10 percent reduction in employment.

The city of Santa Rosa, the largest in

my congressional district, estimates a cost to \$550,000 per year. This amounts to 16 cents on the local tax rate, or an increase in property taxes of 13 percent for all property owners. Expanding these impacts to a national scale produces staggering results.

I have also received several hundred letters and phone calls from Federal, State and local employees living in my congressional district. In particular, the teachers and postal employees have been in contact with me expressing their opposition to mandatory coverage. I share their concerns and intend to vote for the Fisher and Nix amendments which will strike this section of the legislation.

I am pleased to note that the bill before us does attempt to address some of the present inequities in the present system. The current income limitation of \$3,000 penalizes older Americans who can and want to work supplement their retirement income. The present bill proposes to raise the limitation to \$4,000 in 1978 and \$4,500 in 1979. As a sponsor of separate legislation to remove the earning ceiling entirely, I urge my colleagues to consider using this vehicle to accomplish this goal.

The bill would also permit beneficiaries, most importantly widows, to continue collecting benefits even if they remarry. I believe strongly that a widow has a right to continue receiving these benefits and should not be discouraged from remarrying by the fear of losing this income.

Mr. DERWINSKI. Mr. Chairman, I reserve the balance of my time.

Mr. ULLMAN. Mr. Chairman, I yield 7 minutes to the distinguished gentleman from Virginia (Mr. FISHER).

Mr. FISHER. Mr. Chairman, I want to make just a few general comments on the bill before us at this time.

The Social Security Financing Amendments of 1977, H.R. 9346, is intended to restore financial soundness to the social security system. In the last few years the benefits paid to retired people, their dependents and survivors, and the disabled have been greater than the taxes paid by active workers. To reverse this trend and make certain that social security will be able to keep its promise to provide income protection for the elderly and others in our society, the bill makes some important changes. The bill accelerates the increase in the wage base subject to the payroll tax; it corrects the overindexing of future benefits; it removes inequities in the treatment of widows, widowers, and divorced persons; it increases the amount of wages that retirees can earn before their social security benefits are reduced; and it provides standby loan authority to bolster the trust funds if they fall below a certain level. Meeting these higher costs will not be pleasant, but it is necessary to put social security on a sound long-term basis.

One provision of the bill does seem unwise to me and I opposed it in the Ways and Means Committee and will be offering an amendment to delete it from the bill. This is the provision for universal coverage of Federal, State, and local government and nonprofit employees. This provision is objectionable, not because

coverage for all workers is inherently a bad policy, but because the consequences of extending mandatory coverage to the remaining 6 to 7 million workers not presently covered have not been fully explored. The coverage should not be mandated until a thorough study has been conducted of its effects on existing retirement systems and the benefits which have been promised to workers. My amendment directs that the study present recommendations for bringing together the social security system with existing systems so that newly covered employees will not be made any worse off than if their present retirement system were continued.

The issue of coverage of Federal workers has been examined several times, with the usual conclusion that a way should be found to fill in gaps in coverage rather than requiring full social security coverage. The most recent report on this issue, done in 1969 by the Social Security Administration, found that—

The liberalization and independent development of the civil service retirement and social security systems over a long period of time present formidable obstacles to the adoption of the [universal] coverage approach.

If there are "formidable obstacles" to coordinating social security and Federal staff retirement systems, over both of which Congress has control, there will be even greater difficulties in doing the same for State and local systems. The numbers of State and local retirement systems that involved, the fiscal implications, the legal and constitutional barriers to changing existing programs, are just some of the many questions about the effect of universal social security coverage on State and local governments and their employees. The answer to these questions is that we do not know.

My amendment also specifies a stand-by increase in the social security payroll tax revenue in case the additional coverage in 1982 of government employees is not enacted. This would involve a 0.1-percent increase in the tax rate and an \$1,800 increase in the wage base. But, to repeat, these increases would not be necessary if in the meantime the social security and regular retirement systems are coordinated.

In the absence of a plan for coordinating the Federal retirement systems and social security and in the absence of adequate information about the effect on State and local government, I must conclude that the Ways and Means Committee acted in haste in mandating universal coverage. I hope that the full House of Representatives will join me in making the social security financing amendments a better bill by removing the universal coverage provisions.

For the interest of my colleagues I would like to include in the Record a partial list of the organizations that support my amendment to remove the universal coverage provisions. The Democratic steering and policy committee, the Department of Health, Education, and Welfare, and the U.S. Civil Service Commission also endorse my amendment.

The list follows:

SUPPORTERS UNIONS

American Federation of Government Employees.
American Postal Workers Union.
National Association of Letter Carriers.
American Federation of Teachers.
International Association of Firefighters.
National Federation of Federal Employees.
National Treasury Employees Union.
Professional Air Traffic Controllers Association.

PROFESSIONAL GROUPS

American Foreign Service Associations.
National Association of School Principals.
National Education Association.
International Conference of Police Associations.

STATE AND LOCAL GOVERNMENT ORGANIZATIONS

National Association of School Boards.
National Association of Counties.
National Governors Association.
League of Cities.
National Association of State Legislatures.

RETIRES

National Association of Federal Employees.
National Retired Teachers Association.

Mr. GLICKMAN. Mr. Chairman, will the gentleman yield?

Mr. FISHER. I yield to the gentleman from Kansas.

Mr. GLICKMAN. I thank the gentleman for yielding.

Mr. Chairman, there is an issue which really has been troubling me. I have vacillated all over the arena on this issue, and I have come to realize that the gentleman is probably right. My question on universal coverage is: Will we ever really get equity and have universal coverage, assuming the study shows it is feasible? While the gentleman is supported by the need to have all the facts before we act obviously, I hear person after person and organization after organization tell me we will never have universal coverage, if we kill it now, it is dead forever. I hear Federal groups, State groups, local groups, all tell me they want to do everything they can to stay out of social security. How can we in good conscience go back to our people and tell them of the equities involved here and tell them that universal coverage will happen if the study indicates it is feasible and tell them that the system has to be fair and equitable for all and that, basically, universal coverage is equitable and yet face all of the other groups who will oppose universal coverage no matter what. I am making more of a statement, but to me this is a quandary. Can the gentleman reply to this?

Mr. FISHER. Yes, I believe I can.

In the first place, based on the realities of the situation right now, with the many support groups behind the Fisher amendment, there is strong doubt that the bill can pass without it. That is something that I think the gentleman would want to take into account.

I myself have pledged before my constituents that on the basis of a well-considered plan integrating social security with these other retirement systems, I will vote for it, and I would expect that is what will happen.

Furthermore, there is always the pressure of the alternative, which is a further increase in tax revenue from those presently covered. I think this can press us

forward to achieve this integration and do this in an orderly, sensible, planned way.

Mr. GLICKMAN. Mr. Chairman, if the gentleman will yield further, I hope that this higher tax rate is in fact an incentive for us to go back and face the American people and tell them we are going to support a plan that does incorporate universal coverage in the future, after the study. If the study indicates universal coverage is feasible, I will fight for the inclusion of State, local, and Federal employees into the social security system.

Mr. FISHER. Mr. Chairman, that is included in my amendment.

The CHAIRMAN. The time of the gentleman from Virginia (Mr. FISHER) has expired.

Mr. ULLMAN. Mr. Chairman, I yield myself 1 minute.

Mr. Chairman, I have no doubt that the Fisher amendment will carry, and perhaps it should, but I feel very strongly as chairman of the committee that the social security system will only work if every American is included in it.

So I want to state right here that I think the Federal employees should face up to the real issue over the long run, and perhaps it is right that we develop an integrated program first. I think they ought to know what they are getting.

I believe the States will work out a plan if the Fisher amendment carries, and there will be a careful study. It will include an integrated plan that, hopefully, will not do harm either to the public treasury or to the employees, and it will give them coverage under both the social security and their government retirement systems. When that becomes coordinated, it would be my hope that we can move forward as expeditiously as possible and cover them as well as all other Americans under the social security system.

The CHAIRMAN. The time of the gentleman from Oregon (Mr. ULLMAN) has expired.

Mr. CONABLE. Mr. Chairman, I yield myself 1 minute.

Mr. Chairman, I would like to ask the chairman of the Committee on Ways and Means if the really feels the Committee on Post Office and Civil Service is likely to come up with a recommendation for an integrated system, given the attitude it has taken on this measure. And would we not be in violation of their jurisdiction if we were to design such a system?

This is the dilemma that faces us.

Mr. ULLMAN. Mr. Chairman, if the gentleman will yield, that is absolutely correct. So it is going to take a coordinated effort on the part of both the Committee on Ways and Means and the Committee on Post Office and Civil Service to work out and get into legislative form the kind of program we need to enact in order to get everybody covered.

Mr. CONABLE. Mr. Chairman, I would like to make just one statement at this point.

It seems to me that since we have frozen the regular minimum benefit, there is very little advantage to Federal employees in staying out of this system.

When they realize—as realize, they must—that the social security benefits are nontaxable while theirs are taxable, it seems to me the pressure for them to come in will overcome this apparently convulsive reaction and suggestion that they should not participate in the same benefits as other Americans.

The CHAIRMAN. The time of the gentleman from New York (Mr. CONABLE) has expired.

Mr. CONABLE. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin (Mr. STEIGER).

(Mr. STEIGER asked and was given permission to revise and extend his remarks.)

Mr. STEIGER. Mr. Chairman, there is not any question that the social security system is an absolutely fundamental part of the American society and the American economy.

I think it is also fairly clear that almost any one of the suggestions that are offered, whether in the committee bill or by amendment, poses difficult, tough choices for Members of Congress and their constituents, because the time has passed for us to continue to play politics with the social security system. The time is here now for us to undertake extensive action to insure the soundness and the stability of this important, absolutely fundamental system to this society.

My concern, Mr. Chairman, is that the Committee on Ways and Means labored long and hard but has not produced as good a bill as I think we could have produced, and it will suffer here on the floor from the slings and arrows of those who have for so long resisted the effort to be covered within the system.

The Christian Science Monitor, on October 25 of this year, said that:

So-called universal coverage is strongly resisted by public employees who now can retire early under their own pension plans and still qualify for a generous Social Security pension by holding down another job for, say, five years—an appalling misuse of public funds and a disservice to other Americans who pay into the system all their working lives. Congressmen should resist public employees' lobbying against the plan and include "universal coverage" in their legislation.

I agree with that statement. The American Federation of State, County, and Municipal Employees, my colleagues will remember, had an exceedingly perceptive ad that even my colleague, the gentleman from Michigan (Mr. Ford) will remember: "Is Your Congressman Serious About the Social Security Crisis?"

Mr. Chairman, let me suggest that there is a bottom line to the opposition that is posed by those who are presently covered by State, county, or Federal pension plans, who resist coming into the system. The bottom line is that they have the best of both worlds. They have an exceedingly generous pension plan, and they then also can participate as no other members of our constituencies can participate in the social security system.

Mr. Chairman, if any Member has an employee as I have who works for the S. S. Kresge Co. in Sheboygan, Wis., but who then also needs to hold

down a second job, the person gets just one social security check upon retirement. The person does not get two, but the same man or woman who works for the fire department or for the Social Security Administration in the same city, Sheboygan, Wis., but who then retires early or moonlights on the side gets covered by both the Federal civil service retirement plan, generously supported by the Congress, in deficit to a substantial extent, but also then, of course, gets social security coverage.

Mr. Chairman, I simply do not think it is fair. I think that is the wrong kind of system for us to have developed.

Mr. Chairman, the kind of outrageous lobbying, the outrageous kind of campaign that has been carried on by otherwise honest and decent citizens, absolutely appalls me. I have never seen so much misinformation. I have not yet been found in the position of finding even so intelligent a Member as the gentleman from California (Mr. ROUSSELOT) screaming and hollering as he is about coverage of Federal employees and using his position on the Committee on Post Office and Civil Service to effectively undercut the effort to insure equity. I am sorry about that. I think it is too bad that that able Member takes that position.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield at that point?

Mr. STEIGER. I will yield to the gentleman from California, whose name I used. Of course, he has 4 minutes coming to him, which he recognizes.

Mr. ROUSSELOT. Mr. Chairman, I appreciate the fact that my name was used. I just hope the Press Gallery takes note.

In any case, however, I will say to my colleague that I think it was the Committee on Ways and Means which undercut the position of Federal, county, and State employees in the method and by the technique which were used to bring this bill to the floor, without adequate consideration, in order to dump them into the system.

The gentleman is right. Some of them moonlight and are able to get into the system of social security by qualifying for the minimum number of quarters. We all know that.

If the gentleman does not like that fact, then we should provide some kind of program so that they have to contribute in a more positive way, to get into the social security system if they are already covered in other ways.

Additionally, Mr. Chairman, the gentleman has dumped in the teachers and lots of others. What is the number, 6.7 million new people? Is that not the number of persons the gentleman is dumping into this system?

Mr. STEIGER. That is about the right figure.

Mr. ROUSSELOT. It is somewhere around that figure.

Mr. STEIGER. We are not dumping them in.

Mr. ROUSSELOT. The gentleman is dumping them in.

Mr. STEIGER. Mr. Chairman, my time is limited. I will not yield further.

Mr. ROUSSELOT. The gentleman is dumping them in without adequate consideration.

Mr. STEIGER. Mr. Chairman, the minute the gentleman starts to get into the question of dumping, I have yet to figure out how one can say that when the Committee on Ways and Means, in spite of the criticism that is made by all of those who are in this field, and who have made a conscious decision to delay implementation of universal coverage until 1982, not 1979, not 1980, not 1981, but 1982, the fact is that 70 percent of those who are now working for State and municipal governments are covered by the social security system.

All of the military in the federal system are covered by social security, and it absolutely leaves me cold to think that it is impossible to devise a system that is fair and equitable for both those covered and those not now covered who can come into that system in 4 long years. So I reject the gentleman from California's characterization of our decision as one that involves dumping, because it is not that. It is a slow, methodical effort to insure that there is enough time to get it done.

I would, if I would, Mr. Chairman, raise, then, but one other issue in terms of my concern over the committee bill. I have an amendment, which is printed in the Record and made in order by the rule granted by the Committee on Rules, which attempts to deal with my very deep-felt concern over the extent to which we raise the base in the committee bill under what has become known as the Tucker-Mikva-Gephardt amendment. I will give credit to all three; I do not want to leave the gentleman from Arkansas (Mr. TUCKER) all by himself. The Tucker-Mikva-Gephardt amendment that we will be considering as part of the committee bill, in my judgment, precipitously and unnecessarily raises the base against which the rate is applied. If there is criticism of the Committee on Ways and Means—and I could have many—if there is one single criticism that I could make of their deliberations on social security, it is the conscientious decision to reject the effort to insure that we could deal with the hospital trust fund. We had down here the distinguished chairman of the Hospital Subcommittee who made a valid effort to defend the indefensible when he talked about the fact that we were not raiding the hospital trust fund. If there was a way to save both the taxpayers generally and the social security system, it was for us to have had the courage to face head-on the fact that the hospital insurance trust fund is not wage-related, should not be paid out of a wage base such as it is now, and it ought to be coming out of general revenues. That effort was rejected in the committee, and as a result we are going to suffer because of the extra-ordinarily high bases in the committee bill.

I cannot reach this issue, unfortunately, but I must tell my colleagues that if we were not in this position we could have significantly lowered the require-

ments under the Tucker-Mikva-Gephardt amendment. We could have reduced the tax. We could have insured the financial stability of the social security system now and in the future if we could have taken on the hospital trust fund issue. We could not, and we did not, and it is the tragedy of the Committee on Ways and Means that because of jurisdictional reasons they were not willing to tackle that problem. I regret that, and I am sorry that our constituents will pay that price, and that because of jurisdictional problems we were not willing to take this on, nor were we willing even to allow the distinguished chairman of the subcommittee to offer his amendment—and I cannot think of anyone I am so glad to see standing on his own two feet as I am to see the gentleman from Massachusetts (Mr. BURKE).

Mr. BURKE of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. STEIGER. Of course I will yield to the gentleman.

Mr. BURKE of Massachusetts. I just wish to rise to commend the gentleman because there has been no one on the committee—the subcommittee or the full committee—who has worked any harder than has the gentleman from Wisconsin. He has made an excellent statement here today which I agree with.

Mr. STEIGER. I thank my chairman very much. I am grateful to him for his leadership and patience.

Mr. Chairman, there are a number of very good provisions in this bill. It has been an honor to have had the opportunity to participate in this effort for the past 3 years.

Mr. PICKLE. Mr. Chairman, I yield myself such time as I may consume.

(Mr. PICKLE asked and was given permission to revise and extend his remarks.)

Mr. PICKLE. Mr. Chairman, I think the gentleman from Kansas (Mr. GLICKMAN) raised a very pertinent point a few minutes ago when he asked the gentleman from Virginia how can we explain to all others that we are mandating them under social security but we allow the Federal, State, and local employees not to be included under this system? The gentleman from Virginia answered by saying this was a standby provision, and by flatly saying that it is possible that we could not even get a bill unless we adopt the Fisher amendment. I find that rather shocking to say that the group that he represents would have such pressure and such political power that they would kill a bill unless they were taken out. He may be correct, but I find that rather offensive to think that that is the situation.

I also find it very difficult to accept the fact that this is just a standby tax.

The amendment which will be offered by the gentleman from Virginia (Mr. JOSEPH FISHER) would increase the wage base on all employers an additional \$1,800 a year and at least a 0.1 rate; and it goes from now to 1987 or 1989. Some "standby." Whatever the tax and base increases that are built into the bill, he adds to them basically another \$1,800, and a 0.1 tax increase.

Some actuarians will say that a 0.1

increase is not enough tax rate, that it really ought to go to 0.5. Our own committee estimated it might have to go to a 0.5, not 1.15, as the gentleman from Virginia (Mr. FISHER) has said in this debate.

It is one thing to say we are going to vote to remove universal coverage and say it softly and politely. The fact is the Fisher amendment ought to be known as the amendment which increases the wage base an additional \$1,800, and for every year, and the rate to 0.1 or 0.2. And if the gentleman from Virginia disagrees with the gentleman from Texas, I will yield to him when I finish—not now.

The fact is that this is not just releasing us from universal coverage. This means 100 million Americans are going to have to pay the additional tax and base in order that we exempt the 6 million people which the gentleman from Virginia (Mr. FISHER) seems to think he alone represents.

I may say to the gentleman from Virginia (Mr. FISHER): "He is a fine gentleman but he has no monopoly on the number of Federal employees in his district." I am loaded with them, they are fine people, and their opposition in Austin is just as strong as they have been expressing to the gentleman from Virginia—perhaps not as many—but they are good, fine people who I think do not understand the bill.

The first thing I want to impress on those people is that this is not a standby tax. This is a tax of \$1,800 on every employer. This means they are going to sock it to 100 million people in order to appease 2.6 million Federal employees.

This is not an easy vote. I know that. Or in some ways we can look at it, it is an easy vote because it is easy to say that we are not going to mandate them and not just dump them into this program.

We have been talking about universal coverage since 1938, ever since President Roosevelt recommended the program. His administration recommended then that we have mandatory universal coverage, and nearly every advisory committee since then has talked about that very subject. So this is not anything new.

I think we ought to realize that there is no free lunch and a lot of people are going to be paying very heavily because of this kind of vote.

I do not share the pessimism of those who feel it would be impossible to integrate the civil service retirement system with social security. We can integrate it. We can do it without causing anyone to lose his benefits and to be sure that none of them is deprived of any right he was given when he was first brought into the system.

The Ways and Means Committee is not liquidating the Federal retirement trust fund. We do not touch it. We are not going to use it and pump it over into the social security system. We cannot do that. We do not have the law or the right to do it.

The contention that we are going to grab this money and violate their fund is simply not a valid charge. In the long run we will need the taxes starting after 1982 and for a period of about 15 or 20

years it will help the social security system a great deal. In the long run, 75 years, it washes out. But I do know that the social security fund will or can remain solvent. Our social security fund is going to remain solvent. And we can do it if we remain fiscally responsible.

However, we do borrow from the hospital fund. We borrow about \$6 billion from the hospital fund and increase the wage base, and then on top of that the Fisher amendment will increase it some more.

Now, you may think that is an easy way to do it, but the Lord help us 5 years from now when our hospital funds are gone and we cannot pay them back. You will think back to this time and say, "I voted to borrow that money. I voted not for coverage. I did not bring everyone under it. Now I wish I could go back and cast that vote again."

I was very pleased to see the chairman of the committee (Mr. ULLMAN) say that the gentleman did believe in universal coverage and that we ought to come to that point.

I am impressed with the statement of the gentleman from Virginia that the gentleman really just wants to study this for 2 years and then put in mandatory coverage. I do not quite equate that with the campaign that has been waged, but I accept the gentleman's statement that it is just for a study; but it is more than just a study.

I simply say that on universal coverage, do not be misled. The Fisher amendment is not just a vote for a study. It is a vote for a heavy tax increase. It ought to be known as the "Joe Fisher amendment to impose a tax, a \$1,800 extra tax on employers, and a 0.1 tax on employees;" a tax that would cause an additional tax on 100 million people in order to simply keep 2.6 million Federal employees from getting out from being mandated under the system.

I think you will hear from those 100 million people in time. There is a basic element of fairness that will be conveyed to those people. When that happens, then I think there will be a different version at another time coming on this measure.

Mr. FISHER. Mr. Chairman, will the gentleman yield now?

Mr. PICKLE. I said I would yield some time. I yield to the gentleman from Virginia for 1 minute.

Mr. FISHER. Mr. Chairman, 1 minute to answer all those questions? I thank the gentleman. I will not attempt to answer them all, but I will try to answer a couple of them.

First, the amendment is exactly what it says. It would delete coverage of Federal, State, local, and nonprofit employees and provide for a study that would report back in 2 years as to how best we could integrate these several plans to cause financial responsibility. It is important as a matter of financial responsibility to have in the amendment what I call the standby increase in revenue but that would not be needed if a workable plan for extension of coverage is prepared and agreed to.

Mr. PICKLE. Mr. Chairman, may I interrupt and say simply that I have

put out a chart that shows the tax to 1987; but go ahead.

Mr. FISHER. The other point I want to make is that there is much misunderstanding, because the groups most affected have really not had a chance to focus on the universal coverage, at least in recent history. That is why we are getting all the communications from back home. The sensible thing to do is hold back, make a proper plan, and then go ahead.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. PICKLE. Mr. Chairman, I yield myself 1 additional minute.

Mr. FISHER. Mr. Chairman, I yield to the gentleman from California (Mr. ROUSSELOT).

Mr. ROUSSELOT. Mr. Chairman, I would like to quote from page 34 of the committee report. The committee position is thus stated:

Whether coverage should be extended to these specially excepted groups is a complex question which your commission has not been able to resolve in the time available.

That refers to including Federal, county, and State employees.

I think many of our complaints about universal coverage and the reason our Committee on Post Office and Civil Service overwhelmingly turned down the opportunity the gentleman offers to dump all these people in, even though it is not until 1982, is that they have not told us how. They leave that as wide open as the sky.

I think that is why Mr. Califano said he would like the option to remain open for a study of universal coverage.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. PICKLE. Mr. Chairman, I yield myself 1 additional minute.

Mr. Chairman, may I reply that as a member of the Social Security Committee, I know this question was debated last year at length. We had witnesses before us who testified in depth why they should or should not come under it. This is not a new proposition.

Mr. ROUSSELOT. It is not. Was the gentleman for putting them all in?

Mr. PICKLE. I say to my friend that we must pass or try to pass some kind of social security bill, and that is our only choice. We cannot wait 2 years or more. We have got to act now.

Mr. TUCKER. Mr. Chairman, will the gentleman yield?

Mr. PICKLE. I yield to the gentleman from Arkansas.

Mr. TUCKER. I would like to respond specifically to the quote given by the gentleman from California. He used page 34. That does not refer to all Federal employees. Quite the contrary. It refers specifically to splinter groups of Federal and State employees in special categories, if the gentleman will read the full quote.

Mr. ROUSSELOT. The previous page and this page. It starts on page 33 and talks about coverage, extensive coverage.

Mr. CONABLE. Mr. Chairman, I yield 10 minutes to the gentleman from North Carolina (Mr. MARTIN).

(Mr. MARTIN asked and was given permission to revise and extend his remarks.)

Mr. MARTIN. Mr. Chairman, for all of the best political reasons, I, too, think it would be nice to be able to vote for another 20-percent increase in social security benefits without having to raise taxes to pay for it. I, too, think it would be nice to vote for maximum benefits to everybody without having to increase taxes on anybody, and I, too, realize it would be nice to be able to continue the \$1-billion-a-year subsidy of public employees from the social security system. The only trouble with that is, that is what got us into the miserable fiscal condition we are in now. We have already tried that approach, and that is what has destroyed the security of the social security system. More of the same will only make matters worse.

The virtue of this bill is that it moves the social security system back in the direction of fiscal soundness. It is deficient in that it only moves us back about four-fifths of the way, and relies too heavily on tax increases without enough attention to other ways of relieving the burden of the system.

But, it is profoundly important that this bill restores in a considerable measure the fiscal discipline that was lost a few years ago. Some of its shortcomings are corrected in the substitute to be offered by the gentleman from New York (Mr. CONABLE).

What is the nature of the problem? Unless major changes are adopted in the social security system this year, the disability component will exhaust its fund balance in 1979, and the entire program will run out of all reserves in 1982. That is because the social security benefits being paid out exceed the income from withholding taxes by something like \$5 billion per year now. That annual deficit will exceed \$11 billion by 1981, which means that major changes will be adopted.

But, which changes? Increased taxes on some or all of the 104 million taxpayers who now put up \$82.1 billion a year on 9.9 percent of their taxable wages, omitting medicare; or does it mean decreased benefits on some or all of the 34 million beneficiaries who now receive \$87.6 billion per year?

Let us look at taxes first. If the benefit schedules are not changed, the tax rate must be increased from 9.9 percent of taxable earnings now to 14 percent by the year 2000, and to 27 percent by 2050. That will not affect many of us, but it is our responsibility. That is in addition to all other taxes.

There are two ways being proposed—which I oppose—to raise that extra revenue. The tax rate could be increased, thus increasing the burden, the frustration and the resistance of taxpayers, or the debt could be financed out of Treasury general revenues. We have heard this proposed, but the Treasury is already running its own enormous deficits, so that would require the printing of that much more money which we do not have, thus decreasing the value of the dollar even faster.

Another tax proposal over in the other body would leave the tax rate as it is, but increase the taxable base from the present \$16,500 to \$50,000, or higher. Well, that would cause higher income workers to pay in more taxes, but it would also entitle them to correspondingly higher retirement benefits. So, it would wash out: those increased revenues would be realized over the first 5 years or so, but would not help at all over the long term. That kind of gimmick should be reserved only for short-term emergencies.

What about the benefit changes that are being contemplated? Right away, one-half of the deficit could be saved by halting a provision that since 1971 has doubled the cost-of-living increase for new retirees. Changing that "double whammy" to provide a single annual cost-of-living increment for the future has the unanimous support of the Committee on Ways and Means, since it only eliminates an unearned benefit which no one wants to pay for. Unless this is stopped, this double shuffle will, early in the next century, entitle retirees to social security benefits that would actually exceed their taxable wages.

Other choices are more controversial, Mr. Chairman. Universal coverage has been widely debated here today. This would add to the system 6 million additional workers in 1982: Federal employees, State and local government employees, 70 percent of whom already are in the system voluntarily, and employees of nonprofit organizations, 90 percent of whom are already in the system voluntarily.

The necessity for this is that at present many exempt workers in any of these categories find that they can wait until late in their careers and then establish eligibility by part-time moonlighting and thus qualify for a windfall social security benefit. This is presently lawful. But it is a considerable drain of nearly \$1 billion a year on the social security system.

So it seems to me that the universal coverage is the only way to stop that. Otherwise, a tax increase would be required on the other 100 million or so employees who are paying into the system. Federal employees have raised concern about this, and the proposal contemplates no reduction in their retirement package and no increase in the withholding from their pay checks and no effect at all on those retiring now or before 1982. Only those wishing to qualify by the windfall procedure that I have talked about at a minimum cost to themselves will be disadvantaged.

Unless we require these 6 million employees to pay their fair share of the social security benefits they eventually can manage to receive anyway, then it will be necessary, as the gentleman from Texas (Mr. PICKLE) pointed out, to increase taxes by \$1 billion a year on those 100 million workers in the system now. Those are the people who now pay the taxes to pay for the salaries and pensions of public employees.

Another major controversy is the proposal to gradually raise the age for full retirement benefits from 65 to 68—of course, leaving early retirement at re-

duced benefits at age 62. That proposal is not very popular, but neither is the \$250 tax increase that will eventually be required if it is left at age 65, where it is now. A compromise schedule that would raise the full benefit age to 68 by the year 2001, beginning gradually only in 1990, was dropped in committee. I supported it only because of the tax savings to the very same workers who would be affected by the change.

The committee bill contains other provisions which are desirable. The outside earnings limitation, above which social security benefits are reduced, will be increased from \$3,000 to \$4,500 by 1979 and thus will help folks who must work to supplement their retirement income. That limit, it seems to me, should be raised even higher, and would be under the Steiger amendment.

The bill also fairly eliminates the penalty to a widow who loses her survivor's benefit if she remarries. Equity could be further increased by providing at least a fractional extra benefit for the working spouse, who now pays into the system with no net benefit to show for it upon retirement. The Conable substitute does afford better treatment for the working spouse.

So I hope the House will resist the Fisher amendment, adopt the Steiger amendment, and if we really want the social security system to be secure, adopt the Conable substitute.

Mr. WYLIE. Mr. Chairman, will the gentleman yield?

Mr. MARTIN. I yield to the gentleman from Ohio.

Mr. WYLIE. I thank the gentleman for yielding.

Mr. Chairman, I must say that there is a lot of confusion about the impact of the committee amendment as it affects public employees.

Mr. MARTIN. Mr. Chairman, may I ask, is the gentleman referring to the Committee on Post Office and Civil Service?

Mr. WYLIE. No, I am referring to the amendment in the bill, on page 168 of H.R. 9346.

In an earlier colloquy with the gentleman from New York (Mr. CONABLE) and the gentleman from Wisconsin (Mr. STEIGER), they both said that this provision would not affect public-employee pension funds, and that they would still remain separate and distinct. Then the gentleman from Virginia (Mr. FISHER) said a little while ago that this amendment would provide for universal mandatory coverage for all Federal employees, all State employees and others under public-employee pension systems.

I think there is a lot of confusion, as I said, and the facts need to be clarified.

May, I refer to a letter from Mr. James L. Sublett, who is executive director of the State Teachers Retirement System of the State of Ohio, in which he said as follows:

Strong efforts are being made in the Federal Congress to make Social Security mandatory for all public employees regardless of the retirement programs presently covering these employees. The purpose of this effort is to provide a large infusion of new

money into Social Security in an attempt to solve the serious financial problems of that program. In other words, teachers and other public employees would be forced to pay Social Security taxes to "ball out" other persons.

The CHAIRMAN. The time of the gentleman from North Carolina (Mr. MARTIN) has expired.

Mr. CONABLE. Mr. Chairman, I yield 3 additional minutes to the gentleman from North Carolina (Mr. MARTIN).

Mr. MARTIN. Mr. Chairman, I would say to the gentleman from Ohio (Mr. WYLIE) that to an extent that is true; there would be an infusion of additional money. But we are talking about money to pay for the benefits to public employees who are already availing themselves of the system. They are already qualifying for social security benefits with a minimum payment into the system, and that has meant a net drain on the social security system for the benefit of those public employees on the order of \$1 billion a year.

That is going to have to be corrected one way or the other. Either we bring public employees fully into the social security system along with everybody else—those 100 million people whose taxes are paying for the wages and pension benefits for public employees—or else we are going to have to increase the taxes paid by those private employees. It seems to me that of those two choices, the choice that is contained in the bill is the preferable one.

Mr. WYLIE. Mr. Chairman, if the gentleman will yield further, I must submit that I do not necessarily agree with that premise.

Mr. MARTIN. I understand that to be true.

Mr. WYLIE. I do not see the desirability of having these sound pension funds all over the United States put into a system that is not economically viable right now. I do not believe we should mandate that public employees put funds into the social security system—a system which has problems.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield?

Mr. MARTIN. I yield to the gentleman from California.

Mr. ROUSSELOT. Mr. Chairman, I thank my colleague for yielding.

The gentleman from North Carolina made the point that part of the problem with the Fisher amendment, as he understands it, is that it shifts a new burden to the private sector employees.

However, if this bill passes as it is written, there is a substantial tax increase included for everybody, and even under this bill the Federal, county, and State employees do not come in until 1982.

Mr. MARTIN. That is correct.

Mr. ROUSSELOT. So I think it is misleading to the Members of the House to imply that the only tax increases in this bill before the House or in any of the amendments before us are contained in the Fisher amendment. The fact is that that is not true.

Mr. MARTIN. Mr. Chairman, I will say

to the gentleman that any misleading statement that would imply that that is the only tax increase in this bill has not been made by me.

Mr. ROUSSELOT. No, I am not saying that the gentleman from North Carolina implied that.

Mr. MARTIN. What I am saying is that the Fisher amendment will preserve the necessity for a tax increase on people who are already in the system, because they will have to ante up the taxes to pay for the benefits for which public employees now find themselves able to qualify without paying their fair share into the system.

Mr. ROUSSELOT. But they have to pay at least a minimum number of quarters, just as other people do, into the social security system, do they not?

Mr. MARTIN. That is true.

Mr. ROUSSELOT. And some of them may even have worked for 20 years before they came to work for the Federal Government and paid a substantial amount into social security. So we cannot say that all Federal, State, and county employees have not paid their fair share into the system.

Mr. MARTIN. Mr. Chairman, I am saying that this is why the most practical solution is the one that is contemplated in the bill, namely, to have a continuum of payments by people who are working in whatever sector, public or private. They pay into the social security system, and then they will be eligible for their full benefits, just as the people in the private sector are now eligible for benefits.

Mr. ROUSSELOT. But we do not know what the construction will be when we in 1982 merge the Federal, county, and State employees into the system.

Mr. MARTIN. Neither did we know in advance what the merger would mean to employees of General Motors or employees of any other corporation who are presently in the system.

Mr. ULLMAN. Mr. Chairman, I yield 4 minutes to the gentlewoman from Kansas (Mrs. KEYS).

Mrs. KEYS. Mr. Chairman, I think we would be remiss if we did not take just a few minutes to discuss the equity problems regarding sex discrimination under social security, to which a contribution has been made in this bill.

I think all of us have been aware for some time that in the social security law legal discriminations are still present regarding women. The Goldfarb decision by the Supreme Court, when it struck down the dependency test for male survivors, pointed up the problem.

There were proposals to try to deal with this problem which made it quickly apparent that dependency forces many other inequities on the social security system.

The requirement of 20 years of marriage under present law before the divorced wife or divorced spouse may collect benefits is one inequity. There are other inequities relating to disability for widows, the lack of any personal social security record for the women who works in the home, the lack of portability for anyone whose marital status changes. It

becomes clear that the dependency test for survivors is only one of the problems that the social security system has because of its structure.

Mr. Chairman, I would submit that the structure of the system was based upon a different time and a different era. It is based upon the idea that most workers are male and most workers support women and children. In today's life that is no longer true. Fifty percent of women work, and about 40 percent of families have both parents working in order to provide income for family members.

Mr. Chairman, these needs should be recognized in a restructuring of our system.

Much attention has been given to it by the Congress, by the Social Security Administration itself, by HEW, and by a task force on sex discrimination in the Justice Department. Many recommendations have come through to suggest that an income-splitting approach, much as we split income for the purpose of collecting tax revenues, would provide the answer to these dependency problems, and could provide the portability and the individual record that would bring to each American citizen equal treatment under social security law.

That could not be done at this time because our one crying need is to build a sound financial structure for the social security system now and to the end of this century. Every American citizen deserves to know that the financing of social security is sound and that there would never come a time when a check would not be forthcoming the first of each month.

Mr. Chairman, I would like to point out that in spite of these obstacles to improving the structure of social security, this bill does address those problems in three significant ways.

The most important way is the requirement of a departmentwide HEW study which would present a way to end any dependency requirement for survivors and which would eliminate the other equity problems in the social security system. We believe that this will bring to us the necessary facts and statistics to enable us to look at the structure and to eliminate the dependency nature of it.

In addition to that, the bill does attack two specific problems in a very positive way. It shortens the duration of marriage requirements from 20 to 5 years in order for divorced spouses to collect benefits, and it also solves the problem for older citizens who wish to marry and who would, under present law, lose their benefits.

Mr. Chairman, I urge support of the committee bill.

Mr. CONABLE. Mr. Chairman, I yield 1 minute to the gentlewoman from Massachusetts (Mrs. HECKLER).

Mrs. HECKLER. Mr. Chairman, I would like to associate myself with the remarks made by my distinguished colleague, the gentlewoman from Kansas (Mrs. KEYS), who, I think, speaks to the question of the inequities in the existing social security law as it applies to women.

Obviously, some beginning has been

made in this bill toward the adoption of a fairer system. However, the beginnings do not address the broad scope of the inequities as they exist. Although the gentlewoman from Kansas (Mrs. KEYS) speaks well for women, I have to point out for the record that I believe and have confidence that there are many distinguished men on the committee who are also very aware of the inequities of the system as they relate to women. I would like to single out for commendation my colleague, the gentleman from New York (Mr. CONABLE) who has been particularly sensitive in initiating many of the proposals that we are voting on today, and my colleague, the gentleman from Massachusetts (Mr. BURKE) who has always been so cooperative in seeking new solutions. Nonetheless, we look toward the results of the task force to be established by Secretary Califano on the question of social security law as it affects women, and we look to Congress, especially the Committee on Ways and Means, to implement fair regulations in the comprehensive sense of these needs that must be met.

Mr. CONABLE. I thank the gentlewoman. I appreciate what the gentlewoman has said.

I would like to point out that the three provisions relating to sex discrimination which are in the committee bill came from the Republican substitute, which also included a 25-percent bonus under some circumstances for working wives, who get the worst deal under social security. The income-splitting plan that the gentlewoman from Kansas (Mrs. KEYS) mentioned would be a desirable step also, although it would probably reduce benefits for some men, and would also be a very expensive provision. I deeply regret that the committee bill does not include the 25 percent bonus, which is a halfway step and which would give working wives a down payment, at least, on the equity to which they are entitled.

Mrs. HECKLER. If the gentleman would yield further, I support his position on that and would like to express the same regrets.

Mr. Chairman, I rise today to address some of the issues confronting us in this legislation. As my distinguished colleagues are well aware, the social security system is in trouble and this legislation is needed to at least make a first step in solving the problems it faces.

There are short-term and long-range financial problems this legislation attempts to address. I agree with some provisions; I disagree with others. But I am very much distressed that the legislation fails to address in a meaningful way the inequities built into the system against women—both the working woman and the dependent wife.

The bill does mandate the removal of discriminatory language in the social security legislation. It also changes the duration of marriage requirement for aged or surviving divorced spouses benefits from 20 years to 5 years. And, in the bill, remarriage will no longer cause any reduction in benefits paid to aged widows or widowers, nor will marriage terminate benefits for certain other beneficiaries.

I applaud these changes as being important improvements over current provisions of the law. However, I do not believe it is enough.

The bill ignores the inequities that exist with regard to working women and does nothing for certain categories of widows.

Women who qualify both for retirement benefits and for supplementary dependent's benefits are in the position of having paid social security taxes, but of receiving retirement benefits which are no greater than would have been granted had they never been employed. This is simply not fair.

Another inequity arises when husband and wife both work and receive the same earnings as a couple in which only the man works. If man and wife each make a \$4,000 average salary, for a combined earnings of \$8,000, each will receive equal benefits. However, a man who makes an average salary of \$8,000 will receive benefits on that amount and his wife will receive half of his higher benefits, even though she has never worked. Under this system we are penalizing the wife who works.

Not only are working women treated unfairly, but some widows are not treated at all. If a woman without dependent children is widowed before age 60, she has no benefits at all until she becomes 60. We know that there are more than 3 million widows between the ages of 35 and 64. As a woman approaches 50, and particularly during the decade between 50 and 60, she is unlikely to have dependent children, and yet this is exactly the decade when many women face widowhood, are unable to find jobs and face economic hardship.

These are problems that must be addressed by this administration and this Congress and they are not addressed in this bill. It is gratifying that the bill mandates a task force to study the parts of the system that are discriminatory. However, I am concerned that the Congress, and particularly the committee, will not move forcefully to correct these inequities. I urge my colleagues to do just that—to prepare legislation that will truly correct the inequities of the social security system as it applies to women.

Mr. CONABLE. I now yield 10 minutes to the gentleman from California (Mr. KETCHUM).

(Mr. KETCHUM asked and was given permission to revise and extend his remarks.)

Mr. KETCHUM. Mr. Chairman, let me initiate my remarks by indicating to the chairman of the subcommittee and to the chairman of the full committee which considered this bill that in the almost 12 years that I have had the opportunity to serve in the State legislature and the House of Representatives, there have been few times when I have been afforded the opportunity to participate in a more reasonable, reasoned debate over a particularly sensitive subject. I commend the chairman of the subcommittee, the gentleman from Massachusetts (Mr. BURKE), a very dear old friend of over 35 years, and I also commend the chair-

man of the full committee, the gentleman from Oregon (Mr. ULLMAN).

Mr. BURKE of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. KETCHUM. I yield to the gentleman from Massachusetts.

Mr. BURKE of Massachusetts. I thank the gentleman for yielding.

I just wish to return the compliment to my good friend, the gentleman from California. For the benefit of the Members, he and I are old infantry buddies in the 77th Infantry Division. There was no harder worker on the Subcommittee on Social Security than the gentleman from California. He took every lead and made a great contribution toward this legislation.

Mr. KETCHUM. I thank the gentleman for his comments.

The committee wrestled long and hard with this most difficult of all subjects, a subject that means more to more people in the United States of America than any other subject that we will discuss this year or in many years to come. This particular subject, of course dealing with social security as it does, demands an answer. I do not necessarily feel that we have achieved the answer that we should have. I do not necessarily feel that this body, nor some of the past Congresses have been ready to bite the bullet and make the most difficult political decisions that they could possibly be called upon to make, because they are hard decisions. It is not easy to say let us cover everyone under social security. It is not easy to say we must increase taxable wage bases and perhaps tax rates over the whole range in order to bring this system into some kind of balance. But the decisions are going to have to be made. If the wrong decisions are made today, we are the people who are going to have to live with them. We are the people who are going to have to go back and try to tell our constituents that, yes, we have really solved the social security problem clear out for the next 75 years. If we pass the bill we have before us, we simply cannot make that statement in honesty and in sincerity.

I would say, speaking only for myself, that if we could solve this one problem—this one problem—most of us would be content to return to civil life saying at least we got one thing done, and we got it done right.

Then we could go back to our constituents and say: "The social security system is secure. It is balanced." But I am afraid that we cannot under the present bill.

I think that it was interesting during the course of the debate that the chairman of the subcommittee, the gentleman from Massachusetts (Mr. BURKE), who has time and time again brought forth a proposal which to me is philosophically outrageous since it calls for a third Federal and a third employer and a third employee contributions—it is outrageous to me, but I think it is an honest approach, if that is the answer that we want.

Unfortunately the substitute of the gentleman from Massachusetts (Mr. BURKE) was denied him in the commit-

tee, and I find that very said, because I feel we should debate the whole range of options open to us to solve this very, very difficult and thorny question.

We have discussed universal coverage ad nauseum today and perhaps will some more in the future. It is interesting to me, going back to read over the quadrennial reports of the Social Security Commissions over the years to note that the very year I received my social security card, 1937, that Commission recommended to the Congress that all employees be brought under social security, and as recently as March 10, 1975 that same Commission, obviously with different members, stridently urged the Congress to do that same thing, and today we have an opportunity to bite that bullet.

Now what are our options if we do not choose to bring these people in? We can go with the Fisher amendment. We can go, as the gentleman from Illinois, Chairman ROSENKOWSKI, mentioned earlier, with at .09 percent shortfall. And let me put that in dollars for the Members: \$45 billion more in deficit. I do not think we want to go back to our people and talk about that.

Since 1937 the Commissions have been recommending: Put these people in. And since 1937 the Members of Congress have been saying: "I believe in universal coverage, oh Lord, how I believe in universal coverage—but not now." And once more we will probably do it again, saying we believe in universal coverage—but not now.

So I do not care how many more commissions and departments and agencies have studied this subject. The time is now.

If we are worried about imposing this burden upon our local communities, let me remind this body that just a short time ago, in the last Congress to be sure, we considered practically universal coverage for unemployment compensation, and we mandated it to cities and States. And this body voted for it. This is obviously a Federal program and now is the time.

What is our other option? If we choose not to bring in all of these individuals, we then have only one other honest option, and that is to permit any person covered under social security to opt out at their privilege when they want to opt out. If it is fair for public employees to resist coverage, is it not fair to all those other constituencies for them to opt out? I submit that is the only choice.

What is so special about public employees? What is so sacred about their retirement programs compared to the retirement programs of General Motors or the local gas station that they must pay both but this select group can opt out?

Let me say that I will have an amendment that I am very honored to have the opportunity to present.

I want to assure the body that this is not the Ketchum amendment. It is an amendment offered by over 150 Members of the House of Representatives and I, as a member of the Committee on Ways and Means, have the privilege of offering it on their behalf. That amendment will

remove the most onerous part of the social security law presently extant, that is, the earnings limitation imposed upon thousands and thousands of retired individuals.

My amendment, the amendment of those individuals I just mentioned, will phase out by 1982 the earnings limitation.

Now, again, you have a bullet to bite, because it is not free. There are no free lunches in this bill. If we were to remove the earnings limitation tomorrow for all retirees 62 and up, the bill for that would be \$8 billion.

The amendment that I bring before us will cost us in the neighborhood of \$6 billion. If you believe strongly enough that we should remove the earnings limitation, then be brave enough to vote for the tax rate increase that it takes to pay for it.

The CHAIRMAN. The time of the gentleman from California (Mr. KETCHUM) has expired.

Mr. CONABLE. Mr. Chairman, I yield 2 additional minutes to the gentleman from California.

Mr. KETCHUM. Finally, Mr. Chairman, we have the Republican substitute. I am very proud to have been a part of it. It does solve the long-range problems in social security, but there are a lot of tough bullets to bite. One of those provisions says that in 2011, that is quite a little ways off, in the year 2011 we have to increase the retirement age from 65 to 68.

While we are on the subject, let us remember that that magic age of 65 was selected by Otto von Bismarck in the 1800's. He just pulled it out of a hat. I think what happened, most people died before age 65 then and he thought it would be a good idea. We picked it up and it became the social security law and it became a magic word. It is no longer so magic. People live longer.

This body a few weeks ago upped the mandatory retirement age to age 70. There can be no argument about that. Demographics will prove that this has to take place. You will have to bite that bullet sooner or later. Maybe by then you will be out of the Congress and will not have to worry about it.

Finally, there are some that oppose Social Security out of hand, who will oppose anything that comes up just to make a popular impression, take a good shot, and not offer any options. Of course, one thing certain is that we will not really have an opportunity to offer many options because of the rule, but let us vote for the Republican substitute and we can go home and tell our people honestly that the system is balanced for the next 75 years.

Mr. Chairman, we have some difficult decisions to make today. The easy ones, one of them would be to vote for the Fisher amendment. I hope we do not choose the easy way.

Mr. ULLMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from Florida (Mr. SIKES).

(Mr. SIKES asked and was given permission to revise and extend his remarks.)

Mr. SIKES. Mr. Chairman, I am op-

posed to the universal coverage provision included in H.R. 9346 which would require local, State, Federal, and postal employees be placed under social security beginning January 1, 1982. This provision fails to recognize the distinctly different underlying purposes of civil service retirement and social security programs.

The civil service retirement program was created by Congress in 1920 with the intent of providing a full retirement income based on salary and years of service. On the other hand, the social security program was established in 1933 as an income assistance program intended to supplement the earnings or savings of those who otherwise might not be able to support themselves. These two programs should not be interchangeable. They were created for two different purposes.

The civil service retirement program has been a primary employment benefit designed to attract and retain high caliber personnel. A sudden change in the program of this magnitude would represent a major change in an employee's benefit package and the agreed terms of employment which could result in a mass exodus from the civil service and cause many Government workers to retire early. We should be providing positive incentives for people to serve their Government—not creating conditions which would drive them out.

The social security system should be thoroughly reviewed and changes made where necessary to make the program more equitable. It is unfair to ask those who are contributing to the civil service retirement program to bail out the social security program.

The mandatory coverage provision appears to be a stop-gap measure to bring fast dollars to social security. It would not provide a comprehensive solution to the system's long-range funding problems.

The universal coverage provision would extend mandatory coverage to the 6 or 7 million workers not presently covered by social security. Nearly one-half of these workers are Federal employees and most of the remainder work for State and local governments.

Although the Ways and Means Committee rejected direct general revenue financing of social security, it apparently is willing to accept general revenues through the back door. The Federal employer share will have to be paid either from an increase in income taxes or in the deficit. The transfer of Federal general treasury funds to the social security trust fund will take place whether or not coordination is worked out by the civil service retirement and social security.

Equally disturbing is the prospect that State and local governments will have to pay nearly \$4 billion more in 1982 to the Federal Treasury as the employer share of social security taxes. Some 30 percent of State and local government employees are not now under social security. These jurisdictions will have to raise the funds for the employer share in some way. This would have to be done by reducing existing pension benefits or by hiking the property tax or other regressive taxes which are the mainstay of local government finance.

Since 1950, State and local governments have been able voluntarily to bring their employees under social security. The proportion of employees so covered reached the 70-percent level in the early 1960's and has been stable at that point. Clearly, for various reasons, State and local governments have decided it was not in their best interests to bring the remainder of their employees under this coverage. The Congress should not attempt to override such local decisions.

The issue of coverage of Federal workers has been examined several times with the usual conclusion that we should find a way to fill in gaps in coverage rather than require full social security coverage. A report due from the Social Security Administration in consultation with the Civil Service Commission in 1972 was never submitted, apparently because a workable plan could not be agreed upon for coordinating the social security system with the civil service retirement system.

I believe that much of the momentum for bringing Federal employees into the social security program stems from the recent controversy on "double dipping" and I am concerned that Federal employees might be used as scapegoats for problems they had no part in creating. The Post Office and Civil Service Committee has conducted an investigation into "double dipping" and is now in the process of preparing legislation to remove any inequities that may exist.

I support the Fisher amendment to delete the mandatory coverage provision from this legislation and I am hopeful that it will be adopted by the House. From the point of view of costs and consequences to the employer in terms of new tax obligations, and to the employee in terms of changed or possibly diminished benefits, and to all taxpayers in terms of yet more taxes, we simply must conclude that the extension of universal coverage is not prudent or fair.

Mr. ULLMAN. Mr. Chairman, I yield 5 minutes to the gentleman from Georgia (Mr. JENKINS).

(Mr. JENKINS asked and was given permission to revise and extend his remarks.)

Mr. JENKINS. Mr. Chairman, during the amending process I will have two amendments that will be offered on the floor. There are not any lobbyists looking after the group of people that my first amendment is directed toward. I can remember back during the campaign of the President and during my own campaign and maybe even during your campaigns that you talked about "that group of people," the people whom you say make America strong, the forgotten American, I believe he has been called, the fellow making \$20,000 a year, the fellow that is self-employed with his little business, his barbershop, his grocery store, his service station or insurance agency.

Mr. Chairman, without question the sound financing of our Nation's social security programs will affect millions of Americans currently receiving benefits and many more millions of Americans contributing to the system with justified

expectation of the benefits. First, I think our people want assurances that the programs are going to be solvent over the short term, mid-term and long term. Second, it is my belief from discussions with and letters from my people that while the citizens of this country anticipate the need for some additional revenues into the system, they are not expecting to be shocked by dramatic increases in their contribution next year or the following 3 years.

Since the report of the trustees of the OASDI and HI trust funds stated the extremely critical reserve situation and predicted insolvency of the funds in the very near term, I have talked to thousands of my constituents concerning social security. I know that my people want solvency in the system. They are not going to accept easily or soon forget, however, an escalation of \$11,400 in the wage base over the next 4 calendar years coupled with upward tax adjustments. Certainly, if you have constituents similar to mine who are middle income taxpayers and/or self-employed and who are vocal in their communities, they are not going to forget or forgive the dramatic increases in their annual contributions via wage base escalations which the Members of this body may perpetrate on them.

While we are dealing with complex issues affecting nearly every American and involving staggering sums of money, I trust that we shall realize that the figures for wage base escalation and tax rate adjustment provided in the bill are not the magic numbers or panacea. I know firsthand as a Ways and Means Committee member that these ad hoc wage base increases and concurrent tax rate adjustments were picked hastily and generated great division along non-party lines in the committee during markup of the bill.

The amendment which I offer to title I of the bill provides an alternative to large wage base increases and eases the dramatic tax effect on middle income and self-employed taxpayers. This amendment would escalate the earnings base at a lesser incremental rate than the bill would do and provide a slight upward tax rate adjustment over the bill's tax rate adjustment.

The wage base increase of the amendment and the corresponding tax rate adjustment are actuarially sound and have been developed and approved for revenue purposes by the same actuaries that developed the numbers in the bill. I believe that as much and more time and attention have gone into preparation of this amendment than the bill's provisions. Frankly, the amendment is a better and more balanced approach to generation of the additional revenues required to prevent the system's collapse.

Understand that the amendment will raise equivalent revenues as the financing sections of the bill. The amendment raises coverage to 90 percent of all taxable wages as does the bill. The amendment does not change the HI rates or the disability allocation of the bill.

Briefly, let me outline the amendment's earnings base provisions and tax rates as compared to those in the bill:

Year	Jenkins amendment			H.R. 9346 ¹			Year	Jenkins amendment			H.R. 9346 ¹		
	Tax rates for OASDI (percent)			Tax rates for OASDI (percent)				Tax rates for OASDI (percent)			Tax rates for OASDI (percent)		
	Earnings base	Employee-employer	Self-employed	Earnings base	Employee-employer	Self-employed		Earnings base	Employee-employer	Self-employed	Earnings base	Employee-employer	Self-employed
1977	\$16,500	4.95	7.90	\$16,500	4.95	7.00	1982	28,000	5.20	7.80	(?)	5.15	7.70
1978	18,000	5.15	7.10	19,800	5.05	7.10	1983	30,500	5.20	7.80	(?)	5.15	7.70
1979	20,500	5.20	7.10	22,500	5.05	7.10	1984	33,000	5.20	7.80	(?)	5.15	7.70
1980	23,000	5.20	7.10	25,900	5.05	7.10	1985	(?)	5.45	8.20	(?)	5.45	8.20
1981	25,500	5.20	7.80	27,900	5.15	7.70							

¹ Bill secs. 101 and 103.
² Automatic adjustment.

³ To be adjusted according to law.

There is a difference for next year in the earnings base of \$1,900 between my amendment and the bill. In 1979 there is a difference of \$2,400 in the earnings bases; in 1980 a difference of \$2,900; in 1981 a difference of \$2,400; and the scheduled automatic adjustments after 1981 to the bill's base are expected to remain well ahead of the amendment's ad hoc increases. Under the amendment in 1985 the wage bases and rates would rise according to the automatic adjustments contained in the Social Security Act. The bill would move with these automatic adjustments after 1981.

It has been erroneously suggested by special interest representatives that the amendment penalizes a lower wage earner through tax rate increase rather than wage base increase. That argument is ill conceived since the difference in rates for a lower income wage earner under the bill and the amendment is negligible.

For example, an employee wage earner making \$10,000 per year would have withheld in annual OASDI contribution only \$10 more per entire year than the bill provides. That difference is reduced to \$5 annually in 1981. Instead of fearing that wholly philosophical characterization of favoring the tax increase as opposed to base increase, I suspect that there is no way any Member voting for this bill can escape the fact that taxes are going up for everyone. The question should be who is being called upon by the financing provisions to make the fund solvent. The answer, as always, are the millions of middle-income and self-employed taxpayers who need the most relief with escalating local and State income and property taxes and Federal income and social security taxes.

What some people do not seem to understand about the wage base and tax rate is that adjustments have overall economic implications. By doing the politically disingenuous act of laying the taxes on our middle income and self-employed to make social security solvent again without expanding the period of time over which the new revenues are generated from this group, this Congress ought to realize that the bill's dramatic wage base increases translate into dramatic increases in benefits. Benefit levels are tied to the wage base and that compounds the long-term problems which the Congress will hardly address this year.

Furthermore, in a period when the Nation is struggling to reduce unemployment and provide an economy conducive to work, I believe that it is a grave mistake to escalate the wage base so dramatically. I expect the bill will undo any economic stimulus measure that the Con-

gress has taken this year or may expect to take next year.

I ask you to consider the impact of the bill on a self-employed taxpayer making \$20,000 per year. Under the bill that self-employed taxpayer would contribute the sum of \$1,412.90 for OASDI alone next year. This is an increase of \$257.90 over this year's contribution of \$1,155. The amendment which I propose would reduce that sudden leap to \$1,278 or a difference of \$134.90. Recall that the \$10,000 wage earner is being taxed less than \$1 per month more under the amendment.

I sincerely submit that logic selects the amendment as the better set of financing alternatives. For many I expect that this issue will again surface with the people. I doubt that my constituency differs much from yours. It is not my intention to shift the burden to those who cannot bear it. The amendment does not so shift the burden. I hold out some hope and faith that we shall not suddenly overburden those taxpayers who finance every single program emanating from the Federal coffers where it is just not necessary. Where it is not unfair to anybody to do otherwise.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from California.

Mr. ROUSSELOT. I appreciate my colleague yielding to me.

I think the amendment the gentleman from Georgia intends to offer providing for an independent commission—and I understand my colleague from Wisconsin, (Mr. STEIGER) also has favored the same idea—is a good idea, especially the requirement that it report back within 2 years. In other words, it would not take a long time to produce this report and to look at all of the alternatives for the social security system as to how we would be dealing with benefits and financing. It is an excellent suggestion, and I hope the House will see fit to support it.

Mr. JENKINS. I thank the gentleman. I also might point out that the amendment provides that it shall be bipartisan.

Mr. CONABLE. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from New York.

Mr. CONABLE. An Advisory Council on Social Security is appointed by the President every 4 years. One is overdue now, and should have been appointed in February of this year. We have had constant studies of social security.

Mr. ULLMAN. Mr. Chairman, I yield myself 2 minutes for the purpose of responding to questions propounded to me by the gentleman from Wisconsin

(Mr. ZABLOCKI), chairman of the Foreign Affairs Committee.

Mr. ZABLOCKI. Mr. Chairman, will the gentleman yield?

Mr. ULLMAN. I yield to the gentleman from Wisconsin.

(Mr. ZABLOCKI asked and was given permission to revise and extend his remarks.)

Mr. ZABLOCKI. Mr. Chairman, I rise for the purpose of addressing several questions to the distinguished chairman of the Committee on Ways and Means with respect to the impact of the bill, as reported by the committee, on the Foreign Service.

Before asking my questions, however, I would like to state that I have very serious reservations about the impact of the bill on Federal employees and on existing Federal retirement systems in general. I have reviewed the committee's report on the bill with regard to the principal purposes and provisions of H.R. 9346 which affect Government workers. I am not convinced, at this time, that the extension of mandatory social security coverage to Government employees is the proper course of action in the absence of a thorough analysis of the economic impact of such a move. Furthermore, in my opinion, it would be advisable to have an acceptable plan to integrate social security with the existing Government retirement systems which does not involve any loss or harm to Government employees worked out before enacting mandatory coverage as provided in this bill.

Having made that general observation, I do have, as I indicated at the outset, some specific questions regarding the bill's impact on the Foreign Service which is under the jurisdiction of the Committee on International Relations.

Is the basic concept of the bill as reported by the Ways and Means Committee to make the social security system the basic retirement program for all Federal employees, including those under the Foreign Service retirement system, and to restructure existing Federal staff retirement systems so that they provide only supplemental retirement benefits?

Mr. ULLMAN. That is correct. Under the concept, Foreign Service retirees of the future would receive two checks, one from social security and the second from the Foreign Service retirement fund—the two to be equivalent to current Foreign Service retirement benefits.

Mr. ZABLOCKI. Who will develop the detailed plan for restructuring the Foreign Service retirement system established by title VIII of the Foreign Service Act of 1946?

Mr. ULLMAN. The bill calls for the Secretary of HEW to submit a comprehensive plan for restructuring the various Federal staff retirement systems affected. He would develop the plan for the Foreign Service system after considering the views of the Secretary of State.

Mr. ZABLOCKI. In consultation with the Secretary of State provided for by the language of the pending bill?

Mr. ULLMAN. The bill specifically requires the Secretary of HEW to consult with the Civil Service Commission. It is our intent that the Secretary also consult with the Secretary of State and give full consideration to his views before developing a plan for restructuring the Foreign Service retirement system.

Mr. ZABLOCKI. I thank the gentleman for his clarifications. I think they are very important. While I do have reservations about the impact of this bill on Federal employees in general, in developing any plan for amending title VIII of the Foreign Service Act, the views of the Secretary of State should be given careful consideration. Also, I would expect that the International Relations Committee would review and report on such legislation after it is submitted by the Executive.

Is that the chairman's understanding?

Mr. ULLMAN. Yes.

Mr. ZABLOCKI. I thank the chairman.

Mr. ULLMAN. Mr. Chairman, I yield 5 minutes to the gentleman from Missouri (Mr. GEPHARDT).

(Mr. GEPHARDT asked and was given permission to revise and extend his remarks.)

Mr. GEPHARDT. Mr. Chairman, I rise to speak in favor of H.R. 9346. The members of the Social Security Subcommittee and of the Ways and Means Committee have spent a great deal of time over the past few months thinking about and studying this piece of legislation. I have been deeply impressed by the commitment of our subcommittee and committee chairmen to passing a significant reform bill this year. It is far from a perfect answer to our social security problems from my viewpoint. It fails to address and answer all of the problems and potential problems that beset the system. I would have preferred a bill that made significant changes in the way we fund and deal with disability cases and our medicare program. I would have preferred a bill that went much further than this one in reforming how the social security system views and treats dependents. I would have preferred a bill that had successfully addressed the retirement age question and would have expressed a single practical national retirement policy that would take effect far enough in the future so that we do not break our promise to people who have earned vested rights under the present program. I would have preferred a bill that made bigger strides toward equating the benefit system so that it better reflects contributions.

Recognizing that this bill is imperfect and recognizing that the social security system will still be in need of significant reform if it is passed, I want to strongly emphasize that I also firmly believe it is

the best bill that could be brought to the Floor of the House of Representatives in 1977. Our subcommittee began work on this bill as soon as the national energy bill had cleared the House of Representatives. Some Members wanted long-range, all-inclusive legislation that would answer all of our problems. Some Members wanted a short-range bill that would only make minor adjustments in tax rate or tax base or both and get us through a year or two until meaningful reform could be addressed.

The subcommittee decided to commit to neither course, but rather to enact as much reform as we could agree on in the time circumstances permitted. The result is H.R. 9346 which I would characterize as a medium-range solution which addresses and answers a few major difficulties, puts off others, and assures the financial stability of the fund for from 25 to 40 years. Considering that under present law, the disability fund will be deficient in 4 years, I think this bill represents a desirable result. Its most important features are well known to you:

First, it corrects the error created by Congress in 1972 of putting a double escalator on entry-level benefits. If this error continues, we will be replacing 52 percent of wages for a worker earning average wages in the year 2000. In 1955 the replacement rate was 31 percent so the rate of escalation can be fully appreciated. This bill fixes and stabilizes the replacement rate at an average of 43 percent for all times in the future. If this bill did nothing more than this it would be a huge success.

Second, the bill raises the tax rate and tax base at a quicker pace than existing law, but it does not make increases in either base or rate over what is already anticipated in present law. Nobody wants to raise taxes—even if the raise is couched in terms of an acceleration of anticipated raises. People in general and Members of this House, in particular, ask what is wrong with the system that causes additional funding. I believe the following factors cause this need. They are:

Our 1972 error in double indexing for inflation on the entry-level benefit. This bill corrects that;

Administrative failures in the disability area. This bill does not correct this;

Our failure to match automatic benefit increases by an increase in the tax rate. This bill does not correct this problem per se, but with decoupling a solution is foreseeable.

And demographic factors—such as a declining birth and death rate. This bill obviously cannot affect these.

If you believe we must continue the social security system as a valuable national program that does something for people that they cannot or will not do for themselves, you must be ready to adequately fund the plan. To do otherwise requires severely cutting benefits but the consensus for that idea has not yet appeared. The debate then centers on whether to accelerate the rate or the base and this bill, I think, appropriately does both. However, it does lean a little more heavily on the base in an attempt to re-

turn the ratio of tax-covered wages under the program to a historical precedent level of about 90 percent.

Third, the bill reduces benefits by freezing the present minimum benefit for future beneficiaries at its 1979 dollar amount, subject to annual cost-of-living increases, and by offering a delayed benefit credit or bonus, if you will, to persons who delay receiving retirement benefits between ages 65 and 72.

Fourth, the bill raises the amount someone between 65 and 72 can earn without damaging his or her benefits to \$4,000 from \$3,000 in 1978 and \$4,500 in 1979, leaving the inflation index on these amounts under existing law intact. Over 200 Members of this House desire movement in this regard. This level of movement is admittedly modest, but further increases simply require even further tax rate and base accelerations or outright increases.

Fifth, the bill mandates universal coverage. I hope this is an idea whose time has come. The inclusion of public employees is right because the revenues actually lost because of the current non-participants and the potential loss from the increasing numbers of social security "dropouts" impose an additional unfair cost on those who have no option but to remain covered and pay taxes. A further aggravation is the problem caused by "double-dipping" which is now legally practiced by 43 percent of the current Federal civil service annuitants. The opponents of this proposal say it needs to be studied further. The subject has been studied for 30 years and has been recommended by more than one Social Security Advisory Council.

Now is the time to make a commitment to universal coverage in a way that is appropriately sensitive to the time requirements for integration of the system and to the commitment to our public employees that the integration must not result in economic damage to them. To say the accomplishment of such integration is impossible flies in the face of the fact that the vast majority of American workers are successfully covered under integrated private and social security retirement systems. The committee bill regarding universal coverage is a commitment with a study. The Fisher amendment offers a study with a faint hope. I fear it is a faint hope because, try as we might, I fail to see how we can fully satisfy public employees who now enjoy a benefit universal coverage can never afford them—that is the privilege to double dip.

Finally, there are two important things this House bill does not do—it does not call for general revenue financing and it does not break parity between employer and employee contributions. Most social security watchers saw these significant changes as necessary to save the system. We have avoided both and constructed a system good for from 25 to 40 years.

In conclusion, a word on the proposal by our colleagues on the other side. It is deficient for four reasons. First, it spends a lot of money on taking away the retirement test entirely. Second, it raises the

retirement age to 65 and 68 without an adequate analysis of the significance or timing of that decision. Third, it calls for a gigantic tax rate increase (and not acceleration) of 1.20 percent of taxable payroll over the period between 1981 and 2011, which translates into at least a trillion taxpayers' dollars over the period 1985 to 2051. That is indeed a dear price to pay for what the alternative proposal gives you. Last, and most damaging it leaves the retirement and disability funds below 25 percent in 4 of the next 7 years and totally depletes the medicare fund by 1987.

In closing, I urge the Members to support H.R. 9346 and defeat all amendments. Regardless of your position on amendments, I hope you will vote for final passage. This bill, regardless of what amendments carry, is a good, balanced result of hard compromise—a strong reasonable solution for the next 25 to 40 years. I hope with all the hope I have that 1977 will be known as the beginning of reform for social security and not the end of reform. Our subcommittee chairman, the gentleman from Massachusetts who labored mightily on this bill, believes very strongly that we must have a second phase of social security reform beginning next year. I believe him and I believe in our capacity to do more to improve the system. But today—in the fall of 1977—we must take the first step to insure the system's finances—to begin reform—to recommit our Government to the notion that the social security program is one of our Government's best products that promises a reasonable life after retirement for our generation and many generations to follow.

Mr. CONABLE. Mr. Chairman, I yield myself 4 minutes.

(Mr. CONABLE asked and was given permission to revise and extend his remarks.)

Mr. CONABLE. Mr. Chairman, I would like to thank my friend, the gentleman from Missouri (Mr. GEPHARDT), for having raised the issue of the Republican substitute.

I would like to discuss that briefly because, among other things, although he actually identified some aspects of this substitute, he says that it proposes a gigantic rate increase. We do have a rate increase spread over the years between now and the year 2000 of 1.2 percent. However, let me say, Mr. Chairman, that our rate increase raises the rate to 7.4 in the year 1990 and the committee bill raises it to 7.45 in the year 1990, and their bill goes no further than that, leaving a very substantial deficiency for the rest of the 75-year period. In other words, the committee bill is the high-tax bill, not the Republican substitute.

Mr. Chairman, I think it is important that we talk just briefly about what is involved in these raises because I am not sure that all of my colleagues understand this. The committee bill is a high-tax bill. These apparently little tax increases add up to hundreds of billions of dollars, and it need not be so.

There are two ways in which taxes are raised, by increasing the rate or by increasing the wage base to which the rate applies.

The committee bill by 1981 raises the rate by 1.5 percent. By 1981 the base will soar to \$27,900 from today's \$16,500. Raising the rate improves the actuarial soundness of the system, but affects everyone. Raising the wage base affects only those who earn more than the present wage base, which does not increase the long-term soundness of the system since under the formulas increased pensions some years out will offset the increased yearly cash flow from applying the tax to a higher wage base. Also, since higher wage base means higher pensions, the temptation to subject them to income taxes, which are ultimately much larger for those with higher salaries, is greater. I would hate to see us start to tax social security benefits in any degree, and I think we should restrain our enthusiasm for raising the wage base, for this reason, if for no other. Raising the wage base also reduces our capacity to finance future cost-of-living increases in this regard, which is a financing device in the present law.

Let me just mention what the specific provisions of the Republican substitute are.

First, it removes the earnings limitation on beneficiaries in three stages by 1980.

Second, it advances the age of eligibility for full retirement benefits, slowly and gradually, 3 months each year, from 65 to 85, between the years 2000 and 2011. It has a tremendous actuarial impact for doing that.

Third, it brings all Government employees under social security coverage by 1982, following a study to assure their equitable treatment, an issue we have been talking about a great deal today.

Fourth, it provides a new working spouse's benefit, primarily to aid wives who work in covered employment.

Fifth, it reduces from 20 years to 5 the duration-of-marriage requirement for divorcees to receive a spouse's benefit.

Sixth, it ends the requirement that some beneficiaries, notably widows, lose benefits upon remarriage.

Seventh, it eliminates sex-discrimination language from the Social Security Act.

My colleagues will note that many of these provisions have had their impact on the committee bill.

Eighth, it requires no tax increase until 1981, then a three-stage rate advance totaling less than 1½ percent over the next 75 years.

Ninth, it decouples wage indexes to correct a flaw in automatic benefit adjustment provisions and to stabilize ratios of benefits to wages.

Tenth, it freezes the minimum primary benefits but increases the special minimum benefits for those with many years' work at low wages and puts them on the automatic escalator.

Eleventh, it temporarily reassigns through 1981 three-quarters of the medicare tax increase, already scheduled next year, to OASDI trust funds.

Twelfth, it permanently reassigns after 1981 one-quarter of the 1978 medicare increase to OASDI funds.

Thirteenth, it reallocates taxes between OASI and DI trust funds.

Fourteenth, it permits any one of the trust funds, OASI, DI, and medicare, to borrow from each other to prevent exhaustion; and

Fifteenth, it limits survivorship and disability benefit amounts to the maximum payable to a retiree under this system.

I hope my colleagues will consider this provision.

Mr. GEPHARDT. Mr. Chairman, will the gentleman yield?

Mr. CONABLE. I yield to the gentleman from Missouri.

Mr. GEPHARDT. I thank the gentleman for yielding.

Will the gentleman not agree, however, that in summation the Republican proposal calls for a much greater tax rate increase and also leaves all three funds in very serious shape in the short and the long terms?

Mr. CONABLE. The trust funds are much more reduced under the Republican proposal. None of them go into the negative, and we do not provide for borrowing power. The high-tax provision is the committee bill, however, which so increases the rate base and which raises the rate more than the Republican proposal does by 1990, and it has no further action after that time. Since the committee bill will carry through only to the year 2010, and since it does not deal with the total 75-year period, it avoids higher taxes after that time only by leaving a deficiency. Our rate increase is sufficient to take care of the full 75-year period.

Mr. GEPHARDT. Will the gentleman yield?

Mr. CONABLE. I yield to the gentleman.

Mr. GEPHARDT. Between now and 1990 the gentleman's tax rate increase is much greater than the Democratic rate increase; is that not true?

Mr. CONABLE. No; that is not true. I will be happy to provide the figures for all those who are interested.

Mr. ULLMAN. Mr. Chairman, I yield 5 minutes to the gentleman from Arkansas (Mr. TUCKER).

Mr. TUCKER. Mr. Chairman, there has been a great deal of talk today and over the past several months about raising taxes and about whom we represent. I know whom we represent in the U.S. Congress, and I do not think that we represent solely or are charged solely with the responsibility of protecting the highest income people in this country.

Let us look at the history of the social security bill. The first wage base that was taxable under social security was \$3,000. That may not sound like very much, but in 1937 \$3,000 represented the full income of 97 percent of the employees in this country, and it represented 93 percent of the wage base in this country, the payroll in the country. We let that wage base stay low because we did not have the courage to raise it as we went along from year to year. The result was that during the 1950's and 1960's the taxable wage base fell into the 1970's, and today the \$16,500 wage base that is taxable represents 100 percent of the salaries of 85 percent of the people in the country. But 15 percent of the people in the country get a free ride on all of their income over \$16,500.

I direct the attention of the Members to the chart we have placed here. There has been a great deal of discussion about how we raised the wage base. We did not just pluck it out of thin air. We simply moved back to the 90-percent level. I would have liked to move higher. I see no justification for not taxing the full salary of a man or woman who makes \$100,000 a year. While it is true it rises to \$27,900, it is also true it rises in that same year, and while it is true by 1987 our wage base is predicted to rise to over \$37,000, it is also true under existing law the wage base would be almost \$32,000 by that year.

What we have done is very modest. The option we have is to increase the tax on every working man and woman in this country. As a Democrat I have no difficulty whatsoever in making the decision that it is preferable to increase taxes equitably on the 15 percent who are not being taxed than it is to increase the burden on all our working men and women in this country. I am convinced the majority of Democrats in this Congress and I would hope the majority of Republicans in this Congress would find that a simple choice to make.

Mr. BURKE of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. TUCKER. I yield to the gentleman from Massachusetts, the chairman of our subcommittee.

Mr. BURKE of Massachusetts. Mr. Chairman, I commend the gentleman on his statement because he brought out an important fact. Those people earning more than \$100,000 a year pay less than 1 percent tax into the social security fund, and some of those under-present law earning under \$16,500 pay close to a 6-percent tax. This is grossly unfair, but it is something that has to be rectified in the social security trust fund. Those people with high earnings should pay their share, and we intend after this legislation is acted upon to file to remove the entire ceiling and go for a reduced rate and let the people pay the more equitable and justifiable tax. This tax to me is grossly unfair to low-wage earners and middle-income persons.

Mr. TUCKER. Mr. Chairman, I would like to point out how we take care of the \$10,000-a-year wage earner, and I think that is the kind of person we in this Congress have a commitment to look after. He gets no tax increase in 1978; he gets no tax increase in 1979; he gets no tax increase in 1980; and not until 1981 does that man receive a tax increase and then of only \$15 per year. I am proud of that result and I think this Congress can be proud of that result.

In 1987 the \$10,000-a-year worker will be paying only \$45 more per year and he gets a sound social security system in return.

What about the \$15,000-a-year wage earner? He does not get hurt so badly either. He gets a sound social security system in return and he gets no tax increase until 1981, and then a tax of only \$22.50 per year. By 1987 he is paying only \$67.50 more per year than he would under existing law.

That is a good bill and a bill the Democrats can be proud of, but it does not

answer all the problems of the social security system.

We need to think about the health insurance and disability. It is my feeling we cannot continue to increase the social security taxes in the future. I hope we will come back in 1978 or certainly in the next Congress and relieve the social security system of a burdensome tax that is regressive and one that is financing some welfare systems under social security.

But for the short term with this bill we get a sound social security system through the turn of the century and an opportunity to come back again and make those adjustments that need to be made.

Mr. CONABLE. Mr. Chairman, will the gentleman yield?

Mr. TUCKER. I yield to the distinguished ranking minority member on the committee, the gentleman from New York.

Mr. CONABLE. Mr. Chairman, I thank the gentleman for yielding.

Will the gentleman comment on the effect on total pensions payable of increasing the wage base and does he see any particular problem in this? We have expanded the wage base already in order to cover cost-of-living increases. The gentleman is now suggesting a considerable additional expansion of the wage base which will mean the pensions will get very large for those who have higher salaries. Is that correct?

Mr. TUCKER. Those people should get higher pensions who are earning more money.

It has in the long term a slight net positive effect on the trust fund due to the fact, as the gentleman knows, that the benefits are slightly weighted toward the lower income individual.

Mr. CONABLE. Mr. Chairman, if the gentleman will yield further, may I ask if the gentleman has any view as to whether or not social security benefits should be taxable for income tax purposes?

Mr. TUCKER. I do not believe they should be taxable; however, I would point out that under the Republican substitute over the next several years the trust fund of the social security system reaches a level of 10 or 12 percent of the revenue, increasing every year, which means we have as little as 1 month's available cash flow and any economic crisis could totally bankrupt the social security system and we would find the social security recipients going without their checks.

The CHAIRMAN. The time of the gentleman from Arkansas (Mr. TUCKER) has expired.

Mr. ULLMAN. Mr. Chairman, I yield 1 additional minute to the gentleman from Arkansas.

Mr. CONABLE. Mr. Chairman, if the gentleman will yield further, it is invested in Government bonds. In effect what we have done is put IOU's in the trust fund. To be sure, they are paying interest to the trust fund, but the trust fund is not a pile of cash of some sort.

I am sure the gentleman is aware nobody is advocating a violation of the

contract we have with beneficiaries to see that there is a flow of benefits to them, as required under the system.

Mr. TUCKER. No one advocates violation of the trust system. Several of our colleagues would risk that obligation by their proposals.

I would point out one of the major problems of the trust fund is that we do not draw interest and, therefore, it impacts directly on the social security trust fund.

Mr. Chairman, I would urge a vote for this, not that it is a final solution, but it gives us an opportunity to give a quick fix and gives us time to study this for long-range security.

Mr. CONABLE. Mr. Chairman, I yield 4 minutes to the gentleman from California (Mr. ROUSSELOT).

(Mr. ROUSSELOT asked and was given permission to revise and extend his remarks.)

Mr. ROUSSELOT. Mr. Chairman, I rise in support of the Post Office and Civil Service Committee amendment to H.R. 9346, which would strike out those provisions of the bill which provide for mandatory social security coverage for Federal employees and those provisions which relate to a proposed study by the Secretary of Health, Education, and Welfare.

I urge my colleagues to support the Post Office and Civil Service Committee amendment which calls for a joint study to be performed by the Chairman of the Civil Service Commission, the Secretary of Health, Education, and Welfare, the Secretary of the Treasury, and the Director of the Office of Management and Budget. The study must be completed no later than 2 years after enactment of H.R. 9346 and our committee amendment also specifically details the issues to be considered. The committee approved the amendment by a unanimous vote and I urge my colleagues to read the Post Office Committee's report on H.R. 9346 and the detailed explanation of the proposed comprehensive study.

Mr. Chairman, I am dismayed and disappointed that the Ways and Means Committee included universal, mandatory coverage under social security as a part of this huge legislative package. The temptation was obviously irresistible to "tap" the large pool of Federal, State, local, and certain nonprofit organization employees not presently included in the social security system. Unfortunately, these workers have not come forward eagerly to volunteer as "saviors" of this bankrupt system. Instead, representatives of these groups have been exceedingly vocal in their disapproval of the hasty, ill-conceived plan to mandate universal coverage by 1982. I am sure that I am not the only Member of this body who has received letters, telephone calls, telegrams, and in-person pleas to defeat the Ways and Means proposal. Federal employees, especially, are adamant in their opposition to universal coverage.

Apart from the apparent willingness of these noncovered employees to be dragged kicking and screaming into a sinking social security fund, there is the

obvious fact that the supporters of the proposal are seeking this participation as a "quick-fix" for the seriously ailing system. This is the kind of short-term solution which has become the increasingly frequent legislative response of the Congress. It does not take much imagination to visualize the situation some years in the future when the quick-fix of new revenues from these employees has worn off and the system once again reveals its basic, and serious, defects. Universal coverage will not provide long-term fiscal integrity for the social security system and as Representatives of all the people, we must not rush headlong into endorsing a proposal the ramifications of which are not fully defined or understood.

Expanding coverage to those whose earnings are not now covered would, admittedly, improve the financial outlook of the fund, at least for the shorter run. However, there are other financial implications which should be recognized and examined. For example, State and local units of government which do not now participate in the social security system would be faced with enormous new costs. The cost to the county of Los Angeles, as a potential employer of 76,500 persons with a payroll of \$1.5 billion in 1982, would be \$84 million, at the proposed tax rate of 6.45 percent. Other estimates indicate that the real cost could be as high as \$113 million in 1982, or a new tax burden per employee of between \$1,098 to \$1,477 (to be matched, of course, by the employer—in this case, the taxpayer).

Mr. Chairman, I urge the Members of the House to consider all the arguments presented by my colleagues on the Post Office and Civil Service Committee, and others, who seek a prudent, sound solution to the problems of social security financing. We must reject this "finger in the dike" approach advocated by the Ways and Means Committee and accept the Post Office and Civil Service Committee amendment providing for a complete, detailed study of the mandatory universal coverage proposal before sentencing millions of Americans to a retirement of uncertainty and fiscal "insecurity."

In conclusion, I wish to commend the good chairman and ranking minority member of the Post Office and Civil Service Committee for the strong leadership role they have taken in this issue—the potential victims of the Ways and Means proposal express their gratitude.

Mr. ULLMAN. Mr. Chairman, I yield 3 minutes to the gentleman from Georgia (Mr. LEVITAS).

(Mr. LEVITAS asked and was given permission to revise and extend his remarks.)

Mr. LEVITAS. Mr. Chairman, I thank the chairman of the committee for yielding this time to me. I want to compliment him and the chairman of the subcommittee for their hard work in bringing this bill to the floor, which I hope, with the adoption of some amendments, this committee will approve. I also want to thank them for permitting me to testify before their committee on several oc-

casions in connection with my several proposals pertaining to social security which have either been incorporated in this bill or which will be separately voted on today.

I would like to say this, however: I think the American people are mad as hell and they are not going to take it much longer when it comes to this social security system as it now exists and is being paid for. They are sick and tired of being asked simply to pay more and more taxes into the same old system. They are tired of bandaid and mercurochrome approaches. They want some fundamental changes in the social security system, and they do not want every 5 years to be asked to raise taxes again on the middle-class taxpayer. They just cannot stand it. They will not stand for it. They should not stand for it. When that public support ends so will social security. We cannot afford to let that happen.

Young people are fearful that they will never see a return on their payments into the system, and the elderly are concerned that their benefits will not be forthcoming. That is why I am grateful to my colleague from Georgia Mr. JENKINS, a member of the committee for offering as an amendment my proposal for a National Commission on Social Security, a proposal which I have introduced in two Congresses as legislation now with 65 cosponsors. I think it is high time that this National Commission legislation be passed.

Let me say to the gentleman from New York (Mr. CONABLE), for whom I have the greatest respect, who spoke in support of the present social security advisory councils as a vehicle for solution. One of the problems with the present advisory councils is that, not only are they appointed by the Secretary of HEW and not by the President, making them in-house councils, but all they have done during their entire period of existence is to rearrange the furniture on the deck of the *Titanic*, and they have not done anything at all about the fundamental, long-term problems of social security. We must change that now and move on to a comprehensive, meaningful long-term reappraisal of the system.

I think it is absolutely essential that we take a long, hard look at the entire system, to decide whether or not what was in place in the thirties will serve the needs of America for years to come; whether or not we need a completely new type of national retirement, disability and survivor system.

Let me pass on briefly to another subject. I want to commend the gentleman from Wisconsin (Mr. STEIGER) for his statement. I think we have got to move to a system of universal coverage. There is no question about it, because we cannot create an elitist group in this country who do not contribute to the social security system. You know, the American people are asking themselves this question: If the Commissioner of Social Security himself is not covered by social security, then something must be wrong with the system. If the Members of Congress are not covered by the system, it is

no wonder Congress has let it become such a mess. Would you want to eat dinner at a restaurant where the chef would not eat his own cooking? I suggest not. We have got to reach that time where everybody in America knows that they are part of this system. There cannot be one group who stand aside and let everybody else pay the bill.

Furthermore, I think that it is despicable, and reprehensible to see the type of lies and misstatements and calculated deceptions which certain organizations have waged in the last few weeks about the concept of universal coverage. As far as I am concerned, they have severely damaged their credibility with me, and I am sure most of the members of this committee feel the same way. It is one thing honestly to oppose a position, it is quite a different thing to misrepresent a position to deceive and lie in order to prevail.

In this case the only valid point which the opponents of universal coverage have in their favor is that the terms and provisions of universal coverage should be spelled out by law at the same time it comes into affect. For that reason alone, and not because of the untruths about universal coverage, I believe the Fisher amendment should be adopted to lead to an orderly transition into universal coverage.

Mr. CONABLE. Mr. Chairman, I yield 4 minutes to the gentleman from Ohio (Mr. GRADISON).

Mr. GRADISON. Mr. Chairman, I take this this to engage in colloquy with our distinguished colleague, the gentleman from Arkansas (Mr. TUCKER) with regard to the wage base.

My understanding is that, under the present law, with a maximum wage base of \$16,500, the same contributions are paid, as the gentleman indicated, by someone with an income of \$16,500 or \$100,000. But also the same benefits are paid to those persons because only \$16,500 at the present time counts in benefit computation.

What bothers me, working from the same set of facts the gentleman presented to us, is that the increase in the wage base which the gentleman is referring to will mean that social security will be in the future providing a larger proportion of benefits than it is now providing to the highest income group in America, reaching, if we follow the theory, all the way to the very highest levels of income in our society. In other words, we would be using social security to provide larger retirement benefits to those best able to provide for themselves.

Mr. Chairman, it seems to me, therefore, working on the same assumptions that the gentleman has mentioned, that there is a very strong argument for not increasing the wage base any faster than we have to. I acknowledge it has to go up, but it is a matter of degree that I know we are debating. Beyond this, the effect of providing through the social security system an increasing proportion of the total retirement benefits which might come to a higher income person means a shift toward reliance on a pay-as-you-go method of financing—social security—

as against what are generally fully funded methods of providing retirement benefits, which are generally the techniques for funding systems used in the corporate sector today.

The effect of this, as I see it, is that if we shift more of the retirement financing in this country toward a pay-as-you-go system and away from fully funded systems, we will reduce the accumulation of capital in this country, because one of the greatest sources of capital formation today is pension plans which are on a fully funded basis, which, curiously, includes State and local pension plans, as well as private ones.

If this analysis is at all correct, the impact of raising the wage base substantially, and thereby slowing down the growth of private pension plans, will be to reduce the accumulation of capital, of capital formation, which we need in this country.

If I read the figures at all correctly, the greatest impact of all of that will be on the working people of this country who would not have as fast a rise in productivity as they would if we have a greater flow of capital formation.

I know the gentleman has given a great deal of thought to this, but I did want to take my time to present my point of view.

Mr. TUCKER. Mr. Chairman, will the gentleman yield?

Mr. GRADISON. I yield to the gentleman from Arkansas.

Mr. TUCKER. Mr. Chairman, I will be happy to attempt to respond in the short time available.

First, if the gentleman is suggesting we should not raise the wage base since to do that, and thereby stabilize the social security fund, we will somehow hurt other private pension systems, then I would have to say that in my order of priority I opt for taking care of the social security system, rather than private pension funds.

If the argument is that we are drawing large sums of money from the economy that we cannot afford and which will hurt capital formation, I answer that all money paid in, as the gentleman realizes, is paid back out in benefits and is still in circulation in the economy.

Finally, I would say to the gentleman that if we could pay social security taxes only on \$5,000 or \$8,000 or \$9,000, that might not be such a bad idea, and we could do something like that if we would follow the suggestion of the gentleman from Massachusetts (Mr. BURKE) and finance at least one-third of the social security trust funds out of general revenue.

Mr. CONABLE. Mr. Chairman, I yield 3 minutes to the distinguished gentleman from California (Mr. ROUSSELOT).

Mr. ROUSSELOT. Mr. Chairman, I want to add to the discussion we have already covered on the Fisher amendment comments from Secretary Califano discussing his support of the Fisher amendment.

Mr. Chairman, I would like to quote from page 2 of his letter to every Member of the House. This is what he said:

Universal Coverage. The Committee bill would require the Secretary of HEW and the

Chairman of the Civil Service Commission to develop a plan by 1980 with respect to how the social security system could be coordinated with the civil service retirement system. That study would be followed by mandatory coverage, effective January 1, 1982, of all Federal, state, and local government employees, as well as the employees of nonprofit organizations.

We believe this is a complex matter that deserves careful study first; and an opportunity for the Congress to consider on what terms coordination of the different systems might best be accomplished, and an opportunity for the millions of affected employees to express their views. Representative Fisher will offer an amendment to eliminate mandatory coverage of Federal, state, local and nonprofit employees from the Committee bill and instead authorize a study of the ways to integrate these other retirement systems with social security.

Mr. Chairman, it is true, as several of my colleagues have pointed out, that as members of the Committee on Post Office and Civil Service, we do not think adequate time was given to a discussion of the merger of the systems, and that is why we favor the Fisher amendment. Evidently Secretary Califano agrees.

We feel that the complex nature of this legislation requires more time than the last 4 to 5 weeks during which the Committee on Ways and Means has been working on this particular bill.

Mr. CORMAN. Mr. Chairman, will the gentleman yield?

Mr. ROUSSELOT. Yes, I will be happy to yield to my distinguished colleague, the gentleman from California.

Mr. CORMAN. Mr. Chairman, I will say first that I hope the Secretary never finds out which of the two of us is agreeing with him.

Mr. ROUSSELOT. Well, I believe on this issue he has ditched the other gentleman from California first.

Mr. CORMAN. I would put it out to my colleague that there are 12 million State, county, and municipal employees in this country, and 73 percent of them are already covered by social security.

Mr. ROUSSELOT. I understand that.

Mr. CORMAN. There is no great mystery as to how the two systems could be integrated. The Committee on Ways and Means, not having jurisdiction over the pension system, gave the Committee on Post Office and Civil Service some time, knowing full well it could act promptly and that it would not take 5 years to figure that out.

Mr. ROUSSELOT. Well, the gentleman did not give us 5 years to work it out from the time the bill was voted out by the committee. We were not given time to discuss the issue of the merger of the systems, and I think that is the issue.

The Committee on Ways and Means admits in its own report it did not have adequate time to address the issue. That is why I am sure many other members of the committee have insisted on more time for study. It is important to note that the committee was not able to even suggest what would be done in 1982, because it does not know.

I am not saying that it is an easy issue; it is not easy.

Mr. DERWINSKI. Mr. Chairman, I yield the remaining 1 minute I have to

one of the great statesmen of the House, the gentleman from Mississippi (Mr. LOTT).

(Mr. LOTT asked and was given permission to revise and extend his remarks.)

Mr. LOTT. Mr. Chairman, I thank my distinguished leader on the Republican side from the Committee on Post Office and Civil Service for yielding this time to me.

Mr. Chairman, I rise in support of the amendment of the Committee on Post Office and Civil Service. I think it is the best solution to this problem of the Federal employees.

Mr. Chairman, the Ways and Means Committee bill is, no doubt, a well-meaning and worthwhile effort to strengthen the financial affairs of the social security system. In dealing with the issue of mandatory social security coverage for Federal employees by 1982, however, the bill departs from sound reasoning.

As reported by Ways and Means, the bill provided for a 2-year study on how best to coordinate the benefits of the civil service retirement system and the social security system. Rather than await the results of such a study, the Ways and Means Committee went one step further and made a decision to bring all Federal employees into the social security system by 1982.

To mandate this coverage of 2.8 million Federal employees simply as an expedient to help balance the books of an ailing social security system and without an in-depth study, in my opinion, is shortsighted because very little thought has been given to the problems that might arise from universal coverage.

In contrast to the action by Ways and Means, the Post Office and Civil Service Committee has come up with what I feel is a more reasoned approach to the possibility of requiring social security coverage of Federal employees.

I am concerned that a step of this magnitude and complexity requires a thorough study of the benefits and financing of each system. Full consideration should be given to the proper approach for integrating the two systems. We must consider specific recommendations and proposals for a smooth transition which would protect the integrity of both the social security system and the Federal retirement system as well as the individual rights and benefits under each system.

The problems of coordinating two retirement income plans are enormous and require intensive study and consideration. Our amendment calls for a 2-year step-by-step approach to study all aspects of both systems, which in turn would be followed by specific legislative recommendations.

Under our committee amendment, if the study justified a feasible and equitable approach for integrating the social security and Federal retirement systems, then Congress would have the opportunity to enact into law a retirement system which has been researched and properly legislated.

One of the most important issues in anyone's life is security in old age. I be-

lieve that Congress should not make any drastic changes in a system without carefully examining the consequences.

Mr. ULLMAN. Mr. Chairman, I yield 2 minutes to the gentleman from Ohio (Mr. PEASE).

(Mr. PEASE asked and was given permission to revise and extend his remarks.)

Mr. PEASE. Mr. Chairman, I ask permission to revise and extend by remarks.

This bill, the Social Security Financing Amendments of 1977, has caused a great deal of concern among those who are now working and contributing to social security and those who are receiving social security benefits. I have received expressions of puzzlement from many of my constituents about the solvency of the social security trust fund. They ask how it can be in such dire financial trouble if they have, as one person put it, "contributed part of my paycheck to social security throughout my working life? Why are higher payroll taxes needed to shore up the system?"

To answer their question and resolve my own concern, I tried to work out for each of those constituents the likely contributions made by the employee and the employer over a working career. As might be expected, it works out to be much less than the person receives in retirement benefits within the first couple of years after retirement. The actual figures are astounding. Forty years of maximum social security contributions can be recouped in 12 to 18 months after retirement. A person paying the maximum in social security taxes from 1937 to 1977 will have contributed \$8,723. Before that person and his or her spouse die, they will have received \$62,947 in benefits. Clearly, social security needs constant infusions of new money to provide payments for today's retirees. That is why it is vital that we pass this legislation to restore the financial integrity of the system, to assure that it will be there for the retirees, widows, survivors and disabled who now depend on its benefits, and for tomorrow's retirees.

Our purpose today is to relieve social security of its current debt. However, incorporating the concept of universal coverage into the system, without a detailed study of its implications could well undo so much of the well-devised financing provisions in the bill.

I note that the Congressional Budget Office has reported that any financial boost to social security from universal coverage "would have negligible effects in 5 years." As I reviewed the language in the bill and in the committee report, it became increasingly clear that now is not the time to create a national retirement system. If we are to require that all working people be enrolled in the social security system, we must do so with precision and with clear purpose.

Universal coverage will affect more than 6 million public employees and teachers across the country. The number of existing pension programs this would involve is staggering. The Federal Government, alone, operates, more than 50 pension programs. Each State has at least one. Ohio has two excellent retirement plans for its public employees and

teachers. We are talking about drastically modifying 100 plus pension programs. I approach universal coverage with an open mind, but the issue must be carefully reviewed. The implications for each pension program must be spelled out in detail. The States will need clear guidelines if universal coverage is to become a reality. That is why I will support Congressman FISHER's floor amendment today to delete the language for universal social security coverage from H.R. 9346.

Mr. Chairman, the U.S. Congress is in the midst of discussing social security reform—trying to make sure that the social security trust funds do not run out of money in the next few years.

Under the House Ways and Means Committee proposal, which is being considered on the floor of the House this week, the social security tax rate for employers and employees would rise to 7.45 percent of wages by 1990. The wage base subject to social security tax would rise to \$39,600 by 1987.

Many constituents have asked me a simple question. How can social security be in financial trouble with so many millions of Americans and their employers paying social security taxes every week or month?

Some constituents narrow the question even further. How can there not be enough for me to retire on when I have paid into the system for 40 years?

Such constituents often follow that question with one of two angry statements:

First. "With the level of benefits I am due to get, I will receive far less in pension than I've paid into the system all these years." Or;

Second. "I'd have been a lot further ahead just putting my social security taxes into a bank account."

Both of those statements are wrong. Looking at why they are wrong tells a lot about the need for congressional action to bolster the social security trust funds.

Take the case of a married couple retiring in 1977. Assume that only one member of the family, probably the husband, was employed outside the home. Further assume that the man earned a high enough wage that he had to pay the maximum social security tax for every one of the 40 years from 1937, the start of social security, till 1977, the year of retirement.

How much will the worker have paid in social security taxes total in that 40-year period? Answer: \$8,723.

How much would the worker have in the bank if he could have legally placed his social security taxes in an interest-bearing bank account? Answer: \$13,711.

How much will the couple receive in social security benefits? Answer: The husband will get \$437 monthly and his wife one-half that amount, \$219 monthly. The total will be \$656 monthly, or \$7,872 yearly.

In 1 year, 1 month and 9 days, the couple will have gotten back every dime the husband paid in social security taxes over a 40-year period.

In 1 year, 8 months and 27 days, the couple will have gotten back everything

the husband paid in plus all the interest the money would have earned in a savings account.

But what about the employer's tax paid on behalf of the employee? Since the employer tax has always been the same rate as the employee's tax, just double the figures above.

Within 3 years and 6 months after retirement, a worker will have gotten back everything he and his employer paid into social security plus the interest the money would have earned in a bank account. That total works out to \$27,422.

In contrast, a couple retiring this year are projected to receive \$62,947 in benefits before both die.

If at this point you are shaking your head in puzzlement—saying that you surely must have paid in more than \$8,723 over a 40-year life of work—consider this. For the first 12 years of social security, the tax was 1 percent and the maximum wage base was \$3,000. That's \$30 per year or \$360 total for 12 years. In other words, a retired worker would receive back in 3 weeks now what he paid in in social security taxes in the first 12 years of employment.

What all of this emphasizes is that social security is not a self-contained fund from which workers draw out just what they paid in. Essentially, it is a pay-as-you-go system. Retired workers today are to a large extent drawing out what present workers are paying in and what future workers will pay in.

Basically, that is why Congress is watching carefully the financial health of the social security system.

Mr. ULLMAN. Mr. Chairman, I yield 2 minutes to the gentleman from California (Mr. PANETTA).

(Mr. PANETTA asked and was given permission to revise and extend his remarks.)

Mr. PANETTA. Mr. Chairman, I would like to take this opportunity to express my views concerning the bill we have before us today. Although I respect the good work and intentions of the Ways and Means Committee, it is my feeling that H.R. 9346 does not go far enough in providing for the long-range, comprehensive reforms that are needed to restore overall soundness to the social security system.

Provisions to increase payroll taxes, broaden the taxable wage base, require mandatory coverage of public employees, raise the level of allowable income for retirees, and permit automatic loans to the social security trust fund from the general revenues may assist in stabilizing the system in the short run. But in the long run, these changes do not address the real causes of today's crisis in social security.

The basic problems we face today stems from the fact that the structure of our social security system simply does not reflect today's social and economic conditions. Two trends have placed the current system in jeopardy. One is rising unemployment and the other is a change in the overall orientation of the system which has resulted in expanded benefits programs. As originally conceived in 1935,

the social security system was thought to be an insurance program for retired persons. Today, the system provides a wide range of benefits, including survivors', disability, and hospital payments, to 33 million people. For most of these people, social security is the major source of income. Forty percent of all families with heads of households over the age of 65 would be in poverty today if it were not for the income provided by their monthly social security checks.

Although the benefits offered through these expanded programs are essential Government services, it is becoming evident that the current structure of social security system cannot effectively maintain a sound retirement insurance program while at the same time providing adequate levels of income security for the elderly. Therefore, the basic structure of the system must be changed.

In order to restore the public's confidence in the social security system, as well as the system's financial stability, I feel it is necessary to separate the non-retirement programs out of the system and to fund these programs by means other than payroll taxes. A separate insurance program could return contributions plus accrued interest to its beneficiaries and a separate income security program for the elderly could be geared specifically to those most in need. Quite frankly, I fear that if this separation does not occur, social security trust fund balances will continue to face deficits even though we continue to raise payroll taxes and the taxable wage base.

In addition, I feel that the continued reliance on increased payroll taxes has reached the end of the road. Employees and businessmen simply cannot afford to pay out additional taxes which are regressive in nature. Every American taxpayer will suffer if this trend is allowed to continued, since it leads to higher prices, higher unemployment, and higher inflation. At the present time, the Federal payroll tax is the highest tax paid by about two-thirds of all wage earners and \$2.5 billion will be paid in payroll taxes this year by persons officially classified as living in poverty.

To further ease the burden that payroll taxes are placing on our low-income people, our system of payroll taxes itself should be restructured. I suggest that two alternatives are available: First, an increase in the tax credit for individuals with incomes below the poverty level; or second, introduce into the payroll tax a system of personal exemptions and low-income allowances similar to those used in the individual income tax.

There are other far-reaching reforms that should be made if we want to correct the deficiencies in the present system. I feel it is necessary to remove entirely the income earnings limitation which now prohibits seniors over the age of 65 from earning more than \$3,000 per year without losing a portion of their social security benefits. Although this matter is addressed in H.R. 9346, the proposed earnings limitation is too restrictive and thus offers little relief to our senior citizens. The complete removal of the retirement test will allow our elderly citizens to help themselves

through increased earnings. Furthermore, tax revenues generated by their continued participation as working members in society will act as a stimulant to the economy.

Mr. Chairman, this summarizes my immediate concerns about the social security financing bill. It is my hope that the committee will recognize the need for a more comprehensive plan to reform the basic structure of our social security system. This is a commitment the Congress made years ago in 1935 and I feel the time is right for us to renew this commitment by making additional efforts to guarantee that the senior citizens in this country receive the benefits they desperately need and obviously deserve.

Mr. CONABLE. Mr. Chairman, I have no further requests for time.

Mr. ULLMAN. Mr. Chairman, I yield 2 minutes to the gentleman from Texas (Mr. PICKLE).

(Mr. PICKLE asked and was given permission to revise and extend his remarks.)

Mr. PICKLE. Mr. Chairman, there will be some seven votes taken soon. I believe that there are two of them that will be very strongly debated, perhaps others, but especially the one to take out universal coverage, which will be offered by the gentleman from Virginia (Mr. FISHER).

Mr. Chairman, I am going to offer an amendment that would strike from the bill a portion of section 104, which would remove the right to borrow money from the General Treasury if the ratio in the fund reserve got below 25 percent. That is formally written into the bill so that if it got below that particular level, then we could borrow automatically from the Federal Treasury.

Mr. Chairman, I think my amendment goes to the heart of this very program and is, perhaps, the most important question to be settled.

I recognize that there is opposition to it. The administration wants to leave it in the bill. We have had so many people from HEW outside here in the hall that they could have long since passed any kind of abortion bill if they just worked on it. The White House has had many people on the phone opposing the Pickle amendment, so many that they could have had an energy bill long since if they had not just concentrated on this one.

Mr. Chairman, I am simply saying that the administration wants the borrowing provision left in the bill because they expect to borrow money from general revenues. When that is done, this program is weakened considerably.

Mr. Chairman, I ask for the support of the Members. I would remind the Members that if we want to keep the social security program a self-supporting program, then we had better take that provision out.

My amendment does not weaken the bill. It adds a great deal of strength to it, and I would hope that the Members will support that amendment.

Mr. CONABLE. Mr. Chairman, I yield such time as he may consume to the gentleman from Florida (Mr. BURKE).

(Mr. BURKE of Florida asked and was given permission to revise and extend his remarks.)

Mr. BURKE of Florida. Mr. Chairman, I rise in opposition to H.R. 9346, the Social Security Amendments of 1977. I am concerned about the future of the social security system and I truly wish that my colleagues had been able to work out a few solutions to the numerous problems that plague the system. In my opinion, the whole thing is a mess and the approach being made by these amendments borders on "copping out."

Our colleague from Florida, Mr. SAM GIBBONS, who is a member of the Ways and Means Committee, has pointed out that presently there are slightly more than three persons in our Nation's work force for each person who is presently drawing social security benefits. At this rate, therefore, Mr. Speaker, by the year 2015 A.D., there will be only one person in our entire work force for each person that will then be receiving benefits. Certainly, this is ridiculous and most assuredly there will be a revolt by the working people who will be forced to carry the burden of financing this program. Regrettably, H.R. 9346 fails to meet the responsibility of this Congress to produce a solution to the short run or the long run problems of the social security program.

But, Mr. Chairman, what I have said is just my general objection to the bill and I have two specific objections in addition:

First, when I was first elected to Congress in 1967, I introduced legislation which would remove the earnings limitation on social security recipients. I appreciate the cost but the earnings limitation was intended originally to give jobs to the younger worker and to supplement the other income the worker would have when he retired. It was not intended to be a welfare program which it unfortunately has become. What originally looked like a form of insurance for the good life has, because of inflation, become a false hope to our elderly who have paid into the program. The worker who has put 20, 30, or 40 years on the job and because of inflation and high taxes has only social security benefits to look forward to at retirement. He or she are precluded from working, or if they do work he or she loses their social security check either totally, or in part, depending on how much is earned.

Mr. Chairman, I concede that H.R. 9346 offers some improvement in the present law since it increases the earning ceiling from the current \$3,000 to \$4,000 in 1978 and \$4,500 in 1979 with a cost-of-living adjustment thereafter, but I suggest this is like building a 200-foot bridge when the river is 500 feet wide. It simply does not solve the problem.

My second objection is the idea of expanding coverage to include Federal, State, and local government workers, and employees of private nonprofit corporations beginning January 1, 1982. The universal coverage provision to extend mandatory coverage to these remaining 6 to 7 million workers certainly has not been fully explored. Nearly half of these workers are Federal employees, and the majority of the others are State and local government employees. The revenue the system is expected to realize from this change in 1982 is \$13.5 billion. However,

since the tax is shared equally by employer and employee, half of this revenue will come from general Federal revenue financing of social security. The Federal Government as the employer will be obligated to pay its share by either that received from an increase in income taxes or an increase in borrowed funds further increasing our national debt. In addition, State and local governments will have to pay nearly \$4 billion more in 1982 to the Federal Treasury as the employer share of social security taxes. Mr. Speaker, I call attention to the fact that about 30 percent of State and local government employees are not presently covered by social security. These public bodies will, therefore, have to raise the funds for their share as the employer in some way. One way they could turn would be by reducing existing pension benefits which may not be permissible under the law or by hiking the income on property taxes or perhaps some of the other regressive taxes which are presently the mainstay of local government financing. Mr. Speaker, I am no expert on financing, but I do know the suggested amendments in H.R. 9346 will not solve the social security dilemma. The truth is we should put welfare programs where they belong, pension funds where they belong, preserve the social security program in the manner it was originally intended, and halt Government borrowing against trust fund moneys.

To do this would take some courage, but at least it would establish confidence in our integrity to properly manage the peoples' retirement future.

Mr. CONABLE. Mr. Chairman, I yield such time as he may consume to the gentleman from Ohio (Mr. MILLER).

(Mr. MILLER of Ohio asked and was given permission to revise and extend his remarks.)

Mr. MILLER of Ohio. Mr. Chairman, I would like to take a few moments to address the issue of mandating all Federal, State, and local public employees into the social security system without adequate study as to the exact impact this move would have on the existing retirement systems already in place for these workers.

For example, in the State of Ohio we have one of the best, if not the best, public service retirement systems in the Nation. A great number of people have put a lot of their earnings into these retirement funds and expect to get their fair share back when they retire. The last thing we should be doing in this social security reform bill is place these good systems in jeopardy.

Let us examine exactly what the State of Ohio has in operation at the present moment.

TEACHERS

The Ohio State teachers retirement system was set up in 1920 as a full-fledged retirement system and currently has about \$3.6 billion in its fund. About 180,000 teachers are actively participating in the program by contributing to the fund, with 50,000 presently receiving benefits. The system covers public school and university teachers in Ohio.

To be eligible for retirement benefits a teacher may receive benefits at age 60

after 5 years on the job, or may retire at any age after 30 years of teaching. The benefit formula is 2 percent per year of an average of final salary up to a maximum 90 percent.

Under the Ohio State teachers retirement system the employer contributes 13.5 percent and the employee 8.5 percent. So one can easily see that Ohio's teachers are putting a lot of money in their program, expecting to get a lot out when they retire. Since a teacher's paycheck is not that large in comparison with other occupations, it can be argued that one of the reasons many people choose to become teachers is because of the good retirement benefits.

The teacher's retirement system invests their funds, and currently these investments pay for around 50 percent of the benefits currently paid to beneficiaries. This helps keep the overall cost of the program down. In addition to the retirement paycheck, teachers also receive comprehensive health care coverage.

SCHOOL EMPLOYEES

The Ohio school employees State retirement system, which was set up in 1937 and has a fund of \$700 million, is almost identical to the teacher's program in providing excellent benefits to all non-teacher workers in the Ohio public school system. Custodians, cooks, bus drivers, clerks, secretaries, and many others benefit from this generous and effective program. Currently there are around 100,000 active paying members in the system with 24,000 people drawing benefits.

Eligibility requirements are the same as teachers mentioned before. A member may retire at any age with 30 years of service. Benefits are also the same, the formula is 2 percent per year of the final 3-year average salary up to a maximum 90 percent. Employers contribute 12.5 percent to the fund and employees contribute 8 percent.

Last year the system took in 45 percent of its income from employers, 31 percent from employees, and 21 percent from investments. This investment income paid for over 50 percent of the benefits paid out by the program. As in the teacher's program, the school employees system has an excellent comprehensive health care arrangement.

PUBLIC EMPLOYEES

The Ohio public employees retirement system was set up in 1935, has a fund of \$3.5 billion, and covers most State, local, county, and municipal public servants. About 260,000 people are participating in the system, and 62,000 are receiving benefits. The benefits are the same as above: 2 percent per year of final average salary up to a maximum 90 percent and a worker can retire at any age with 30 or more years of service.

Employers under the public employee's retirement system contribute 13.71 percent under the State government and 13.95 percent if under a local government. Employees in either case contribute 8.5 percent. About 27 percent of the income coming into the system last year was from investments the system made. Health care benefits are also similar to those already mentioned under the other two systems.

POLICE AND FIREMEN

The final large public retirement system in Ohio is the police and firemen's disability and pension fund. It was set up in 1967 after combining the many local police and fire systems into one State program. Many of the old local systems date back to the 1800's. The fund is currently standing at \$600 million. Participants include about 22,000 active paying members and 10,000 people receiving benefits. Retirement benefits are figured at 2 percent times the highest 3-year average salary times the number of years of service.

Police employers contribute 15.34 percent to the system and firemen employers contribute 16.77 percent. Employees contribute 7 percent to the fund. Around 24 percent of the income coming into the fund came from investments, and the health care benefits are as good as the ones previously mentioned.

It can be clearly seen that Ohio public servants have a very good retirement system. We want to keep this program strong and on a sound financial base. In examining H.R. 9346, the question needs to be asked, "What will happen to States like Ohio if they are required to pay social security taxes in addition to their present retirement programs." By requiring Ohio's public service employers and employees to contribute to the social security trust fund, are we actually forcing a drastic change in the present Ohio system and a possible loss of benefits? Will the combined social security-Ohio system guarantee the same benefit level that teachers, firemen, policemen presently receive? I do not think we can safely make that guarantee, and that is why it is critical we do not put teachers and other public employees under the social security system unless we can guarantee that they will not lose any of their present benefits.

H.R. 9346 is very unclear and vague on these crucial items, and before we go around mandating that all State and local employees start paying social security taxes, we need to study the long-range impact this will have on programs currently in effect. Certainly we cannot expect a teacher who is currently paying 8.5 percent of his/her income for retirement to pay an additional 7 to 8 percent in social security taxes on top of that. Certainly we cannot expect local school boards to pay an additional 7 to 8 percent into the social security system when many school districts in Ohio are having severe funding problems already.

Mr. GIAIMO. Mr. Chairman, as chairman of the Budget Committee I wish to make a few points regarding the economic and budgetary implications of the bill before us.

This bill is not consistent with the revenue estimates underlying the second budget resolution because there was no new tax increase assumed for 1978 in the resolution. This bill would increase on January 1, 1978, the wage base on which the social security tax is paid to \$19,900, an increase of \$2,200 over the level scheduled under current laws. This would increase revenue by \$1.3 billion. Because the revenue figure in the second resolution is a floor, not a ceiling, this increase

will not be subject to a point of order. The increase does create a technical problem in that the revenue to the trust fund is also counted as budget authority, and no additional budget authority was included in the second budget resolution for this purpose. However, because this wage base increase has little economic impact in 1978, it is not inconsistent with the conference report language which reads:

It should be emphasized that the conference substitute does not assume an increase in Social Security taxes during fiscal year 1978, since the conferees believe that any major increase in such taxes could not be justified given the present state of the economy.

According to the DRI econometric model, this provision would have no impact on the 1978 unemployment rate or the inflation rate. However, real GNP would be reduced by \$1 billion in 1978, or by \$1.5 billion adjusted for current dollars.

On the outlay side there will be a \$0.4 billion reduction in fiscal year 1978. This amount is identical to the savings assumed in the second budget resolution.

Finally, let us take a look at the projected effect of this legislation on the Federal deficit over the next 5 years. Revenues will increase by \$39.4 billion and outlays will decline by \$1.1 billion, according to the Congressional Budget Office, resulting in a net reduction of \$40.5 billion in the budget deficit.

Mr. FRASER. Mr. Chairman, I want to take this opportunity to indicate my support for an amendment that will be offered by the gentleman from Virginia (Mr. FISHER) at a later point in today's proceedings.

I endorse the principle of universal social security coverage as a compelling and desirable objective.

However, before the Congress commits itself to a specific date for beginning universal coverage, I believe we should have in readiness a plan that will show how universal coverage can be achieved without adversely affecting the contributions and benefits of the 6 to 7 million people who are not covered under the social security system at the present time.

In my judgment, it would be unwise to make a binding agreement without first resolving the many questions that have been raised about the workability and consequences of universal coverage.

As written, the bill before us requires all workers to pay into social security, starting in 1982, as well as into their regular retirement plan. Will they then receive benefits from each plan?

How will Federal service be credited to social security?

If the civil service retirement contribution is reduced, how will the commitments of the civil service trust fund be met?

When these questions are answered, I believe it is important for us to move ahead with universal coverage. Since 1937, the Social Security Advisory Councils have recommended that this principle be incorporated in our national social insurance system.

Universal coverage would protect those people who have not worked long enough in the Federal civil service or in employment covered by old age survivors and disability insurance to qualify for benefits under either retirement system. It would also protect employees at the State and local level who want social security coverage but who are not now able to obtain that coverage.

Full social security coverage, meshed with the current Federal civil service retirement system, would also help remedy the inequities that have been caused by the practice of "double-dipping." Under this arrangement, people who have already earned full Federal civil service pension rights, take part time or temporary jobs in covered employment merely to qualify for minimum social security benefits.

Double-dipping clearly runs counter to the intent of the social security system's benefit structure. Since low-income people have the greatest earnings-replacement needs during retirement, the social security system is structured to give the low-income worker a greater benefit return on every dollar contributed than a high income earner receives. Social security beneficiaries, then, who receive benefits based on contributions from low wages, should be those workers who had low earnings throughout lifetimes.

But many civil service retirees do not characteristically have low earnings histories, yet they receive social security benefits intended for people who have been poor throughout their working lives.

Finally, universal coverage is needed because it will enable the Department of Health, Education, and Welfare to equitably implement the standard of equal treatment for men and women required by the Supreme Court in *Califano against Goldfarb*.

I regret that we cannot move toward universal coverage at this time, since we lack the mechanisms to integrate the Federal, State, and local pensions systems with OASDI. Hopefully, the study required by the Fisher amendment will give us those mechanisms.

Mr. WIRTH. Mr. Chairman, the Ways and Means Committee's proposal to finance the social security system (H.R. 9346) contains many provisions which are headed in the wrong direction. I urge my colleagues to take a close look at this legislation.

In particular, I wish to express concern for section 3 of the bill which mandates universal coverage under the social security systems. Proposals to bring Federal, State, and local employees, and those employed by nonprofit organizations, into the social security system are ill-conceived and deserving of further study.

The telephone calls, telegrams, and letters that I have received from concerned constituents on this issue have been unprecedented in volume and intensity. The main concern of these people—Federal, State, and local employees not currently under the social security system—is an uncertainty about the effect congressional action mandating universal coverage may have.

It seems to me that before we vote to incorporate all employees in the system we should have a proposal outlining how this would be accomplished, what payroll taxes will be levied, and what benefits public employees may expect. To give tacit approval to the concept of universal coverage without a corresponding plan—to show and share with our constituents—is an unwise, unfair, and premature move.

The Ways and Means Committee sees this proposal as a short-term, shot-in-the-arm measure to boost the social security trust fund reserves by adding millions of well-paid, younger workers to the system. But in the long-run, when the millions of Federal, State, and local employees are ready to retire, who will pay for this additional burden to the social security system?

With a declining work force, fluctuating unemployment rates, and the continued addition of expanded benefit programs, the inclusion of many more workers may be creating an even bigger problem for the system in the long run than currently exists.

The current wording of this legislation provides for a joint study by HEW and the Civil Service Commission to provide plans for coverage of Federal employees under social security and to guarantee that no loss of benefits shall accrue from this incorporation. But as for the inclusion of State and local government employees into the system, the committee bill has no proposal to fund a similar study. The effect of including all State and local government employees—who already subscribe to a wide variety of retirement plans—is just not known. Questions about how they would be brought under social security, who would pay for their coverage, and what benefits they might expect, just have no answers at this time.

The committee may have rejected the use of general revenues in the social security trust fund in times of high unemployment but plans to incorporate all public employees in the system would have to include an employers' contribution. The employers' share will have to be paid through general tax revenues and it seems to me that transfer of General Treasury revenues to the social security trust fund in this way is a back door approach. A study of State and local systems would demonstrate that many State constitutional limitations would prohibit State and local governments from reducing pension benefits to their employees. One estimate of the additional cost to my State alone of including public employees under social security would amount to \$120 million annually. This cost could not be borne by the State and a study of State and local options is a prerequisite to any vote to include these employees under social security.

In addition, the committee's action seems to have blurred the distinction between an insurance or minimum income base program—social security—and a prepaid retirement plan, such as offered by the Federal civil service or State and

local public employee retirement plans. I think this is a central issue in any attempts to seek long-range solutions to the social security financing dilemma. It seems to me we must not blur the distinction between prepaid retirement plans and an insurance program—social security. One solution, which the committee has chosen not to explore, is to separate from the income maintenance part of social security the medical and welfare costs and to finance these programs from general revenue. This approach, favored by many, including Mr. Bunker, the chairman of the Social Security Subcommittee, should be given serious consideration as a solution to the real problems that plague social security.

In summary, I believe there are simply too many unanswered questions about this section of the bill to support it and I urge my colleagues to support Mr. Fisher's amendment to delete the universal coverage provision and to replace it with a study of how such coverage would be enacted.

Mr. ROONEY. Mr. Chairman, I rise in support of H.R. 9346, a bill designed to restore the short-range and long-range soundness of the social security system and to make other improvements in the system.

As you know, this bill would reverse annual excesses of outgo over income in the social security trust funds by gradual increases in the taxable wage base and the payroll tax rates and by reallocation of income among the trust funds. It is my understanding that this legislation would provide a surplus of 0.09 percent of payroll in the social security cash benefits trust funds over the next 25 years in place of projected deficits of 2.34 percent and reduce the long-range (75-year) actuarial deficit from 8.2 percent of payroll to 2.75 percent.

Mr. Chairman, as chairman of the Retirement Income and Employment Subcommittee of the Select Committee on Aging, I have become increasingly aware of and deeply concerned with the economic situation of our country's 23 million senior citizens who are too often faced with unbearable financial problems. No one ever welcomes a tax increase. But in view of the fact that in 1975, 20.4 million of the total 22.4 million persons age 65 and over received social security payments, it is imperative that the Congress take steps now to maintain a solid financial foundation for the system. Perhaps even more important is the fact that in 1975, social security was virtually the sole source of income for 1 out of 4 elderly people in this country and for 1 out of 12 older couples.—

Looking down the road, we know that the American population is, on the average, growing older, living longer, and retiring earlier. Clearly, the need to assure the financial integrity of the social security system cannot be overestimated.

One particularly desirable aspect of this legislation is its provision to liberalize the outside earnings limitation on social security recipients. Currently, the maximum annual wage that a beneficiary age 65 to 72 may earn without losing any

benefits is \$3,000. The bill raises this outside earnings ceiling to \$4,000 in 1978 and \$4,500 in 1979. After 1979 the ceiling will increase in line with the rise in annual earnings, as under present law. The outside earnings ceiling in present law, which is to rise to \$3,240 in 1978, will continue to apply to beneficiaries under age 65.

I have cosponsored other legislation to completely remove this limitation because I believe it is grossly unfair to penalize those older Americans who wish to work and, in many cases, need to work in order to survive, when there is no limit on the amount of unearned income an individual may collect and still receive social security benefits. At least H.R. 9346 recognizes this issue and takes one small step in the right direction.

Mr. Chairman, I do not believe that this bill is a perfect piece of legislation. But it addresses an extremely important and complex problem which touches the lives of almost every family in this nation in one form or another. The bill was the subject of extensive deliberations by the Committee on Ways and Means and offers a basically sound solution to the short-range and long-range problems of the social security system. Therefore, I support H.R. 9346 and urge its passage.

Mr. APPLIGATE. Mr. Chairman, today we are debating an issue which is very significant to millions of Americans. Once again, for whatever reason, we find ourselves reacting to a problem instead of acting in time to prevent that problem.

I need not further inform my colleagues in the House as to the financial crisis faced by the social security system and the dismal prospects of the future if some sort of remedial action is not taken now. Surely, all of our offices have been inundated with this type of literature.

Since its inception, the social security system has proven its worth. It has helped the needy in many ways and has provided the added assistance that means the difference in many cases of living or just surviving.

However, over the years, social security has grown to the point where it is more than just a supplemental retirement income. It provides many other types of benefits to people of all ages. At the same time, the American people have also changed. We are living longer, retiring earlier, and less have been working over the past several years, as is reflected in the unemployment rates. All of these changes, both in the people and the social security system, add up to one thing; there is more money going out than is coming in, and that, Mr. Chairman, is the crux of the problem.

H.R. 9346 is a possible remedy to this financial problem. As this body knows, it is the aim of this bill to make the social security system actively sound through a number of ways. It calls for increases to both employer and employee in both the rate of contribution and wage base on which the contribution is computed. It also permits borrowing from the general revenue fund when the unemployment increases substantially. I am in favor of these provisions and would oppose any attempt to eliminate them.

However, there is one provision in the bill as written that would place all of the Federal, State, and local government employees, plus those of all nonprofit organizations under the system by 1982. These people's pension systems are being jeopardized because of this section of the bill. While I agree that measures should be taken to insure the financial stability of the social security system, I do not believe this should be achieved at the expense of these people.

While the bill might state that this program will be implemented in such a manner that will insure absolutely no financial loss to the affected individuals, it does not provide the procedure which will be used. It calls for a study to be conducted and to be completed by January 1, 1980, that will determine the guidelines for this new program. This is nothing more than "putting the cart before the horse."

I believe a better bill could be had if the so-called Fisher amendment is accepted and made part of the bill. As you know, Mr. Chairman, this amendment would exempt Government employees on all levels and those of nonprofit organizations from the bill until a definite study can be made to determine the method of implementation of the program. This is a sound and fair proposal and one which I intend to fully support.

I would urge all my colleagues to vote for the Fisher amendment and, in turn, for final passage only if this particular amendment is accepted. If it is not accepted, Mr. Chairman, H.R. 9346 should be resoundingly defeated.

Mr. PICKLE. Mr. Chairman, I supported the rule which the House Rules Committee granted the Ways and Means Committee on this vitally needed social security financing bill.

Perhaps second only to energy in its importance to the American people is the issue of adequate funding for our social security system.

This rule permits an up or down vote on the most crucial issues facing our social security system today. I really fear that if the House rejects this rule, we may not pass any legislation this session of Congress. We simply cannot do this. Although I may differ with my colleagues on some amendments and may not be able to support the kind of bill which might be passed today, I feel we must approve the rule.

More than 100 million Americans are directly affected by social security and we must act now to remove that shadow of doubt which has arisen over the last couple of years that the system is going down the tube.

There are difficulties and inequities in the program now and I do not think that my fellow members of Ways and Means pretend that this legislation will remove these problems overnight. But it is a good first step. I say this with some reservations, because I will be offering an amendment which I feel improves the bill.

My amendment would assure that social security retains its basic characteristics as an insurance system. I would do this by striking the section providing

the authority to pump funds or appropriate funds from the general treasury in the social security system, under certain conditions.

Although we do differ on this particular provision, I do want to laud the work of Chairman AL ULLMAN and Subcommittee Chairman JAMES BURKE, and also that of my other colleagues on the Social Security Subcommittee. The time has come when the Congress must act—and that time is now.

Mr. PEPPER. Mr. Chairman, each month 33 million persons receive benefit checks totaling over \$6.5 billion drawn on social security trust funds. Of the 33 million, over three-quarters are age 60 or over and more than one-third are over 72 years of age. These persons need to be assured that their benefits are guaranteed for years to come.

I am very pleased with the promptness with which the chairman of the Social Security Subcommittee, Mr. BURKE, and the chairman of the Ways and Means Committee, Mr. ULLMAN, acted to get legislation before us that will provide this guarantee and I commend them for their efforts.

In my testimony before the Social Security Subcommittee, I strongly supported the provision in President Carter's proposal to use general revenues on at least a limited basis. I am sorry that the bill before us does not have this provision in it. The bill does have a "safety valve" provision, however, that would allow the old age and survivors insurance (OASI) and disability insurance (DI) trust funds to borrow from Federal general revenues whenever the assets of the trust funds drop below 25 percent of annual outgo.

While this provision is, in my opinion, inferior to that proposed by the President, I believe it must be included in this bill to provide the needed guarantee to social security beneficiaries, both present and future, that the funds are secure and will be there when needed. I am told that a survey of workers indicated that 60 percent did not believe social security benefits would be there when they retired. We must take steps to dispel this belief. In my view, this "safety valve" loan provision is such a step and efforts to eliminate it as suggested by the amendment to be offered by the gentleman from Texas (Mr. PICKLE) must be rejected.

Overall, this legislation has a number of provisions that I suggested in my testimony before the subcommittee and that I support strongly.

The "decoupling issue" is addressed in a way that will greatly reduce the projected long-range deficit in the trust funds and at the same time provide a wage-indexed formula which allows retirees to share in productivity increases in the economy over their working years.

The bill provides for an increase in the level of outside earnings of the retirement test for those between 65 and 72 and eliminates the monthly measure in favor of an annual one. While I am happy to see some liberalization of this limitation, I wish that we could eliminate the earnings test entirely.

I am extremely happy to see that the

bill would correct a major injustice in the program by increasing the special minimum benefit for long term, low-paid workers and including it in future cost-of-living increases. For some reason this special minimum added in 1972 was about the only benefit not subject to the cost-of-living provisions and has suffered severe erosion as a result of high inflation over the past few years.

This legislation contains another important provision I have long advocated: it would eliminate the present practice of paying reduced benefits to a surviving spouse who chooses to remarry. These individuals will now receive the full 100 percent of social security benefits that they are entitled to from earlier marriages.

I am very pleased to note that the bill would increase the present 1 percent credit for delayed receipt of benefits beyond age 65 to 3 percent. This almost sleeper provision in the 1972 amendments has not been overly utilized. It does contain the potential, however, for helping to alleviate some of the financial problems of the trust funds by encouraging and rewarding persons who are willing and able to continue working to do so. I believe this approach of allowing greater options to people is infinitely superior to any attempt to force people to stay in the work force as the Republican substitute would do by increasing the age of eligibility from 65 to 68.

There is an aspect of the bill, however, that I have questions about; namely, the universal coverage provision. I am particularly concerned that we would require the coverage of Federal, State and local government employees without considering how the present retirement plans of these groups would be coordinated with the social security system. I would hope that we would come up with a plan or proposal of alternatives and consequences before we mandate universal coverage, and thus, I support the Fisher amendment.

I know that a number of amendments may be offered on this bill, some of which cause me great concern. In particular, the Republican substitute must be defeated. While this substitute does contain an appealing provision—elimination of the earnings test—it also contains a very undesirable one—increases in the age of eligibility for full social security benefits from 65 to 68. Such a move would constitute a cruel breach of faith with the middle-aged and older workers of this country who have paid into social security for decades on the assumption that at age 65 they would be entitled to full benefits. In addition, such a proposal would be most detrimental to blacks, American Indians and other minorities whose life span is less than whites. For these reasons, I urge the defeat of this substitute.

In conclusion, I am happy to see that we are taking steps to insure the financial integrity of the social security system and to assure future beneficiaries that their benefits will be paid. To achieve this end, it is essential that we retain the borrowing authority in the present bill.

Mr. ANNUNZIO. Mr. Chairman, in

considering H.R. 9346, I find myself much in the position of a hostage in a hijacking in that I am forced to go along with the legislation solely because I have no alternative course of action.

Millions of Americans depend upon social security payments for their day-to-day existence. A vast majority of these people have no other sources of income. Millions of more Americans who are still in the work force are counting on social security payments when they are no longer able to work.

Given this stark, basic reality, it is necessary for me to support H.R. 9346.

In recent years the social security system has found itself in a deficit position—that is, it has paid out more in benefits than it has taken in in the form of payroll taxes. If these deficits are allowed to continue, it is only a matter of time before the entire system is bankrupt and the United States would be faced with its greatest social crisis.

To eliminate that possibility, H.R. 9346 advocates increasing the social security tax so that more money will be available for payments. Given a choice, I could not support such a concept for the American people are already overtaxed, and the all too easy solution to every problem that exists in this country is to raise taxes.

What assurances do we have that by raising taxes the deficits in the social security system will be eliminated? What assurances do we have that once the social security tax barrier is broken that we won't be asked again and again to add new taxes?

The taxpayers are not the ones who are responsible for the social security problems, but it is the taxpayers who must pay the penalty. I suggest that it does not have to be that way. I was an early sponsor of legislation that would change the method of collecting social security taxes from the present form to a formula under which the tax would be shared on an equal basis between the employee, the employer, and the general revenue fund of the U.S. Treasury. This is the so-called one-third/one-third/one-third formula. Not only would this legislation reduce the tax impact on both employers and employees, but it has been estimated that enactment of this legislation would create up to 2 million new jobs which would result in increased income tax revenues to the Treasury of more than \$30 billion per year.

The job-creating aspect of my legislation is extremely important because the social security tax has long been a reason why many employers do not increase their work force since they do not want to pay the increased tax. If that feeling is held under the current social security tax laws, you can imagine the reluctance that businessmen will have to hire additional employees when tax liability becomes even greater as it will under the legislation before us today.

I am deeply concerned that the distinguished Ways and Means Committee has not brought forward the one-third/one-third/one-third legislation for action by the House, particularly since the bill has been cosponsored by more than 140 Members of the House.

But the gun is at our heads today. The

social security system is in such a shambles that without an immediate tax increase, the widow who depends upon a small social security check each month to buy groceries and pay the rent might well find herself homeless and without food. Senior citizens, barely able to make ends meet on social security, would find themselves reduced to beggars standing on the street corner asking for handouts. And so it is, Mr. Chairman, with such unpleasant thoughts on my mind that I find myself forced to vote for this legislation. I am deeply concerned that we are not given an alternative and that we have resorted to the all too traditional method of solving problems by raising taxes. In the end, however, we do not solve problems, we merely buy time and it is an awfully expensive way to buy that time.

Let us not compound this mistake. Before another increase in social security taxes goes into effect, let us give serious consideration to my suggestion for solving the social security deficit problem. Let us take the burden off the taxpayer. My only wish is that we were not facing a loaded gun today and we could provide an alternative position.

Mr. ULLMAN, Mr. Chairman, this has been a good, responsible debate on a very important piece of legislation. We are going to have a number of amendments to consider.

Let me say that the gentleman from Texas (Mr. PICKLE) is going to offer one amendment that he made an argument for just a minute ago that I very strongly oppose. If we are going to allow this fund to get down below 30 percent, it seems to me there is no way we can do that unless we provide a standby loan authority. Bear in mind, we have a tax structure that will not allow that authority to be triggered under any normal circumstances. But there are millions of Americans out there who need that assurance. It is a borrowing authority with a mandatory payback. It is responsible. It is not general revenue. It allows us to allow the trust fund to go a little lower. If we have that borrowing authority, there is no reason to have as large a trust fund as a burden on the economy. So it makes eminent sense that we do that. This is the way that we avoid going to general revenues. So I urge the Members to oppose that amendment—as a matter of fact, to oppose all amendments.

The one amendment, of course, that I think will probably carry is the amendment of the gentleman from Virginia on eliminating universal coverage, but I want to say that if that carries—and I anticipate it will—that does not mean that we have given up on covering Federal employees and other public and nonprofit employees. It just means that we are going to have a study. It means that we are going to decide how to do it before we do it just 3 or 4 years down the road.

Mr. Chairman, I urge support of this bill. I would hate to go home, having failed to clean up the social security system. This bill does it—not in a hodgepodge or patchwork way, but in a good long-range responsible fashion, and I urge my colleagues to support it.

The CHAIRMAN. All time has expired. Pursuant to the rule, the committee amendment in the nature of a substitute recommended by the Committee on Ways and Means now printed in the reported bill will be considered as an original bill for the purpose of amendment, and said substitute shall be considered as having been read for amendment.

No amendments to the bill or to the committee amendment in the nature of a substitute shall be in order except amendments to the committee amendment in the nature of a substitute as specified in House Resolution 839, but amendments made in order shall not be subject to amendment except as specified in the above-mentioned resolution, shall not be subject to a division of the question, and shall only be considered in the order specified in the above-mentioned resolution. Debate under the 5-minute rule on each amendment to the committee amendment in the nature of a substitute made in order shall continue not to exceed 30 minutes, to be equally divided and controlled by the proponent of the amendment and the chairman of the Committee on Ways and Means or his designee.

The committee amendment in the nature of a substitute reads as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, with the following table of contents, may be cited as the "Social Security Financing Amendments of 1977".

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TITLE I—PROVISIONS TO IMPROVE THE FINANCING OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

ADJUSTMENTS IN TAX RATES

Sec. 101. (a) (1) Section 3101(a) of the Internal Revenue Code of 1954 (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

"(2) with respect to wages received during the calendar years 1978 through 1980, the rate shall be 5.05 percent;

"(3) with respect to wages received during the calendar years 1981 through 1984, the rate shall be 5.15 percent;

"(4) with respect to wages received during the calendar years 1985 through 1989, the rate shall be 5.45 percent; and

"(5) with respect to wages received after December 31, 1989, the rate shall be 6.00 percent."

(2) Section 3111(a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

"(2) with respect to wages paid during the calendar years 1978 through 1980, the rate shall be 5.05 percent;

"(3) with respect to wages paid during the calendar years 1981 through 1984, the rate shall be 5.15 percent;

"(4) with respect to wages received during the calendar years 1985 through 1989, the rate shall be 5.45 percent; and

"(5) with respect to wages paid after December 31, 1989, the rate shall be 6.00 percent."

(3) Section 1401(a) of such Code (relating to rate of tax on self-employment income for purposes of old-age, survivors, and disability insurance) is amended by striking out "a tax" and all that follows and inserting in lieu thereof the following: "a tax as follows:

"(1) in the case of any taxable year beginning before January 1, 1978, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1981, the tax shall be equal to 7.10 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1985, the tax shall be equal to 7.70 percent of the amount of the self-employment income for such taxable year;

"(4) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1990, the tax shall be equal to 8.20 percent of the amount of the self-employment income for such taxable year; and

"(5) in the case of any taxable year beginning after December 31, 1989, the tax shall be equal to 9.00 percent of the amount of the self-employment income for such taxable year."

(b) (1) Section 3101(b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended by striking out paragraphs (1) through (4) and inserting in lieu thereof the following:

(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 0.90 percent;

(2) with respect to wages received during the calendar years 1978 through 1980, the rate shall be 1.00 percent;

(3) with respect to wages received during the calendar years 1981 through 1985, the rate shall be 1.30 percent; and

(4) with respect to wages received after December 31, 1985, the rate shall be 1.45 percent."

(2) Section 3111(b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended by striking out paragraphs (1) through (4) and inserting in lieu thereof the following:

(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 0.90 percent;

(2) with respect to wages paid during the calendar years 1978 through 1980, the rate shall be 1.00 percent;

(3) with respect to wages paid during the calendar years 1981 through 1985, the rate shall be 1.30 percent; and

"(4) with respect to wages paid after December 31, 1985, the rate shall be 1.45 percent."

(3) Section 1401(b) of such Code (relating to tax on self-employment income for purposes of hospital insurance) is amended by striking out paragraphs (1) through (4) and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1973, and before January 1, 1978, the tax shall be equal to 0.90 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1981, the tax shall be equal to 1.00 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1986, the tax shall be equal to 1.30 percent of the amount of the self-employment income for such taxable year; and

"(4) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.45 percent of the amount of the self-employment income for such taxable year."

ALLOCATIONS TO DISABILITY INSURANCE TRUST FUND

Sec. 102. (a) (1) Section 201(b)(1) of the Social Security Act is amended by striking out clauses (G) through (J) and inserting in lieu thereof the following: "(G) 1.55 per centum of the wages (as so defined) paid after December 31, 1977, and before January 1, 1979, and so reported, (H) 1.50 per centum of the wages (as so defined) paid after December 31, 1978, and before January 1, 1981, and so reported, (I) 1.60 per centum of the wages (as so defined) paid after December 31, 1980, and before January 1, 1985, and so reported, (J) 1.80 per centum of the wages (as so defined) paid after December 31, 1984, and before January 1, 1990, and so reported, and (K) 2.20 per centum of the wages (as so defined) paid after December 31, 1989, and so reported."

(2) Section 201(b)(2) of such Act is amended by striking out clauses (G) through (J) and inserting in lieu thereof the following: "(G) 1.090 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1977, and before January 1, 1979, (H) 1.055 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1978, and before January 1, 1981, (I) 1.200 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1980, and before January 1, 1985, (J) 1.350 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1984, and before January 1, 1990, and (K) 1.650 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1989."

(2) Section 201(b)(2) of such Act is amended by striking out all that follows "clause (iv)" and inserting in lieu thereof "plus 20 percent of the excess of the second figure in the last line of column III as extended under the preceding sentence over such second figure for the calendar year in which the table of benefits is revised."

January 1, 1985, (J) 1.350 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1984, and before January 1, 1990, and (K) 1.650 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1989."

INCREASES IN EARNINGS BASE

Sec. 103. (a) (1) Section 230(a) of the Social Security Act is amended by inserting "or (c)" after "determined under subsection (b)".

(2) Section 230(b) of such Act is amended by striking out "shall be" in the matter preceding paragraph (1) and inserting in lieu thereof "shall (subject to subsection (c)) be".

(b) Section 230(c) of such Act is amended—

(1) by inserting "(1)" immediately before "the contribution and benefit base"; and

(2) by striking out "section." and inserting in lieu thereof the following: "section, and (2) the contribution and benefit base with respect to remuneration paid (and taxable years beginning)—

"(A) in 1978 shall be \$19,900,

"(B) in 1979 shall be \$22,900,

"(C) in 1980 shall be \$25,900, and

"(D) in 1981 shall be \$27,900.

For purposes of determining under subsection (b) the contribution and benefit base with respect to remuneration paid (and taxable years beginning) in 1982 and subsequent years, the dollar amounts specified in clause (2) of the preceding sentence shall be considered to have resulted from the application of such subsection (b) and to be the amount determined (with respect to the years involved) under that subsection. For purposes of determining employer tax liability under section 3221(a) of the Internal Revenue Code of 1954 and for purposes of computing average monthly compensation under section 3(j) of the Railroad Retirement Act of 1974, except with respect to annuity amounts determined under section 3 (a) or 3(f)(3) of such Act, clause (2) and the preceding sentence of this subsection shall be disregarded."

(c) (1) Section 230 of such Act is further amended by adding at the end thereof the following new subsection:

"(d) Notwithstanding any other provision of law, the contribution and benefit base determined under this section for any calendar year after 1976 for purposes of section 4022(b)(3)(B) of Public Law 93-406, with respect to any plan, shall be the contribution and benefit base that would have been determined for such year if this section as in effect immediately prior to the enactment of the Social Security Financing Amendments of 1977 had remained in effect without change."

(2) The amendment made by paragraph (1) shall apply with respect to plan terminations occurring after the date of the enactment of this Act.

(d) (1) The second sentence of section 215 (i)(2)(D)(v) of such Act is amended by striking out "is equal to one-twelfth of the new contribution and benefit base" and inserting in lieu thereof "is equal to, or exceeds by less than \$5, one-twelfth of the new contribution and benefit base".

(2) The third sentence of section 215(i)(2)(D)(v) of such Act is amended by striking out all that follows "clause (iv)" and inserting in lieu thereof "plus 20 percent of the excess of the second figure in the last line of column III as extended under the preceding sentence over such second figure for the calendar year in which the table of benefits is revised."

STANDBY GUARANTEE OF TRUST FUND LEVELS

Sec. 104. (a) Section 201 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(j)(1) If at the close of any calendar year after 1977 the balance remaining in the Federal Old-Age and Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund (as determined by the Secretary of the Treasury in the following February) is less than 25 percent of the total amount of the expenditures made from such fund under this title during the calendar year, there is hereby appropriated to the Secretary of the Treasury for loans to such fund, out of any moneys in the Treasury not otherwise appropriated, as of the following July 1, an amount equal to the difference between (A) such balance, and (B) 27½ percent of the total amount of such expenditures.

"(2) If at the close of any calendar year succeeding a calendar year with respect to which an appropriation for loans to either trust fund is made under paragraph (1)—

"(A) the balance remaining in that fund (as determined by the Secretary of the Treasury in the following February) is less than 35 percent of the total amount of the expenditures made from such fund under this title during such succeeding calendar year (whether or not an appropriation for loans to such fund is made under paragraph (1) with respect to such succeeding year), and

"(B) the outstanding balance of all loans (including accumulated interest) which were made to such fund under paragraph (1) with respect to calendar years before such succeeding year (and which have not been repaid to the Treasury under paragraph (3)) is \$2,000,000,000 or more.

the taxes imposed by sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1954 with respect to wages received or paid (and taxable years beginning) in the second calendar year after such succeeding year shall be increased as provided in section 3125 of such Code.

"(3) Any amount appropriated for loans to either trust fund with respect to any calendar year under paragraph (1) shall be repaid, with interest, by transfer from such fund to the general fund of the Treasury. A repayment of such amount shall be made on July 1 next succeeding any subsequent calendar year at the close of which (as determined by the Secretary of the Treasury in the following February) the balance remaining in such fund exceeds 30 percent of the total amount of the expenditures made from such fund under this title during that calendar year, and any such repayment shall be in an amount equal to the difference between (A) such balance, and (B) 30 percent of the total amount of such expenditures. Interest on any such loan shall be at a rate, as determined by the Secretary of the Treasury, equal to the average market yield on the outstanding marketable obligations of the United States of comparable maturities at the time the loan was made."

(b) (1) (A) Section 1401(a) of the Internal Revenue Code of 1954 (as amended by section 101(a)(3) of this Act) is amended by inserting "(subject to section 3125)" after "a tax" in the matter preceding paragraph (1).

(B) Sections 3101(a) and 3111(a) of such Code (as amended by section 101(a)(1) and (2) of this Act) are each amended by inserting "(subject to section 3125)" after "equal to the following percentages" in the matter preceding paragraph (1).

(2) (A) Chapter 21 of such Code (the Federal Insurance Contributions Act) is further amended by redesignating sections 3125 and 3126 as sections 3126 and 3127, respectively, and by inserting after section 3124 the following new section:

"Sec. 3125. Increase in tax rates to assure repayment of loans made to trust funds.

"Whenever an appropriation has been made under section 201(j)(1) of the Social Security Act for loans to the Federal Old-Age and

Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund, and section 201(j)(2) of such Act applies with respect to a succeeding calendar year, each of the rates of tax which would otherwise be effective under sections 3101(a) and 3111(a) with respect to wages received or paid in the second calendar year after such succeeding year shall be increased by 0.10 percent, and the rate or rates of tax which would otherwise be effective under section 1401(a) with respect to taxable years beginning in the second year after such succeeding year shall be increased by 0.15 percent."

(B) The table of sections for subchapter C of chapter 21 of such Code is amended by striking out the last two items and inserting in lieu thereof the following:

"Sec. 3125. Increase in tax rates to assure repayment of loans made to trust funds.

"Sec. 3126. Returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia.

"Sec. 3127. Short title."

EFFECTIVE DATE

Sec. 105. The amendments made by sections 101, 102, and 103 shall apply with respect to remuneration paid or received, and taxable years beginning, after 1977. The amendments made by section 104 shall apply with respect to calendar years after 1977.

TITLE II—STABILIZATION OF REPLACEMENT RATES IN THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

COMPUTATION OF PRIMARY INSURANCE AMOUNT

Sec. 201. (a) Section 251(a) of the Social Security Act is amended to read as follows:

"(a) (1) (A) The primary insurance amount of an individual shall (except as otherwise provided in this section) be equal to the sum of—

"(i) 90 percent of the individual's average indexed monthly earnings (determined under subsection (b)) to the extent that such earnings do not exceed the amount established for purposes of this clause by subparagraph (B),

"(ii) 32 percent of the individual's average indexed monthly earnings to the extent that such earnings exceed the amount established for purposes of clause (i) but do not exceed the amount established for purposes of this clause by subparagraph (B), and

"(iii) 15 percent of the individual's average indexed monthly earnings to the extent that such earnings exceed the amount established for purposes of clause (ii),

rounded in accordance with subsection (g), and thereafter increased as provided in subsection (i).

"(B) (i) For individuals who initially become eligible for old-age or disability insurance benefits or die in the calendar year 1979, the amounts established for purposes of clauses (i) and (ii) of subparagraph (A) shall be \$180 and \$1,085, respectively.

"(ii) For individuals who initially become eligible for old-age or disability insurance benefits or die in any calendar year after 1979, each of the amounts so established shall equal the product of the corresponding amount established with respect to the calendar year 1979 under clause (i) of this subparagraph and the quotient obtained by dividing—

"(I) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the second calendar year preceding the calendar year for which the determination is made, by

"(II) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the calendar year 1977.

"(iii) Each amount established under clause (ii) for any calendar year shall be

rounded to the nearest \$1, except that any amount so established which is a multiple of \$0.50 but not of \$1 shall be rounded to the next higher \$1.

"(C) (1) No primary insurance amount computed under subparagraph (A) may be less than—

"(I) the dollar amount set forth on the first line of column IV in the table of benefits contained in (or deemed to be contained in) this subsection as in effect in December 1978, rounded (if not a multiple of \$1) to the next higher multiple of \$1, or

"(II) an amount equal to \$11.50 multiplied by the individual's years of coverage in excess of 10, or the increased amount determined for purposes of this subdivision under subsection (i),

whichever is greater. No increase under subsection (i), occurring before the year in which an individual becomes eligible for old-age or disability insurance benefits or dies, shall apply to the dollar amount specified in subdivision (I) of this clause with respect to such individual.

"(ii) For purposes of clause (i) (II), the term 'years of coverage' with respect to any individual means the number (not exceeding 30) equal to the sum of (I) the number (not exceeding 14 and disregarding any fraction) determined by dividing (a) the total of the wages credited to such individual (including wages deemed to be paid prior to 1951 to such individual under section 217, compensation under the Railroad Retirement Act of 1937 prior to 1951 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 231) for years after 1936 and before 1951 by (b) \$900, plus (II) the number equal to the number of years after 1950 each of which is a computation base year (within the meaning of subsection (b) (2) (B) (ii)) and in each of which he is credited with wages (including wages deemed to be paid to such individual under section 217, compensation under the Railroad Retirement Act of 1937 or 1974 which is creditable to such individual pursuant to this title, and wages deemed to be paid to such individual under section 229) and self-employment income of not less than 25 percent of the maximum amount which, pursuant to subsection (e), may be counted for such year, or of not less than 25 percent of the maximum amount which could be so counted for such year (in the case of a year after 1977) if section 230 as in effect immediately prior to the enactment of the Social Security Financing Amendments of 1977 had remained in effect without change.

"(D) In each calendar year after 1978 the Secretary shall publish in the Federal Register, on or before November 1, the formula for computing benefits under this paragraph and for adjusting wages and self-employment income under subsection (b) (3) in the case of an individual who becomes eligible for an old-age insurance benefit, or (if earlier) becomes eligible for a disability insurance benefit or dies, in the following year, and the average of the total wages (as described in subparagraph (B) (ii) (I)) on which that formula is based. With the initial publication required by this subparagraph, the Secretary shall also publish in the Federal Register the average of the total wages (as so described) for each calendar year after 1950.

"(2) (A) A year shall not be counted as the year of an individual's death or eligibility for purposes of this subsection or subsection (b) or (i) in any case where such individual was entitled to a disability insurance benefit for any of the 12 months immediately preceding the month of such death or eligibility (but there shall be counted instead the year of the individual's eligibility for the disability insurance benefit or benefits to which he was entitled during such 12 months).

"(B) In the case of an individual who was entitled to a disability insurance benefit for

any of the 12 months before the month in which he became entitled to an old-age insurance benefit, became reentitled to a disability insurance benefit, or died, the primary insurance amount of determining any benefit attributable to that entitlement, reentitlement, or death is the greater of—

"(i) the primary insurance amount upon which such disability insurance benefit was based, increased by the amount of each general benefit increase (as defined in subsection (1)(3)), and each increase provided under subsection (1)(2), that would have applied to such primary insurance amount had the individual remained entitled to such disability insurance benefit until the month in which he became so entitled or reentitled or died, or

"(ii) the amount computed under paragraph (1)(C).

"(C) In the case of an individual who was entitled to a disability insurance benefit for any month, and with respect to whom a primary insurance amount is required to be computed at any time after the close of the period of the individual's disability (whether because of such individual's subsequent entitlement to old-age insurance benefits or to a disability insurance benefit based upon a subsequent period of disability, or because of such individual's death), the primary insurance amount so computed may in no case be less than the primary insurance amount with respect to which such former disability insurance benefit was most recently determined.

"(3) (A) Paragraph (1) applies only to an individual who was not eligible for an old-age insurance benefit prior to January 1979 and who in that or any succeeding month—

"(i) becomes eligible for such a benefit,

"(ii) becomes eligible for a disability insurance benefit, or

"(iii) dies,

and (except for subparagraph (C)(i)(II) thereof) it applies to every such individual except to the extent otherwise provided by paragraph (4).

"(B) For purposes of this title, an individual is deemed to be eligible—

"(i) for old-age insurance benefits, for months beginning with the month in which he attains age 62, or

"(ii) for disability insurance benefits, for months beginning with the month in which his period of disability began as provided under section 216(1)(2)(C),

except as provided in paragraph (2)(A) in cases where fewer than 12 months have elapsed since the termination of a prior period of disability.

"(4) Paragraph (1) (except for subparagraph (C)(i)(II) thereof) does not apply to the computation or recomputation of a primary insurance amount for—

"(A) an individual who was eligible for a disability insurance benefit for a month prior to January 1979 unless, prior to the month in which occurs the event described in clause (i), (ii), or (iii) of paragraph (3)(A), there occurs a period of at least 12 consecutive months for which he was not entitled to a disability insurance benefit, or

"(B) an individual who had wages or self-employment income credited for one or more years prior to 1979, and who was not eligible for an old-age or disability insurance benefit, and did not die, prior to January 1979, if in the year for which the computation or recomputation would be made the individual's primary insurance amount would be greater if computed or recomputed—

"(i) under section 215(a) as in effect in December 1978, for purposes of old-age insurance benefits in the case of an individual who becomes eligible for such benefits prior to 1989, or

"(ii) as provided by section 215(d), in the case of an individual to whom such section applies.

In determining whether an individual's pri-

mary insurance amount would be greater if computed or recomputed as provided in subparagraph (B), (I) the table of benefits in effect in December 1978 shall be applied without regard to any increases in that table which may become effective (in accordance with subsection (1)(4)) for years after 1978 (subject to subsection (1)(2)(A)(iii)) and (II) such individual's average monthly wage shall be computed as provided by subsection (b)(4).

"(5) For purposes of computing the primary insurance amount (after December 1978) of an individual to whom paragraph (1) does not apply (other than an individual described in paragraph (4)(B)), this section as in effect in December 1978 shall remain in effect, except that, effective for January 1979, the dollar amount specified in paragraph (3) of subsection (a) shall be increased to \$11.50. The table for determining primary insurance amounts and maximum family benefits contained in this section in December 1978 shall be revised as provided by subsection (1) for each year after 1978."

(b) Section 215(b) of such Act is amended to read as follows:

"Average Indexed Monthly Earnings; Average Monthly Wage

"(b)(1) An individual's average indexed monthly earnings shall be equal to the quotient obtained by dividing—

"(A) the total (after adjustment under paragraph (3)) of his wages paid in and self-employment income credited to his benefit computation years (determined under paragraph (2)), by

"(B) the number of months in those years.

"(2) (A) The number of an individual's benefit computation years equals the number of elapsed years, reduced by five, except that the number of an individual's benefit computation years may not be less than two.

"(B) For purposes of this subsection with respect to any individual—

"(i) the term 'benefit computation years' means those computation base years, equal in number to the number determined under subparagraph (A) for which the total of such individual's wages and self-employment income, after adjustment under paragraph (3), is the largest;

"(ii) the term 'computation base years' means the calendar years after 1950 and before—

"(I) in the case of an individual entitled to old-age insurance benefits, the year in which occurred (whether by reason of section 202(j)(1) or otherwise) the first month of that entitlement; or

"(II) in the case of an individual who has died (without having become entitled to old-age insurance benefits), the year succeeding the year of his death;

except that such term excludes any calendar year entirely included in a period of disability; and

"(iii) the term 'number of elapsed years' means (except as otherwise provided by section 104(j)(2) of the Social Security Amendments of 1972) the number of calendar years after 1950 (or, if later, the year in which the individual attained age 21) and before the year in which the individual died, or, if it occurred earlier but after 1960, the year in which he attained age 62; except that such term excludes any calendar year any part of which is included in a period of disability.

"(3) (A) Except as provided by subparagraph (B), the wages paid in and self-employment income credited to each of an individual's computation base years for purposes of the selection therefrom of benefit computation years under paragraph (2) shall be deemed to be equal to the product of—

"(i) the wages and self-employment income paid in or credited to such year (as determined without regard to this subparagraph), and

"(ii) the quotient obtained by dividing—

"(I) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the second calendar year (after 1976) preceding the year of the individual's death or initial eligibility for an old-age disability insurance benefit, whichever is earliest, by

"(II) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the computation base year for which the determination is made.

"(B) Wages paid in or self-employment income credited to an individual's computation base year which—

"(i) occurs after the second calendar year specified in subparagraph (A)(i)(I), or

"(ii) is a year treated under subsection (f)(2)(C) as though it were the last year of the period specified in subsection (b)(2)(B)(ii), shall be available for use in determining an individual's benefit computation years, but without applying subparagraph (A) of this paragraph.

"(4) For purposes of determining the average monthly wage of an individual whose primary insurance amount is computed (after 1978) under section 215(a) or 215(d) as in effect (except with respect to the table contained therein) in December 1978, by reason of subsection (a)(4)(B), this subsection as in effect in December 1978 shall remain in effect, except that paragraph (2)(C) (as then in effect) shall be deemed to provide that 'computation base years' include only calendar years in the period after 1950 (or 1936, if applicable) and prior to the year in which occurred the first month for which the individual was eligible (as defined in subsection (a)(3)(B)) as in effect in January 1979) for an old-age or disability insurance benefit, or died. Any calendar year all of which is included in a period of disability shall not be included as a computation base year for such purposes."

(c) Section 215(c) of such Act is amended to read as follows:

"Application of Prior Provisions in Certain Cases

"(c) This subsection as in effect in December 1978 shall remain in effect with respect to an individual to whom subsection (a)(1) does not apply by reason of the individual's eligibility for an old-age or disability insurance benefit, or the individual's death prior to 1979."

(d)(1) The matter in the text of section 215(d) of such Act which precedes paragraph (1)(C) is amended to read as follows:

"(d)(1) For purposes of column I of the table appearing in subsection (a), as that subsection was in effect in December 1977, an individual's primary insurance benefit shall be computed as follows:

"(A) The individual's average monthly wage shall be determined as provided in subsection (b), as in effect in December 1977 (but without regard to paragraph (4) thereof), except that for purposes of paragraphs (2)(C) and (3) of that subsection (as so in effect) 1936 shall be used instead of 1950.

"(B) For purposes of subparagraphs (B) and (C) of subsection (b)(2) (as so in effect), the total wages prior to 1951 (as defined in subparagraph (C) of this paragraph) of an individual who attained age 21 after 1936 and prior to 1951 shall be divided by the number of years (hereinafter in this subparagraph referred to as the 'divisor') elapsing after the year in which the individual attained age 21 and prior to the earlier of 1951 or the year of the individual's death. The quotient so obtained shall be deemed to be the individual's wages credited to each of the years included in the divisor, except that—

"(i) if the quotient exceeds \$3,000, only \$3,000 shall be deemed to be the individual's wages for each of years included in the di-

visor, except that—

"(i) if the quotient exceeds \$3,000, only \$3,000 shall be deemed to be the individual's wages for each of years included in the di-

visor, and the remainder of the individual's total wages prior to 1951 (I) if less than \$3,000, shall be deemed credited to the year in which the individual attained age 21, or (II) if \$3,000 or more, shall be deemed credited, in \$3,000 increments, to the year in which the individual attained age 21 and to each year consecutively preceding that year, with any remainder less than \$3,000 being credited to the year immediately preceding the earliest year to which a full \$3,000 increment was credited; and

"(II) no more than \$42,000 may be taken into account, for purposes of this subparagraph, as total wages after 1936 and prior to 1951."

(2) Section 215(d)(1)(D) of such Act is amended to read as follows:

"(D) The individual's primary insurance benefit shall be 40 percent of the first \$50 of his average monthly wage as computed under this subsection, plus 10 percent of the next \$200 of his average monthly wage, increased by 1 percent for each increment year. The number of increment years is the number, not more than 14 nor less than 4, that is equal to the individual's total wages prior to 1951 divided by \$1,650 (disregarding any fraction)."

(3) Section 215(d)(3) of such Act is amended (A) by striking out "in the case of an individual" and all that follows and inserting in lieu thereof the following "in the case of an individual who had a period of disability which began prior to 1951, but only if the primary insurance amount resulting therefrom is higher than the primary insurance amount resulting from the application of this section (as amended by the Social Security Amendments of 1967) and section 220."

(4) Section 215(d) of such Act is further amended by adding at the end thereof the following new paragraph:

"(4) The provisions of this subsection as in effect in December 1977 shall be applicable to individuals who become eligible for old-age or disability insurance benefits or die prior to 1978."

(e) Section 215(e) of such Act is amended—

(1) by striking out "average monthly wage" each place it appears and inserting in lieu thereof "average indexed monthly earnings or, in the case of an individual whose primary insurance amount is computed under section 215(a) as in effect prior to January 1979, average monthly wage," and

(2) by inserting immediately before "of (A)" in paragraph (1) the following: "(before the application, in the case of average indexed monthly earnings, of subsection (b)(3)(A))."

(f)(1) Section 215(f)(3) of this Act is amended to read as follows:

"(2)(A) If an individual has wages or self-employment income for a year after 1978 for any part of which he is entitled to old-age or disability insurance benefits, the Secretary shall, at such time or times and within such period as he may by regulation prescribe, recompute the individual's primary insurance amount for that year.

"(B) For the purpose of applying subparagraph (A) of subsection (a)(1) to the average indexed monthly earnings of an individual to whom that subsection applies and who receives a recomputation under this paragraph, there shall be used, in lieu of the amounts established by subsection (a)(1)(B) for purposes of clauses (i) and (ii) of subsection (a)(1)(A), the amounts so established that were (or, in the case of an individual described in subsection (a)(4)(B), would have been) used in the computation of such individual's primary insurance amount prior to the application of this subsection.

"(C) A recomputation of any individual's primary insurance amount under this para-

graph shall be made as provided in subsection (a)(1) as though the year with respect to which it is made is the last year of the period specified in subsection (b)(2)(B)(ii); and subsection (b)(3)(A) shall apply with respect to any such recomputation as it applied in the computation of such individual's primary insurance amount prior to the application of this subsection.

"(D) A recomputation under this paragraph with respect to any year shall be effective—

"(i) in the case of an individual who did not die in that year, for monthly benefits beginning with benefits for January of the following year; or

"(ii) in the case of an individual who died in that year, for monthly benefits beginning with benefits for the month in which he died."

(2) Section 215(f)(3) of such Act is repealed.

(3) Section 215(f)(4) of such Act is amended to read as follows:

"(4) A recomputation shall be effective under this subsection only if it increases the primary insurance amount by at least \$1."

(4) Section 215(f) of such Act is further amended by adding at the end thereof the following new paragraphs:

"(7) This subsection as in effect in December 1978 shall continue to apply to the recomputation of a primary insurance amount computed under subsection (a) or (d) as in effect (without regard to the table in subsection (a)) in that month, and, where appropriate, under subsection (d) as in effect in December 1977. For purposes of recomputing a primary insurance amount determined under subsection (a) or (d) (as so in effect) in the case of an individual to whom those subsections apply by reason of subsection (a)(4)(B) as in effect after December 1978, no remuneration shall be taken into account for the year in which the individual initially became eligible for an old-age or disability insurance benefit or died, or for any year thereafter.

"(8) The Secretary shall recompute the primary insurance amounts applicable to beneficiaries whose benefits are based on a primary insurance amount which was computed under section 215(a)(3) effective prior to January 1979, or would have been so computed if the dollar amount specified therein were \$11.50. Such recomputation shall be effective January 1979, and shall include the effect of the increase in the dollar amount provided by section 215(a)(1)(C)(i)(II). Such primary insurance amount shall be deemed to be provided under such section for purposes of section 215(1)."

(g)(1) Section 215(1)(2)(A)(ii) of such Act is amended to read as follows:

"(i) If the Secretary determines that the base quarter in any year is a cost-of-living computation quarter, he shall, effective with the month of June of that year as provided in subparagraph (B), increase—

"(I) the benefit amount to which individuals are entitled for that month under section 227 or 228,

"(II) the primary insurance amount of each other individual on which benefit entitlement is based under this title (including a primary insurance amount determined under section (a)(1)(C)(i)), and

"(III) the amount of total monthly benefits based on any primary insurance amount which is permitted under section 203 (and such total shall be increased, unless otherwise so increased under another provision of this title, at the same time as such primary insurance amount) or, in the case of a primary insurance amount computed under subsection (a) as in effect (without regard to the table contained therein) prior to January 1979, the amount to which the

beneficiaries may be entitled under section 203 as in effect in December 1978, except as provided by section 203(a)(6) and (7) as in effect after December 1978.

The increase shall be derived by multiplying each of the amounts described in subdivisions (I), (II), and (III) (including each of those amounts as previously increased under this subparagraph) by the same percentage (rounded to the nearest one-tenth of 1 percent) as the percentage by which the Consumer Price Index for that cost-of-living computation quarter exceeds such index for the most recent prior calendar quarter which was a base quarter under paragraph (1)(A)(ii) or, if later, the most recent cost-of-living computation quarter under paragraph (1)(B); and any amount so increased that is not a multiple of \$0.10 shall be increased to the next higher multiple of \$0.10. Any increase under this subsection in a primary insurance amount determined under subparagraph (C)(i)(II) of subsection (a)(1) shall be applied after the initial determination of such primary insurance amount under that subparagraph (with the amount of such increase, in the case of an individual who becomes eligible for old-age or disability insurance benefits or dies in a calendar year after 1979, being determined from the range of possible primary insurance amounts published by the Secretary under the last sentence of subparagraph (D))."

(2) Section 215(1)(2)(A) of such Act is amended by adding at the end thereof the following new clause:

"(iii) In the case of an individual who becomes eligible for an old-age or disability insurance benefit, or who dies prior to becoming so eligible, in a year in which there occurs an increase provided under clause (ii), the individual's primary insurance amount (without regard to the time of entitlement to that benefit) shall be increased (unless otherwise so increased under another provision of this title) by the amount of that increase, but only with respect to benefits payable for months after May of that year."

(3) Section 215(1)(2)(D) of such Act (as amended by section 103 of this Act) is further amended by striking out all that follows the first sentence and inserting in lieu thereof the following: "He shall also publish in the Federal Register at that time (1) a revision of the range of the primary insurance amounts which are possible after the application of this subsection based on the dollar amount specified in subparagraph (C)(i)(II) of subsection (a)(1) (with such revised primary insurance amounts constituting the increased amounts determined for purposes of such subparagraph (C)(i)(II) under this subsection), or specified in section 215(a)(3) as in effect prior to 1979, and (ii) a revision of the range of maximum family benefits which correspond to such primary insurance amounts (with such maximum benefits being effective notwithstanding section 203(a) except for paragraph (3)(B) thereof (or paragraph (2) thereof as in effect prior to 1979))."

(4) Section 215(1) of such Act is further amended by adding at the end thereof the following new paragraph:

"(4) This subsection as in effect in December 1978 shall continue to apply to subsections (a) and (d), as then in effect, for purposes of computing the primary insurance amount of an individual to whom subsection (a), as in effect after December 1978, does not apply (including an individual to whom subsection (a) does not apply in any year by reason of paragraph (4)(B) of that subsection (but the application of this subsection in such cases shall be modified by the application of clause (I) in the last

sentence of paragraph (4) of that subsection)). For purposes of computing primary insurance amounts and maximum family benefits (other than primary insurance amounts and maximum family benefits for individuals to whom such paragraph (4)(B) applies), the Secretary shall publish in the Federal Register revisions of the table of benefits contained in subsection (a), as in effect in December 1978, as required by paragraph (2)(D) of this subsection as then in effect."

MAXIMUM BENEFITS

Sec. 202. Section 202(a) of the Social Security Act is amended to read as follows:

"Maximum Benefits

"(a) (1) In the case of an individual whose primary insurance amount has been computed or recomputed under section 215(a) (1) or (4), or section 215(d), as in effect after December 1978, the total monthly benefits to which beneficiaries may be entitled under section 202 or 223 for a month on the basis of the wages and self-employment income of such individual shall, except as provided by paragraph (3) (but prior to any increases resulting from the application of paragraph (2)(A)(i)(iii) of section 215(1)), be reduced as necessary so as not to exceed—

"(A) 150 percent of such individual's primary insurance amount to the extent that it does not exceed the amount established with respect to this subparagraph by paragraph (2).

"(B) 272 percent of such individual's primary insurance amount to the extent that it exceeds the amount established with respect to subparagraph (A) but does not exceed the amount established with respect to this subparagraph by paragraph (2).

"(C) 134 percent of such individual's primary insurance amount to the extent that it exceeds the amount established with respect to subparagraph (B) but does not exceed the amount established with respect to this subparagraph by paragraph (2), and

"(D) 175 percent of such individual's primary insurance amount to the extent that it exceeds the amount established with respect to subparagraph (C).

Any such amount that is not a multiple of \$0.10 shall be increased to the next higher multiple of \$0.10.

"(2)(A) For individuals who initially become eligible for old-age or disability insurance benefits or die in the calendar year 1979, the amounts established with respect to subparagraphs (A), (B), and (C) of paragraph (1) shall be \$230, \$332, and \$433, respectively.

"(B) For individuals who initially become eligible for old-age or disability insurance benefits or die in any calendar year after 1979, each of the amounts so established shall equal the product of the corresponding amount established for the calendar year 1979 by subparagraph (A) of this paragraph and the quotient obtained under subparagraph (B)(ii) of section 215(a)(1), with such product being rounded in the manner prescribed by section 215(a)(1)(B)(iii).

"(C) In each calendar year after 1978 the Secretary shall publish in the Federal Register, on or before November 1, the formula which (except as provided in section 215(1)(2)(D)) is to be applicable under this paragraph to individuals who become eligible for old-age or disability insurance benefits, or die, in the following calendar year.

"(D) A year shall not be counted as the year of an individual's death or eligibility for purposes of this paragraph or paragraph (7) in any case where such individual was entitled to a disability insurance benefit for any of the 12 months immediately preceding the month of such death or eligibility (but there shall be counted instead the year of the individual's eligibility for the disability

insurance benefits to which he was entitled during such 12 months).

"(3)(A) When an individual who is entitled to benefits on the basis of the wages and self-employment income of any insured individual and to whom this subsection applies would (but for the provisions of section 202(k)(2)(A)) be entitled to child's insurance benefits for a month on the basis of the wages and self-employment income of one or more other insured individuals, the total monthly benefits to which all beneficiaries are entitled on the basis of such wages and self-employment income shall not be reduced under this subsection to less than the smaller of—

"(i) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, or

"(ii) an amount equal to the product of 1.75 and the primary insurance amount that would be computed under section 215(a)(1) for that month with respect to average indexed monthly earnings equal to one-twelfth of the contribution and benefit base determined for that year under section 230.

"(B) When two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1971 or any prior month on the basis of the wages and self-employment income of such insured individual and the provisions of this subsection as in effect for any such month were applicable in determining the benefit amount of any persons on the basis of such wages and self-employment income, the total of benefits for any month after January 1971 shall not be reduced to less than the largest of—

"(i) the amount determined under this subsection without regard to this subparagraph,

"(ii) the largest amount which has been determined for any month under this subsection for persons entitled to monthly benefits on the basis of such insured individual's wages and self-employment income, or

"(iii) if any persons are entitled to benefits on the basis of such wages and self-employment income for the month before the effective month (after September 1972) of a general benefit increase under this title (as defined in section 215(1)(3)) or a benefit increase under the provisions of section 215(1), an amount equal to the sum of amounts derived by multiplying the benefit amount determined under this title (excluding any part thereof determined under section 202(w)) for the month before such effective month (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), for each such person for such month, by a percentage equal to the percentage of the increase provided under such benefit increase (with any such increased amount which is not a multiple of \$0.10 being rounded to the next higher multiple of \$0.10);

but in any such case (I) subparagraph (A) of this paragraph shall not be applied to such total of benefits after the application of clause (ii) or (iii), and (II) if section 202(k)(2)(A) was applicable in the case of any such benefits for a month, and ceases to apply for a month after such month, the provisions of clause (ii) or (iii) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though subparagraph (A) of this paragraph had not been applicable to such total of benefits for the last month for which clause (ii) or (iii) was applicable.

"(C) When any of such individuals is entitled to monthly benefits as a divorced spouse under section 202(b) or (c) or as a surviving divorced spouse under section 202

(e) or (f) for any month, the benefit to which he or she is entitled on the basis of the wages and self-employment income of such insured individual for such month shall be determined without regard to this subsection, and the benefits of all other individuals who are entitled for such month to monthly benefits under section 202 on the wages and self-employment income of such insured individual shall be determined as if no such divorced spouse or surviving divorced spouse were entitled to benefits for such month.

"(4) In any case in which benefits are reduced pursuant to the preceding provisions of this subsection, the reduction shall be made after any deductions under this section and after any deductions under section 222(b). Whenever a reduction is made under this subsection in the total of monthly benefits to which individuals are entitled for any month on the basis of the wages and self-employment income of an insured individual, each such benefit other than the old-age or disability insurance benefit shall be proportionately decreased.

"(5) Notwithstanding any other provision of law, when—

"(A) two or more persons are entitled to monthly benefits for a particular month on the basis of the wages and self-employment income of an insured individual and (for such particular month) the provisions of this subsection are applicable to such monthly benefits, and

"(B) such individual's primary insurance amount is increased for the following month under any provision of this title,

then the total of monthly benefits for all persons on the basis of such wages and self-employment income for such particular month, as determined under the provisions of this subsection, shall for purposes of determining the total monthly benefits for all persons on the basis of such wages and self-employment income for months subsequent to such particular month be considered to have been increased by the smallest amount that would have been required in order to assure that the total of monthly benefits payable on the basis of such wages and self-employment income for any such subsequent month will not be less (after the application of the other provisions of this subsection and section 202(q)) than the total of monthly benefits (after the application of the other provisions of this subsection and section 202(q)) payable on the basis of such wages and self-employment income for such particular month.

"(6) In the case of any individual who is entitled for any month to benefits based upon the primary insurance amounts of two or more insured individuals, one or more of which primary insurance amounts were determined under section 215(a) or 215(d) as in effect (without regard to the table contained therein) prior to January 1979 and one or more of which primary insurance amounts were determined under section 215(a)(1) or (4), or section 215(d), as in effect after December 1978, the total benefits payable to that individual and all other individuals entitled to benefits for that month based upon those primary insurance amounts shall be reduced to an amount equal to the product of 1.75 and the primary insurance amount that would be computed under section 215(a)(1) for that month with respect to average indexed monthly earnings equal to one-twelfth of the contribution and benefit base determined under section 230 for the year in which that month occurs.

"(7) Subject to paragraph (6), this subsection as in effect in December 1978 shall remain in effect with respect to a primary insurance amount computed under section 215(a) or (d), as in effect (without regard to the table contained therein) in December 1978, except that a primary insurance amount so computed with respect to an

individual who first becomes eligible for an old-age or disability insurance benefit, or dies, after December 1978, shall instead be governed by this section as in effect after December 1978."

INCREASE IN OLD-AGE BENEFIT AMOUNTS FOR DELAYED RETIREMENT

Sec. 203. Section 202(w) (1) of the Social Security Act is amended—

(1) by striking out "If the first month" and all that follows down through "to such individual" in the matter preceding subparagraph (A) and inserting in lieu thereof "The amount of an old-age insurance benefit (other than a benefit based on a primary insurance amount determined under section 215(a)(3)) which is payable without regard to this subsection to an individual"; and

(2) by inserting after "such amount," in subparagraph (A) the following: "or, in the case of an individual who first becomes eligible for an old-age insurance benefit after December 1978, one-quarter of 1 percent of such amount."

CONFORMING AMENDMENTS

Sec. 204. (a) Section 302(m)(1) of the Social Security Act is amended to read as follows:

"(1) In any case in which an individual is entitled to a monthly benefit under this section on the basis of a primary insurance amount computed under section 215 (a) or (d), as in effect after December 1978, on the basis of the wages and self-employment income of a deceased individual for any month and no other person is (without the application of subsection (j)(1)) entitled to a monthly benefit under this section for that month on the basis of such wages and self-employment income, the individual's benefit amount for that month, prior to reduction under subsection (k)(3), shall not be less than that provided by subparagraph (C)(1)(I) of section 215(a)(1) and increased under section 215(1) for months after May of the year in which the insured individual died as though such benefit were a primary insurance amount."

(b) Section 202(w) of such Act (as amended by section 203 of this Act) is further amended—

(1) by inserting after "section 215(a)(3)" in paragraph (1) (in the matter preceding subparagraph (A)) the following: "as in effect in December 1978 or section 215(a)(1)(C)(1)(II) as in effect thereafter";

(2) by inserting "as in effect in December 1978, or section 215(a)(1)(C)(1)(II) as in effect thereafter," after "paragraph (3) of section 215(a)" in paragraph (5); and

(3) by inserting "(whether before, in, or after December 1978)" after "determined under section 215(a)" in paragraph (5).

(c) Section 217(b)(1) of such Act is amended by inserting "as in effect in December 1978" after "section 215(c)" each place it appears, and after "section 215(d)".

(d) Section 224(a) of such Act is amended by inserting "(determined under section 215 (b) as in effect prior to January 1979)" after "(A) the average monthly wage" in the matter following paragraph (8).

(e) Section 1839(c)(3)(B) of such Act is amended to read as follows:

"(B) the monthly premium rate most recently promulgated by the Secretary under this paragraph, increased by a percentage determined as follows: The Secretary shall ascertain the primary insurance amount computed under section 215(a)(1), based upon average indexed monthly earnings of \$900, that applied to individuals who became eligible for and entitled to oldage insurance benefits on May 1 of the year of the promulgation. He shall increase the monthly premium rate by the same percentage by which that primary insurance amount is increased when, by reason of the law in effect at the time the promulgation is made, it is so com-

puted to apply to those individuals on the following May 1."

EFFECTIVE DATE

Sec. 205. The amendments made by the provisions of this title other than section 201(d) shall be effective with respect to monthly benefits and lump-sum death payments under title II of the Social Security Act payable for months after December 1978. The amendments made by section 201 (d) shall be effective with respect to monthly benefits of an individual who becomes eligible for an old-age or disability insurance benefit, or dies, after December 1977.

TITLE III—COVERAGE UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

STUDY CONCERNING MANDATORY COVERAGE OF FEDERAL EMPLOYEES

Sec. 301. (a) As soon as possible after the date of the enactment of this Act, the Chairman of the Civil Service Commission, the Secretaries of the Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget, shall jointly undertake and carry out a detailed study with respect to coverage of Federal employees within the old-age, survivors, and disability insurance system.

(b) The study to be undertaken under subsection (a) shall include—

(1) a review of the methods by which full coverage of Federal employees within the old-age, survivors, and disability insurance system could be attained;

(2) an analysis of the adjustments to such system (as well as to the civil service retirement and disability system and other Federal employee retirement systems involved, including the foreign service, judiciary, Central Intelligence Agency, and District of Columbia retirement systems) which are necessary under each such method to provide such coverage, particularly—

(A) adjustments in age, service, and other eligibility requirements; and

(B) adjustments in the nature and level of disability, death, and survivor benefits (taking into account any related factors, such as the taxability of such benefits);

(3) a comparison of the financial aspects of each such method, particularly—

(A) the adjustments required by each such method in the contributions by Federal employees, the Government (whether by specific contribution or by appropriation), and others involved;

(B) the adjustments required by each such method in the manner in which benefits are financed under the retirement systems involved; and

(C) the effects of each such method on the solvency of the retirement systems involved;

(4) the effects of each such method of coverage on—

(A) recruitment and retention of Federal employees;

(B) other employee benefits (such as health benefits coverage provided for civil service annuitants); and

(C) Federal, State, and local income tax systems;

(5) a review of the methods by which partial coverage of Federal employees within the old-age, survivors, and disability insurance system could be attained, together with consideration of the factors described in paragraphs (2), (3), and (4) as they would relate to such partial coverage; and

(6) alternatives to providing coverage of Federal employees within the old-age, survivors, and disability insurance system.

In connection with such study, interested parties, including Federal employee organizations, associations of retired Federal employees, and heads of agencies administering

Federal employee retirement systems, shall be allowed to submit views, arguments, and data.

(c) Upon the completion of the study under subsection (a) and in any event no later than two years after the date of the enactment of this Act, the Chairman of the Civil Service Commission, the Secretaries of the Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget shall submit to the President and to the appropriate committees of each House of the Congress a joint report on the results of such study together with their recommendations. Any such recommendation which includes adjustments of existing statutes shall be accompanied with draft legislation accomplishing such adjustments.

(d) With respect to Federal employees under the Federal employee retirement systems, the study and the report under this section shall include at least one method of coverage of such employees within the old-age, survivors, and disability insurance system which provides—

(1) that the benefits available to such Federal employees would not be less favorable than the benefits which are then currently available to such employees under the Federal employee retirement systems; and

(2) that the contributions required of such Federal employees would not be greater than the contributions which are then currently required of such employees under the Federal employee retirement systems.

(e) For purposes of this section, the term "Federal employee" means—

(1) an employee, as defined in section 2105 of title 5, United States Code;

(2) an officer or employee of the United States Postal Service or of the Postal Rate Commission; and

(3) any other individual in the employ of the United States or any instrumentality of the United States.

COVERAGE OF STATE AND LOCAL EMPLOYEES

Sec. 302. (a) Section 218(g) of the Social Security Act is amended—

(1) by striking out "Upon" in paragraph (1) and "If" in paragraph (2), and by inserting in lieu thereof "Subject to paragraph (4), upon" and "Subject to paragraph (4), if", respectively; and

(2) by adding at the end thereof the following new paragraph:

"(4) No agreement under this section may be terminated under paragraph (1) or paragraph (2) (either in its entirety or with respect to any coverage group) unless the applicable notice referred to in such paragraph is given on or before September 13, 1977."

(b) Effective with respect to service performed after December 1981—

(1) section 218 of the Social Security Act is repealed;

(2) section 210(a) of such Act is amended by striking out paragraph (7); and

(3) section 3121(b) of the Internal Revenue Code of 1954 is amended by striking out paragraph (7).

(c) (1) (A) Chapter 21 of the Internal Revenue Code of 1954 (the Federal Insurance Contributions Act), as amended by section 104(b)(2) of this Act, is further amended by redesignating sections 3126 and 3127 as sections 3127 and 3128, respectively, and by inserting after section 3125 the following new section:

"Sec. 3126. RETURNS IN THE CASE OF STATE LOCAL GOVERNMENTAL EMPLOYEES.

"In the case of the taxes imposed by this chapter with respect to services performed in the employ of a State or any political subdivision thereof, or in the employ of any instrumentality of a State or political subdivi-

vision thereof which is wholly owned thereby, the return and payment of the taxes may be made by the Governor of such State or such agents as he may designate. The person making such return may, for convenience of administration, make payments of the tax imposed by section 3111 with respect to such service without regard to the contribution and benefit base limitation in section 3121 (a) (1)."

(B) The table of sections for subchapter C of chapter 21 of such Code (as so amended) is further amended by striking out the last two items and inserting in lieu thereof the following:

"Sec. 3126. Returns in the case of State and local governmental employees.

"Sec. 3127. Returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia.

"Sec. 3128. Short title."

(2) (A) Section 6205(a) of such Code (relating to adjustment of tax) is amended—

(i) by striking out "3125" in paragraphs (3) and (4) and inserting in lieu thereof "3127";

(ii) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively; and

(iii) by inserting after paragraph (2) the following new paragraph:

"(3) STATE AS EMPLOYER.—For purposes of this subsection, in the case of remuneration received during any calendar year from a State or political subdivision thereof or any instrumentality which is wholly owned thereby, the Governor of the State and each agent designated by him who makes a return pursuant to section 3126 shall be deemed a separate employer."

(B) Section 6413(a) of such Code (relating to adjustment of tax) is amended—

(i) by striking out "3125" in paragraphs (3) and (4) and inserting in lieu thereof "3127";

(ii) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively; and

(iii) by inserting after paragraph (2) the following new paragraph:

"(3) STATE AS EMPLOYER.—For purposes of this subsection, in the case of remuneration received during any calendar year from a State or political subdivision thereof or any instrumentality which is wholly owned thereby, the Governor of the State and each agent designated by him who makes a return pursuant to section 3126 shall be deemed a separate employer."

(C) Section 6413(c) (2) of such Code (relating to applicability in case of certain governmental employees) is amended—

(i) by striking out subparagraph (B) and inserting in lieu thereof the following new subparagraph:

"(B) STATE EMPLOYEES.—For purposes of this subsection, in the case of remuneration received during any calendar year from a State or political subdivision thereof or any instrumentality which is wholly owned thereby, the Governor of the State and each agent designated by him who makes a return pursuant to section 3126 shall be deemed a separate employer."; and

(ii) by striking out "3125(a)", "3125(b)", and "3125(c)" in subparagraphs (D), (E), and (F) and inserting in lieu thereof "3127(a)", "3127(b)", and "3127(c)", respectively.

(3) Section 230(c) of the Social Security Act is amended by striking out "3125," and inserting in lieu thereof "3126, 3127."

(d) (1) Section 205(c) (5) (F) (iii) of such Act is amended by striking out "are made" and inserting in lieu thereof "were made".

(2) Section 209(i) of such Act is amended by striking out "(as defined in section 218 (b) (2))".

(3) Section 210(a) (10) (B) (ii) of such Act is amended by striking out " , unless" and all that follows and inserting in lieu thereof a semicolon.

(4) Section 210(k) of such Act is repealed.

(5) Section 211(c) (1) of such Act is amended by striking out "and in which" and all that follows and inserting in lieu thereof a semicolon.

(6) Section 211(c) (2) (E) of such Act is amended by striking out "with respect to fees" and all that follows and inserting in lieu thereof " , and".

(e) (1) Clause (A) in the second sentence of section 1402(b) of the Internal Revenue Code of 1954 is amended by striking out "under an agreement" where it first appears and all that follows down through "employees), or", and by striking out the comma before "as would be wages".

(2) Section 1402(c) (1) of such Code is amended by striking out "and in which" and all that follows and inserting in lieu thereof a semicolon.

(3) Section 1402(c) (2) (E) of such Code is amended by striking out "with respect to fees" and all that follows and inserting in lieu thereof " , and".

(4) Section 3121(b) (10) (B) (ii) of such Code is amended by striking out " , unless" and all that follows and inserting in lieu thereof a semicolon.

(5) Section 3121(j) of such Code is repealed.

(6) Section 6511(d) (5) of such Code is repealed.

(f) The amendments and repeals made by subsections (b), (c), (d), and (e) (1) through (5) of this section shall be effective with respect to service performed after December 1981. Subsection (e) (6) shall be effective with respect to claims accruing after December 1981.

COVERAGE OF EMPLOYEES OF NONPROFIT ORGANIZATIONS

SEC. 303. (a) (1) Section 3121(k) (1) of the Internal Revenue Code of 1954 (relating to waiver of exemption by organization) is amended—

(A) by striking out "The period" in the first sentence of subparagraph (D) and inserting in lieu thereof "Subject to subparagraph (G), the period"; and

(B) by adding at the end thereof the following new subparagraph:

"(G) No period for which a certificate is effective may be terminated under subparagraph (D) or paragraph (2) unless the applicable advance notice referred to in such subparagraph or paragraph is given on or before September 13, 1977."

(2) Section 3121(k) (2) of such Code (relating to termination of waiver period by Secretary) is amended by striking out "If" and inserting in lieu thereof "Subject to paragraph (1) (G), if".

(b) Effective with respect to service performed after December 1981—

(1) section 210(a) (8) of the Social Security Act is amended—

(A) by striking out "(A)" immediately after "(8)";

(B) by striking out "this subparagraph" where it first appears and inserting in lieu thereof "this paragraph"; and

(C) by striking out subparagraph (B);

(2) section 3121(b) (8) of the Internal Revenue Code of 1954 is amended—

(A) by striking out "(A)" immediately after "(8)";

(B) by striking out "this subparagraph" where it first appears and inserting in lieu thereof "this paragraph"; and

(C) by striking out subparagraph (B); and

(3) section 3121(k) of such Code (relating to exemption of religious, charitable, and certain other organizations) is repealed.

CREDITING OF CERTAIN STATE AND LOCAL SERVICE, AND CERTAIN SERVICE FOR NONPROFIT ORGANIZATIONS, PERFORMED PRIOR TO THE EFFECTIVE DATE OF COVERAGE

SEC. 304. Section 213 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Crediting of Certain State and Local Service, and Certain Service for Nonprofit Organizations, Performed Prior to Effective Date of Coverage

"(d) In the case of any individual who—

"(1) (A) performs service in the employ of a State or political subdivision or any instrumentality of any one or more of the foregoing which is wholly owned thereby (and derives at least six quarters of coverage therefrom) on or after the effective date of the repeal of section 210(a) (7) by section 302 of the Social Security Financing Amendments of 1977, and

"(B) also performed service in the employ of a State or political subdivision or any such instrumentality prior to such date, or

"(2) (A) performs service in the employ of a religious, charitable, educational, or other organization described in section 501(c) (3) of the Internal Revenue Code of 1954 which is exempt from income tax under section 501(a) of such Code (and derives at least six quarters of coverage therefrom) on or after the effective date of the repeal of section 210(a) (8) (B) by section 303 of the Social Security Financing Amendments of 1977, and

"(B) also performed service in the employ of such an organization prior to such date, each calendar quarter in which such individual performed service described in subparagraph (B) of paragraph (1) or (2) (whichever is applicable) shall, if it is not otherwise a quarter of coverage, be treated (under regulations prescribed by the Secretary) as a quarter of coverage for all the purposes of this title."

EXCLUSION FROM COVERAGE OF CERTAIN LIMITED PARTNERSHIP INCOME

SEC. 305. (a) Section 211(a) of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (9);

(2) by striking out the period at the end of paragraph (10) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (10) the following new paragraph:

"(11) There shall be excluded the distributive share of any item of income or loss of a limited partner, as such, other than guaranteed payments described in section 707(c) of the Internal Revenue Code of 1954 to that partner for services actually rendered to or on behalf of the partnership to the extent that those payments are established to be in the nature of remuneration for those services."

(b) Section 1402(a) of the Internal Revenue Code of 1954 (relating to definition of net earnings from self-employment) is amended—

(1) by striking out "and" at the end of paragraph (10);

(2) by striking out the period at the end of paragraph (11) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (11) the following new paragraph:

"(12) there shall be excluded the distributive share of any item of income or loss of a limited partner, as such, other than guaranteed payments described in section 707(c) to that partner for services actually rendered to or on behalf of the partnership to the extent that those payments are established to be in the nature of remuneration for those services."

(c) The amendments made by this section

shall apply with respect to taxable years beginning after December 31, 1977.

TAX ON EMPLOYERS OF INDIVIDUALS WHO RECEIVE INCOME FROM TIPS

SEC. 306. (a) Section 3121 of the Internal Revenue Code of 1954 (definitions under Federal Insurance Contributions Act) is amended by adding at the end thereof the following new subsection:

"(s) SPECIAL RULE FOR DETERMINING WAGES SUBJECT TO EMPLOYER TAX IN CASE OF CERTAIN EMPLOYERS WHOSE EMPLOYEES RECEIVE INCOME FROM TIPS.—If the wages paid by an employer with respect to the employment during any month of an individual who (for services performed in connection with such employment) receives tips which constitute wages, and to which section 3102(a) applies, are less than the total amount which would be payable (with respect to such employment) at the minimum wage rate applicable to such individual under section 8(a)(1) of the Fair Labor Standards Act of 1938 (determined without regard to section 8(m) of such Act), the wages so paid shall be deemed for purposes of section 3111 to be equal to such total amount."

(b) Section 3111 of such Code is amended by inserting "and (s)" after "3121(a)" in subsections (a) and (b).

(c) The amendments made by this section shall apply with respect to wages paid with respect to employment performed in months after December 1977.

REVOCATION OF EXEMPTION FROM COVERAGE BY CLERGYMEN

SEC. 307. (a) Notwithstanding section 1402(e)(3) of the Internal Revenue Code of 1954, any exemption which has been received under section 1402(e)(1) of such Code by a duly ordained, commissioned, or licensed minister of a church or a Christian Science practitioner, and which is effective for the taxable year in which this Act is enacted, may be revoked by filing an application therefor (in such form and manner, and with such official, as may be prescribed in regulations made under chapter 2 of such Code), if such application is filed—

(1) before the applicant becomes entitled to benefits under section 202(a) or 223 of the Social Security Act (without regard to section 202(j)(1) or 223(b) of such Act), and

(2) no later than the due date of the Federal income tax return (including any extension thereof) for the applicant's first taxable year beginning after the date of the enactment of this Act.

Any such revocation shall be effective (for purposes of chapter 2 of the Internal Revenue Code of 1954 and title II of the Social Security Act), as specified in the application, either with respect to the applicant's first taxable year ending on or after the date of the enactment of this Act or with respect to the applicant's first taxable year beginning after such date, and for all succeeding taxable years; and the applicant for any such revocation may not thereafter again file application for an exemption under such section 1402(e)(1). If the application is filed on or after the due date of the applicant's first taxable year ending on or after the date of the enactment of this Act and is effective with respect to that taxable year, it shall include or be accompanied by payment in full of an amount equal to the total of the taxes that would have been imposed by section 1401 of the Internal Revenue Code of 1954 with respect to all of the applicant's income derived in that taxable year which would have constituted net earnings from self-employment for purposes of chapter 2 of such Code (notwithstanding section 1402(c)(4) or (c)(5) of such Code) except for the exemption under section 1402(e)(1) of such Code.

(b) Subsection (a) shall apply with re-

spect to service performed (to the extent specified in such subsection) in taxable years ending on or after the date of the enactment of this Act, and with respect to monthly insurance benefits payable under title II of the Social Security Act on the basis of the wages and self-employment income of any individual for months in or after the calendar year in which such individual's application for revocation (as described in such subsection) is filed (and lump-sum death payments payable under such title on the basis of such wages and self-employment income in the case of deaths occurring in or after such calendar year).

INTERNATIONAL AGREEMENTS WITH RESPECT TO SOCIAL SECURITY BENEFITS

SEC. 308. (a) Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"INTERNATIONAL AGREEMENTS

"Purpose of Agreement

"SEC. 233. (a) The President is authorized to enter into agreements establishing totalization arrangements between the social security system established by this title and the social security system of any foreign country, for the purposes of establishing entitlement to and the amount of old-age, survivors, disability, or derivative benefits based on a combination of an individual's periods of coverage under the social security system established by this title and the social security system of such foreign country.

"Definitions

"(b) For the purposes of this section—
 "(1) the term 'social security system' means, with respect to a foreign country, a social insurance or pension system which is of general application in the country and under which periodic benefits, or the actuarial equivalent thereof, are paid on account of old age, death, or disability; and
 "(2) the term 'period of coverage' means a period of payment of contributions or a period of earnings based on wages for employment or on self-employment income, or any similar period recognized as equivalent thereto under this title or under the social security system of a country which is a party to an agreement entered into under this section.

"Crediting Periods of Coverage; Conditions of Payment of Benefits

"(c) (1) Any agreement establishing a totalization arrangement pursuant to this section shall provide—

"(A) that in the case of an individual who has at least 8 quarters of coverage as defined in section 213 of this Act and periods of coverage under the social security system of a foreign country which is a party to such agreement, periods of coverage of such individual under such social security system of such foreign country may be combined with periods of coverage under this title and otherwise considered for the purposes of establishing entitlement to and the amount of old-age, survivors, and disability insurance benefits under this title;

"(B) (i) that employment or self-employment, or any service which is recognized as equivalent to employment or self-employment under this title or the social security system of a foreign country which is a party to such agreement, shall, on or after the effective date of such agreement, result in a period of coverage under the system established under this title or under the system established under the laws of such foreign country, but not under both, and (ii) the methods and conditions for determining under which system employment, self-employment, or other service shall result in a period of coverage; and

"(C) that where an individual's periods of coverage are combined, the benefit amount

payable under this title shall be based on the proportion of such individual's periods of coverage which was completed under this title.

"(2) Any such agreement may provide that—

"(A) an individual who is entitled to cash benefits under this title shall, notwithstanding the provisions of section 202(t), receive such benefits while he resides in a foreign country which is a party to such agreement; and

"(B) the benefit paid by the United States to an individual who legally resides in the United States shall be increased to an amount which, when added to the benefit paid by such foreign country, will be equal to the benefit amount which would be payable to an entitled individual based on the first figure in (or deemed to be in) column IV of the table in section 215(a) in the case of an individual becoming eligible for such benefit before January 1, 1979, or based on a primary insurance amount determined under section 215(a)(1)(C)(1)(I) in the case of an individual becoming eligible for such benefit on or after that date.

"(3) Section 226 shall not apply in the case of any individual to whom it would not be applicable but for this section or any agreement or regulation under this section.

"(4) Any such agreement may contain such other provisions, not inconsistent with this section, as the President deems appropriate.

"Regulations

"(d) The Secretary of Health, Education, and Welfare shall make rules and regulations and establish procedures which are reasonable and necessary to implement and administer any agreement which has been entered into in accordance with this section.

"Reports to Congress; Effective Date of Agreements

"(e) (1) Any agreement to establish a totalization arrangement entered into pursuant to this section shall be transmitted by the President to the Congress.

"(2) Such an agreement shall become effective on any date, provided in the agreement, which occurs after the expiration of 90 days on each of which at least one House of Congress is in session following the date on which the agreement is transmitted in accordance with paragraph (1)."

(b) (1) Section 1401 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(c) RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.—During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, the self-employment income of an individual shall be exempt from the taxes imposed by this section to the extent that such self-employment income is subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country."

(2) Sections 3101 and 3111 of such Code are each amended by adding at the end thereof the following new subsection:

"(c) RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.—During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, wages received by or paid to an individual shall be exempt from the taxes imposed by this section to the extent that such wages are subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country."

(3) Section 6051(a) of such Code is amended by adding at the end thereof the

following new sentence: "The amounts required to be shown by paragraph (5) shall not include wages which are exempted pursuant to sections 3101(c) and 3111(c) from the taxes imposed by sections 3101 and 3111."

(4) Notwithstanding any other provision of law, taxes paid by any individual to any foreign country with respect to any period of employment or self-employment which is covered under the social security system of such foreign country in accordance with the terms of an agreement entered into pursuant to section 253 of the Social Security Act shall not, under the income tax laws of the United States, be deductible by, or creditable against, the income tax of, any such individual.

VALIDATION OF PAST SOCIAL SECURITY COVERAGE FOR CERTAIN ILLINOIS POLICEMEN AND FIREMEN

Sec. 309. (a) Notwithstanding the provisions of subsection (d) (5) (A) of section 218 of the Social Security Act and the references thereto in subsections (d) (1) and (d) (8) of such section 218 (but subject to subsection (b) of this section), the agreement with the State of Illinois heretofore entered into pursuant to such section 218 shall be deemed to apply to all services which were performed prior to December 31, 1977, by any individual employed by such State or any political subdivision thereof in a policeman's or fireman's position covered by the Illinois Municipal Retirement Fund, and with respect to which such State has paid to the Secretary of the Treasury the sums prescribed pursuant to subsection (e) (1) (A) of such section 218 at the time or times established pursuant to such subsection (but only if there has been no refund of the sums so paid or, if a refund of part or all of such sums has been obtained, the State of Illinois repays to the Secretary of the Treasury the amount of such refund within ninety days after the date of the enactment of this Act).

(b) Subsection (a) shall not apply with respect to services performed by individuals employed by any political subdivision which indicates, in such manner and within such period as the Secretary shall prescribe, that it does not wish such subsection to apply with respect to those services.

COVERAGE FOR POLICEMEN AND FIREMEN IN MISSISSIPPI

Sec. 310. Section 218(p) (1) of the Social Security Act is amended by inserting "Mississippi," after "Maryland,".

COVERAGE UNDER DIVIDED RETIREMENT SYSTEM FOR STATE AND LOCAL EMPLOYEES IN NEW JERSEY

Sec. 311. Section 218(d) (6) (C) of the Social Security Act is amended by inserting "New Jersey," after "Nevada,".

COVERAGE OF SERVICE UNDER WISCONSIN RETIREMENT SYSTEM

Sec. 312. Section 218(m) (1) of the Social Security Act is amended by inserting after "Wisconsin retirement fund" the following: "or any successor system".

CONFORMING AMENDMENTS

Sec. 313. (a) (1) Section 210(a) of the Social Security Act (as amended by the preceding provisions of this title and by section 601) is further amended by redesignating paragraphs (7) through (20) as paragraphs (5) through (18), respectively.

(2) (A) Section 205(o) of such Act is amended by striking out "section 210(a) (9)" and inserting in lieu thereof "section 210(a) (7)".

(B) Section 210(b) of such Act is amended by striking out "paragraph (9) of subsection (a)" and inserting in lieu thereof "paragraph (7) of subsection (a)".

(C) Section 211(c) (2) of such Act is amended—

(i) by striking out "section 210(a) (14) (B)" in subparagraph (A) and inserting in lieu thereof "section 210(a) (12) (B)";

(ii) by striking out "section 210(a) (16)" in subparagraph (B) and inserting in lieu thereof "section 210(a) (14)";

(iii) by striking out "section 210(a) (11), (12), or (15)" in subparagraph (C) and inserting in lieu thereof "section 210(a) (9), (10), or (13)"; and

(iv) by striking out "section 210(a) (20)" in subparagraph (F) and inserting in lieu thereof "section 210(a) (18)".

(b) (1) Section 3121(b) of the Internal Revenue Code of 1954 (relating to definition of employment), as amended by the preceding provisions of this title and by section 612, is further amended by redesignating paragraphs (7) through (20) as paragraphs (5) through (18), respectively.

(2) (A) Section 1402(c) (2) of such Code (relating to definition of trade or business) is amended—

(i) by striking out "section 3121(b) (14) (B)" in subparagraph (A) and inserting in lieu thereof "section 3121(b) (12) (B)";

(ii) by striking out "section 3121(b) (16)" in subparagraph (B) and inserting in lieu thereof "section 3121(b) (14)";

(iii) by striking out "section 3121(b) (11), (12), or (15)" in subparagraph (C) and inserting in lieu thereof "section 3121(b) (9), (10), or (13)"; and

(iv) by striking out "section 3121(b) (20)" in subparagraph (F) and inserting in lieu thereof "section 3121(b) (18)".

(B) Section 3121(c) of such Code (relating to included and excluded service) is amended by striking out "by subsection (b) (9)" and inserting in lieu thereof "by subsection (b) (7)".

(C) Section 3121(r) (3) of such Code (relating to election of coverage by religious orders) is amended by striking out "subsection (b) (8) (A)" and "section 210(a) (8) (A)" and inserting in lieu thereof "subsection (b) (6)" and "section 210(a) (6)", respectively.

(D) Section 3124 of such Code (relating to estimate of revenue reduction) is amended by striking out "section 3121(b) (9)" and inserting in lieu thereof "section 3121(b) (7)".

(c) Section 18(2) of the Railroad Retirement Act of 1974 is amended by striking out "section 210(a) (9) of the Social Security Act" and inserting in lieu thereof "section 210(a) (7) of the Social Security Act".

(d) The amendments made by this section shall apply with respect to service performed after December 1981.

TITLE IV—ELIMINATION OF GENDER-BASED DISTINCTIONS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

PART A—EQUALIZATION OF TREATMENT OF MEN AND WOMEN UNDER THE PROGRAM

DIVORCED HUSBANDS

Sec. 401. (a) (1) Section 202(c) (1) of the Social Security Act is amended, in the matter preceding subparagraph (A), by inserting "and every divorced husband (as defined in section 216(d))" before "of an individual" and inserting "or such divorced husband" after "if such husband".

(2) Section 202(c) (1) of such Act is further amended—

(A) by redesignating subparagraphs (C) and (D) as subparagraphs (D) and (E), and by inserting after subparagraph (B) the following new subparagraph:

"(C) in the case of a divorced husband, is not married,";

(B) by striking out "after August 1950" in the matter following subparagraph (E) (as so redesignated); and

(C) by striking out "the month in which any of the following occurs:" and all that follows and inserting in lieu thereof the following:

"the first month in which any of the following occurs:

"(F) he dies,

"(G) such individual dies,

"(H) in the case of a husband, they are divorced and either (i) he has not attained age 62, or (ii) he has attained age 62 but has not been married to such individual for a period of 20 years immediately before the divorce became effective.

"(I) in the case of a divorced husband, he marries a person other than such individual,

"(J) he becomes entitled to an old-age or disability insurance benefit based on a primary insurance amount which is equal to or exceeds one-half of the primary insurance amount of such individual, or

"(K) such individual is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits."

(3) Section 202(c) (3) of such Act is amended by inserting "(or, in the case of a divorced husband, his former wife)" before "for such month".

(4) Section 202(c) of such Act is amended by adding after paragraph (3) the following new paragraph:

"(4) In the case of any divorced husband who marries—

"(A) an individual entitled to benefits under subsection (b), (e), (g), or (h) of this section, or

"(B) an individual who has attained the age of 18 and is entitled to benefits under subsection (d),

such divorced husband's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1) (but subject to subsection (s)), not be terminated by reason of such marriage."

(5) Section 202(c) (2) of such Act is amended by striking out "(C)" in the matter immediately preceding subparagraph (A) and inserting in lieu thereof "(D)".

(6) Section 202(b) (3) (A) of such Act is amended by striking out "(f)" and inserting in lieu thereof "(c), (f)".

(7) Section 202(c) (1) (E) of such Act (as redesignated by paragraph (3) of this subsection) is amended by striking out "his wife" and inserting in lieu thereof "such individual".

(b) (1) Section 202(f) (1) of such Act is amended, in the matter preceding subparagraph (A), by inserting "and every surviving divorced husband (as defined in section 216(d))" before "of an individual" and inserting "or such surviving divorced husband" after "if such widower".

(2) Section 202(f) (1) of such Act is further amended by striking out "his deceased wife" in subparagraph (E) and in the matter following subparagraph (G) and inserting in lieu thereof "such deceased individual".

(3) Paragraphs (3), (4), (6), and (7) of section 202(f) of such Act are each amended by inserting "or surviving divorced husband" after "widower" wherever it appears.

(4) Paragraph (3) of section 202(f) of such Act is further amended by striking out "his deceased wife" wherever it appears and by inserting in lieu thereof "such deceased individual", and by striking out "wife" wherever it appears and inserting in lieu thereof "individual".

(5) Section 202(f) (4) of such Act is further amended by striking out "remarries" and inserting in lieu thereof "marries", and by inserting "or surviving divorced husband's" after "widower's".

(6) Section 202(e) (3) (A) of such Act is amended by striking out "(f)" and inserting in lieu thereof "(c), (f)".

(7) Section 202(g) (3) (A) of such Act is amended by inserting "(c)," before "(f)".

(8) Section 202(h) (4) (A) of such Act is amended by inserting "(c)," before "(e)".

(c) (1) Section 216(d) of such Act is amended by redesignating paragraph (4) as

paragraph (6), and by inserting after paragraph (3) the following new paragraphs:

"(4) The term 'divorced husband' means a man divorced from an individual, but only if he has been married to such individual for a period of 20 years immediately before the date the divorce became effective.

"(5) The term 'surviving divorced husband' means a man divorced from an individual who has died, but only if he has been married to the individual for a period of 20 years immediately before the divorce became effective."

(2) The heading of section 216(d) of such Act is amended to read as follows:

"Divorced Spouses; Divorce".

(d)(1) Section 205(b) of such Act is amended by inserting "divorced husband," after "husband," and "surviving divorced husband," after "widower."

(2) Section 205(c)(1)(C) of such Act is amended by inserting "surviving divorced husband," after "wife."

REMARriage OF SURVIVING SPOUSE BEFORE AGE 60

Sec. 402. Section 202(f)(1)(A) of the Social Security Act is amended by striking out "has not remarried" and inserting in lieu thereof "is not married".

ILLEGITIMATE CHILDREN

Sec. 403. (a) Section 216(h)(3) of the Social Security Act is amended by inserting "mother or" before "father" wherever it appears.

(b) Section 216(h)(3)(A)(i) of such Act is amended by striking out "daughter," at the end of clause (III) and all that follows and inserting in lieu thereof "daughter; or".

(c) Section 216(h)(3)(A)(ii) of such Act is amended by striking out everything after "time" and inserting in lieu thereof "such applicant's application for benefits was filed."

(d) Section 216(h)(3)(B)(i) of such Act is amended by striking out "daughter," at the end of clause (III) and all that follows and inserting in lieu thereof "daughter; or".

(e) Section 216(h)(3)(B)(ii) of such Act is amended by striking out "such period of disability began" and inserting in lieu thereof "such applicant's application for benefits was filed".

TRANSITIONAL INSURED STATUS

Sec. 404. (a) Section 227(a) of the Social Security Act is amended—

(1) by striking out "wife" wherever it appears and inserting in lieu thereof "spouse";

(2) by striking out "wife's" wherever it appears and inserting in lieu thereof "spouse's";

(3) by striking out "she" wherever it appears and inserting in lieu thereof "he or she";

(4) by striking out "his" wherever it appears and inserting in lieu thereof "his or her"; and

(5) by inserting "or section 202(c)" after "section 202(b)" wherever it appears.

(b) Section 227(b) and section 227(c) of such Act are amended—

(1) by striking out "widow" wherever it appears and inserting in lieu thereof "surviving spouse";

(2) by striking out "widow's" wherever it appears and inserting in lieu thereof "surviving spouse's";

(3) by striking out "her" wherever it appears and inserting in lieu thereof "the"; and

(4) by inserting "or section 202(f)" after "section 202(e)" wherever it appears.

(c) Section 216 of such Act (as amended by the preceding provisions of this Act) is further amended by inserting before subsection (b) the following new subsection:

"Spouse; Surviving Spouse

"(a)(1) The term 'spouse' means a wife as defined in subsection (b) or a husband as defined in subsection (f).

"(2) The term 'surviving spouse' means a widow as defined in subsection (c) or a widower as defined in subsection (g)."

EQUALIZATION OF BENEFITS UNDER SECTION 228

Sec. 405. (a) Section 228(b)(2) of the Social Security Act is amended—

(1) by striking out "the husband's benefit" and inserting in lieu thereof "each of their benefits";

(2) by striking out "\$64.40" and inserting in lieu thereof "\$48.30"; and

(3) by striking out everything after "section 215(i)" the first time it appears and inserting in lieu thereof a period.

(b) Section 228(c)(3) of such Act is amended to read as follows:

"(3) In the case of a husband or wife, both of whom are entitled to benefits under this section for any month, the benefit amount of each, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (A) the total amount of any periodic benefits under governmental pension systems for which the other is eligible for such month, over (B) the larger of \$48.30 or the amount most recently established in lieu thereof under section 215(i)."

(c) The Secretary shall increase the amounts specified in section 228 of the Social Security Act, as amended by this section, to take account of any general benefit increases (as referred to in section 215(i)(3) of such Act), and any increases under section 215(i) of such Act, which occur after June 1974.

FATHER'S INSURANCE BENEFITS

Sec. 406. (a) Section 202(g) of the Social Security Act is amended—

(1) by striking out "widow" wherever it appears and inserting in lieu thereof "surviving spouse";

(2) by striking out "widow's" wherever it appears and inserting in lieu thereof "surviving spouse's";

(3) by striking out "wife's insurance benefits" in paragraph (1)(D) and inserting in lieu thereof "a spouse's insurance benefit";

(4) by striking out "he" in paragraph (1)(D) and wherever it appears in paragraph (3) and inserting in lieu thereof "such individual";

(5) by striking out "her" wherever it appears and inserting in lieu thereof "his or her";

(6) by striking out "she" wherever it appears and inserting in lieu thereof "he or she";

(7) by striking out "mother" wherever it appears and inserting in lieu thereof "parent";

(8) by inserting "or father's" after "mothers" wherever it appears;

(9) by striking out "after August 1950";

(10) by inserting "this subsection or" before "subsection (a)" in paragraph (3)(A); and

(11) by striking out "his" in paragraph (3) and inserting in lieu thereof "his or her".

(b) The heading of section 202(g) of such Act is amended by inserting "and Father's" after "Mother's".

(c) Section 216(d) of such Act (as amended by section 401(c)(1) of this Act) is further amended by redesignating paragraph (6) as paragraph (8), and by inserting after paragraph (5) the following new paragraphs:

"(6) The term 'surviving divorced father' means a man divorced from an individual who has died, but only if (A) he is the father of her son or daughter, (B) he legally adopted her son or daughter while he was married to her and while such son or daughter was under the age of 18, (C) she legally adopted his son or daughter while he was married to her and while such son or daughter was under the age of 18, or (D) he was

married to her at the time both of them legally adopted a child under the age of 18.

"(7) The term 'surviving divorced parent' means a surviving divorced mother as defined in paragraph (3) of this subsection or a surviving divorced father as defined in paragraph (6)."

(d) Section 202(c)(1) of such Act (as amended by section 401(a)(2) of this Act) is further amended by inserting "(subject to subsection (s))" before "be entitled to" in the matter following subparagraph (E) and preceding subparagraph (F).

(e) Section 202(c)(1)(B) of such Act is amended by inserting after "62" the following: "or (in the case of a husband) has in his care (individually or jointly with such individual) at the time of filing such application a child entitled to child's insurance benefits on the basis of the wages and self-employment income of such individual".

(f) Section 202(c)(1) of such Act (as amended by section 401(a)(2)(C) of this Act) is further amended by redesignating the new subparagraphs (J) and (K) as subparagraphs (K) and (L), respectively, and by adding after subparagraph (I) the following new subparagraph:

"(J) in the case of a husband who has not attained age 62, no child of such individual is entitled to a child's insurance benefit."

(g) Section 202(f)(1)(C) of such Act is amended by inserting "(i)" after "(C)", by adding "or" after "223", and by inserting at the end thereof the following new clause:

"(ii) was entitled, on the basis of such wages and self-employment income, to father's insurance benefits for the month preceding the month in which he attained age 65."

(h) Section 202(f)(6) of such Act is amended by striking out "or" at the end of subparagraph (A), by adding "or" after the comma at the end of subparagraph (B), and by adding after and below subparagraph (B) the following new subparagraph:

"(C) the last month for which he was entitled to father's insurance benefits on the basis of the wages and self-employment income of such individual."

EFFECT OF MARRIAGE ON CHILDHOOD DISABILITY BENEFICIARY

Sec. 407. (a) Section 202(d)(5) of the Social Security Act is amended by striking out "a male individual" in the matter following subparagraph (B) and inserting in lieu thereof "an individual".

(b) The amendment made by subsection (a) of this section shall be effective with respect to benefits under title II of the Social Security Act for months after December 1977, but only in cases where the "last month" referred to in section 202(d)(5) of such Act is a month after December 1977.

EFFECT OF MARRIAGE ON OTHER DEPENDENTS' OR DEPENDENT SURVIVORS' BENEFITS

Sec. 408. (a) Section 202(c)(4) of the Social Security Act (as added by section 401(a)(4) of this Act) is further amended by inserting before the period at the end thereof the following: "except that, in the case of such a marriage to an individual entitled to benefits under subsection (d), the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under subsection (d) unless she ceases to be so entitled by reason of her death".

(b) Section 202(f)(4) of such Act is amended by inserting before the period at the end thereof the following: "except that, in the case of such a marriage to an individual entitled to benefits under subsection (d), the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under

subsection (d) unless she ceases to be so entitled by reason of her death".

(c) Section 202(h)(4) of such Act is amended by striking out "a male individual" in the matter following clause (B) and inserting in lieu thereof "an individual".

(d) The amendments made by this section shall be effective with respect to benefits under title II of the Social Security Act for months after December 1977, but only in cases where the "last month" referred to in section 202(c)(4), 202(f)(4), 202(g)(3), or 202(h)(4) is a month after December 1977.

TREATMENT OF SELF-EMPLOYMENT INCOME IN COMMUNITY PROPERTY STATES

SEC. 409. (a) Section 211(a)(5)(A) of the Social Security Act and section 1402(a)(5)(A) of the Internal Revenue Code of 1954 are each amended by striking out "husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife" and inserting in lieu thereof "spouse who exercises the greater management and control over the trade or business, except that such income and deductions shall be divided equally between the two spouses if each spouse exercised the same amount of management and control over the trade or business".

(b) The amendments made by subsection (a) shall be effective with respect to taxable years beginning after December 1977.

CREDIT FOR CERTAIN MILITARY SERVICE

SEC. 410. Section 217(f) of the Social Security Act is amended by striking out "widow" each place it appears and inserting in lieu thereof "surviving spouse", and by striking out "her" each place it appears in paragraph (2) and inserting in lieu thereof "his".

CONFORMING AMENDMENTS

SEC. 411. (a) Section 202(b)(3)(A) of the Social Security Act (as amended by section 401(a)(6) of this Act) is further amended by inserting "(g)," after "(f)".

(b) Section 202(p)(1) of such Act is amended by striking out "subparagraph (C) of subsection (c)(1)" and inserting in lieu thereof "subparagraph (D) of subsection (c)(1)".

(c) Section 202(q)(3) of such Act is amended by inserting "or surviving divorced husband" after "widower" in subparagraphs (E), (F), and (G).

(d) Section 202(q)(5) of such Act is amended—

(1) by inserting "husband's or" before "wife's" each place it appears;

(2) by inserting "he or" before "she" each place it appears;

(3) by inserting "his or" before "her" each place it appears;

(4) by striking out "the woman" in subparagraph (B)(ii) and "a woman" in subparagraph (C) and inserting in lieu thereof "the individual" and "an individual", respectively; and

(5) in subparagraph (D), by inserting "widower's or" before "widow's"; by inserting "wife or" before "husband" each place it appears; by inserting "wife's or" before "husband's" each place it appears; and by inserting "father's or" before "mother's".

(e)(1) Section 202(q)(6)(A)(i) of such Act is amended by striking out "or husband's insurance" in subdivision (I), and by inserting "or husband's" after "wife's" in subdivision (II).

(2) Section 202(q)(7) of such Act is amended, in subparagraph (B), by inserting "husband's or" before "wife's", by inserting "he or" before "she", and by inserting "his or" before "her", and in subparagraph (D) by inserting "or widower's" after "widow's".

(f)(1) Section 202(s)(1) of such Act is amended by inserting "(c)(1)," after "(b)(1)".

(2) Section 202(s)(2) of such Act is

amended by inserting "(c)(4)," after "(b)(3)".

(3) Section 202(s)(3) of such Act is amended by inserting "(c)(4)," after "(b)(3)", and by inserting "(f)(4)," after "(e)(3)".

(g) Section 203(a)(3) of such Act (as in effect in December 1977) is amended by inserting ", or as a divorced husband under section 202(c) or as a surviving divorced husband under section 202(f)," after "section 202(e)", by striking out "she" and inserting in lieu thereof "he or she", and by inserting "or divorced husband or surviving divorced husband" after "such divorced wife or surviving divorced wife".

(h) The third sentence of section 203(b) of such Act is amended by inserting "or father's" after "mother's".

(i) The text of section 203(c) of such Act is amended to read as follows—

"(c) Deductions, in such amounts and at such time or times as the Secretary shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefits or benefit under section 202 for any month—

"(1) in which such individual is under the age of seventy-two and on seven or more different calendar days of which such individual engaged in noncovered remunerative activity outside the United States; or

"(2) in which such individual, if a wife or husband under age sixty-five entitled to a wife's or husband's insurance benefit, did not have in his or her care (individually or jointly with his or her spouse) a child of such spouse entitled to a child's insurance benefit and such wife's or husband's insurance benefit for such month was not reduced under the provisions of section 202(q); or

"(3) in which such individual, if a widow or widower entitled to a mother's or father's insurance benefit, did not have in his or her care a child of his or her deceased spouse entitled to a child's insurance benefit; or

"(4) in which such an individual, if a surviving divorced mother or father entitled to a mother's or father's insurance benefit, did not have in his or her care a child of his deceased former spouse who (A) is his or her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit on the basis of the wages and self-employment income of such deceased former spouse.

For purposes of paragraphs (2), (3), and (4) of this subsection, a child shall not be considered to be entitled to a child's insurance benefit for any month in which paragraph

(1) of section 202(s) applies or an event specified in section 223(b) occurs with respect to such child. Subject to paragraph (3) of such section 202(s), no deductions shall be made under this subsection from any child's insurance benefits for the month in which the child entitled to such benefit attained the age of eighteen or any subsequent month; nor shall any deduction be made under this subsection from any widow's insurance benefits for any month in which the widow or surviving divorced wife is entitled and has not attained age sixty-five (but only if she became so entitled prior to attaining age sixty), or from any widower's insurance benefit for any month in which the widower or surviving divorced husband is entitled and has not attained age sixty-five (but only if he became so entitled prior to attaining age sixty)".

(j) Section 203(d) of such Act is amended by inserting "divorced husband," after "husband," in paragraph (1), and by inserting "or father's" after "mother's" each place it appears in paragraph (2).

(k)(1) Section 205(b) of such Act (as amended by section 401(d)(1) of this Act) is further amended by inserting "surviving divorced father," after "mother,".

(2) Section 205(c)(1)(C) of such Act (as

amended by section 401(d)(2) of this Act) is further amended by inserting "surviving divorced father," after "surviving divorced mother,".

(l) Section 216(f) of such Act is amended by inserting "(c)," before "(f)" in clause (3)(A).

(m) Section 216(g) of such Act is amended by inserting "(c)," before "(f)" in clause (6)(A).

(n) Section 222(b)(1) of such Act is amended by striking out "or surviving divorced wife" and inserting in lieu thereof "surviving divorced wife, or surviving divorced husband".

(o) Section 222(b)(3) of such Act is amended by inserting "divorced husband," after "husband,".

(p) Section 222(b)(2) of such Act is amended by inserting "or father's" after "mother's" each place it appears.

(q) Section 222(d)(1) of such Act is amended by inserting "and surviving divorced husbands" after "for widowers" in the matter following clause (iii).

(r) Section 223(d)(2) of such Act is amended by striking out "or widower" where that term appears in subparagraphs (A) and (B) and inserting in lieu thereof "widower, or surviving divorced husband".

(s) Section 225 of such Act is amended by inserting "or surviving divorced husband" after "widower".

(t)(1) Section 226(h)(3) of such Act is amended to read as follows:

"(3) For purposes of determining entitlement to hospital insurance benefits under subsection (b), any disabled widow age 50 or older who is entitled to mother's insurance benefits (and who would have been entitled to widow's insurance benefits by reason of disability if she had filed for such widow's benefits), and any disabled widower who is entitled to father's insurance benefits (and who would have been entitled to widower's insurance benefits by reason of disability if he had filed for such widower's benefits), shall, upon application for such hospital insurance benefits, be deemed to have filed for such widow's or widower's benefits."

(2) For purposes of determining entitlement to hospital insurance benefits under section 226(h)(3) of the Social Security Act, as amended by paragraph (1) of this subsection, an individual becoming entitled to such hospital insurance benefits as a result of the amendment made by such paragraph shall, upon furnishing proof of such disability within twelve months after the month of enactment of this Act, under such procedures as the Secretary may prescribe, be deemed to have been entitled to the widow's or widower's benefits referred to in such section 226(h)(3), as so amended, as of the time such individual would have been entitled to such widow's or widower's benefits if he or she had filed a timely application therefor.

EFFECTIVE DATE

SEC. 412. Except as otherwise specifically provided in this part, the amendments made by this part shall apply only with respect to monthly benefits payable under title II of the Social Security Act for months after December 1977.

PART B—EFFECT OF MARRIAGE, REMARRIAGE, AND DIVORCE ON BENEFIT ELIGIBILITY

ELIMINATION OF MARRIAGE OR REMARRIAGE AS FACTOR TERMINATING OR REDUCING BENEFITS

SEC. 415. (a)(1) Section 202(b)(1) of the Social Security Act is amended—

(A) by adding "and" at the end of subparagraph (B),

(B) by striking out subparagraph (C),

(C) by striking out subparagraph (H), and

(D) by redesignating subparagraphs (D), (E), (F), (G), (I), (J), and (K) as subparagraphs (C), (D), (E), (F), (G), (H), and (I), respectively.

(2) Section 202(b) of such Act is further amended by striking out paragraph (3).

(b) (1) Section 202(e) (1) of such Act (as amended by sections 401(a) (3) and 406(f) of this Act) is amended—

(A) by striking out subparagraph (C),
(B) by striking out subparagraph (I), and
(C) by redesignating subparagraphs (D), (E), (F), (G), (H), (J), (K), and (L) as subparagraphs (C), (D), (E), (F), (G), (H), (I), and (J), respectively.

(2) Section 202(c) of such Act is further amended by striking out paragraph (4) (as added by section 401(a) (4) of this Act and amended by section 408(a)).

(3) Section 202(c) (2) of such Act (as amended by section 401(a) (5) of this Act) is further amended by striking out "(D)" in the matter immediately preceding subparagraph (A) and inserting in lieu thereof "(C)".

(c) (1) Section 202(d) (1) of such Act is amended—

(A) by striking out "was unmarried and" in subparagraph (B), and
(B) by striking out "or marries," in subparagraph (D).

(2) Section 202(d) of such Act is further amended by striking out paragraph (5), and by redesignating paragraphs (6) through (9) as paragraphs (5) through (8), respectively.

(d) (1) Section 202(e) (1) of such Act is amended—

(A) by striking out subparagraph (A),
(B) by striking out "paragraph (5)" in subparagraph (B) and inserting in lieu thereof "paragraph (3)",

(C) by striking out "subparagraph (B)" in subparagraph (E) and inserting in lieu thereof "subparagraph (A)",

(D) by striking out "subparagraph (B)", "paragraph (6)", and "paragraph (5)" in subparagraph (F) and inserting in lieu thereof "subparagraph (A)", "paragraph (4)", and "paragraph (3)", respectively.

(E) by striking out "remarries, dies," in the matter following subparagraph (F) and inserting in lieu thereof "dies, or", and
(F) by redesignating subparagraphs (B) through (F) as subparagraphs (A) through (E), respectively.

(2) Section 202(e) (2) (A) of such Act is amended by striking out "paragraph (4) of this subsection."

(3) Section 202(e) of such Act is further amended by striking out paragraphs (3) and (4), and by redesignating paragraphs (5), (6), and (7) as paragraphs (3), (4), and (5), respectively.

(4) The paragraph of section 202(e) of such Act redesignated as paragraph (3) by paragraph (3) of this subsection is amended by striking out "(1)(B)(II)" and inserting in lieu thereof "(1)(A)(II)".

(5) The paragraph of section 202(e) of such Act redesignated as paragraph (4) by paragraph (3) of this subsection is amended—

(A) by striking out "paragraph (1)(F)" and inserting in lieu thereof "paragraph (1)(E)", and

(B) by striking out "paragraph (5)" and inserting in lieu thereof "paragraph (3)".

(e) (1) Section 202(f) (1) of such Act (as amended by the preceding provisions of this title) is further amended—

(A) by striking out subparagraph (A),

(B) by striking out "paragraph (6)" in subparagraph (B) and inserting in lieu thereof "paragraph (4)",

(C) by striking out "subparagraph (B)" in subparagraph (F) and inserting in lieu thereof "subparagraph (A)",

(D) by striking out "subparagraph (B)", "paragraph (7)", and "paragraph (6)" in subparagraph (G) and inserting in lieu thereof "subparagraph (A)", "paragraph (5)", and "paragraph (4)", respectively,

(E) by striking out "remarries," in the matter following subparagraph (G), and
(F) by redesignating subparagraphs (B)

through (G) as subparagraphs (A) through (F), respectively.

(2) Section 202(f) (2) of such Act is amended by striking out "subparagraph (D)" and inserting in lieu thereof "subparagraph (C)".

(3) Section 202(f) (3) (A) of such Act is amended by striking out "paragraph (5) of this subsection."

(4) Section 202(f) of such Act is further amended by striking out paragraphs (4) and (5), and by redesignating paragraphs (6), (7), and (8) as paragraphs (4), (5), and (6), respectively.

(5) The paragraph of section 202(f) of such Act redesignated as paragraph (4) by paragraph (4) of this subsection is amended by striking out "(1)(B)(II)" and inserting in lieu thereof "(1)(A)(II)".

(6) The paragraph of section 202(f) of such Act redesignated as paragraph (5) by paragraph (4) of this subsection is amended by striking out "paragraph (1)(G)" and "paragraph (6)" and inserting in lieu thereof "paragraph (1)(F)" and "paragraph (4)", respectively.

(f) (1) Section 202(g) (1) of such Act (as amended by section 406(a) of this Act) is further amended—

(A) by striking out subparagraph (A),

(B) by striking out "subparagraph (E)" in subparagraph (F) (1) and inserting in lieu thereof "subparagraph (D)",

(C) by striking out "he remarries," in the matter following subparagraph (F), and
(D) by redesignating subparagraphs (B) through (F) as subparagraphs (A) through (E), respectively.

(2) Section 202(g) of such Act is further amended by striking out paragraph (3).

(g) (1) Section 202(h) (1) of such Act is amended—

(A) by striking out subparagraph (C),
(B) by striking out "marries," in the matter following subparagraph (E), and
(C) by redesignating subparagraphs (D) and (E) as subparagraphs (C) and (D), respectively.

(2) Section 202(h) of such Act is further amended by striking out paragraph (4).

(h) (1) Section 202(k) (2) (B) of such Act is amended—

(A) by striking out "(other than an individual to whom subsection (e) (4) or (f) (5) applies)", and
(B) by striking out the second sentence.

(2) Section 202(k) (3) of such Act is amended—

(A) by striking out "(A)" immediately before "If an individual is entitled to an old-age or disability insurance benefit", and
(B) by striking out subparagraph (B).

(1) Section 202(p) (1) of such Act (as amended by section 411(b) of this Act) is further amended by striking out "subparagraph (D) of subsection (c) (1), clause (1) or (II) of subparagraph (D) of subsection (f) (1)" and inserting in lieu thereof "subparagraph (C) of subsection (c) (1), clause (1) or (II) of subparagraph (C) of subsection (f) (1)".

(j) (1) Section 202(s) (2) of such Act is repealed.

(2) Section 202(s) (3) of such Act (as amended by section 411(f) (3) of this Act) is further amended by striking out "so much of subsections (b) (3), (c) (4), (d) (5), (e) (3), (f) (4), (g) (3), and (h) (4) of this section as follows the semicolon."

DURATION-OF-MARRIAGE REQUIREMENT FOR DIVORCED SPOUSES AND SURVIVING DIVORCED SPOUSES

SEC. 416. (a) Section 216(d) of the Social Security Act is amended by striking out "20 years" in paragraphs (1) and (2), and in paragraphs (4) and (5) (as added by section 401(c) (1) of this Act), and inserting in lieu thereof in each instance "5 years".

(b) Section 202(b) (1) (F) of such Act (as

redesignated by section 415(a) (1) (D) of this Act) is amended by striking out "20 years" and inserting in lieu thereof "5 years".

(c) Section 202(c) (1) (G) of such Act (as added by section 401(a) (2) (C) of this Act and redesignated by section 415(b) (1) (C)) is amended by striking out "20 years" and inserting in lieu thereof "5 years".

EFFECTIVE DATE

SEC. 417. (a) The amendments made by this part shall apply only with respect to monthly benefits payable under title II of the Social Security Act for months after December 1978, and, in the case of individuals who are not entitled to benefits of the type involved under such title for December 1978, only on the basis of applications filed on or after January 1, 1979.

(b) An individual whose entitlement to monthly insurance benefits under subsection (b), (c), (d), (e), (f), (g), or (h) of section 202 of the Social Security Act terminated on account of such individual's marriage or remarriage, or on account of termination (except by reason of death) of the benefits to which such individual's spouse was entitled under section 223(a) or section 202(d) (1) (B) (II) of such Act, prior to January 1979, may again become entitled to such benefits (provided no event which would otherwise terminate such entitlement has since occurred) beginning with January 1979 or, if later, with the first month (after January 1979) in which he files application for such reentitlement. The reentitlement of such individual to benefits under such subsection (and the entitlement of other persons to benefits under title II of the Social Security Act to the extent related to such individual or his entitlement) shall be treated for all the purposes of title II of the Social Security Act as though such reentitlement were the individual's initial entitlement.

PART C—STUDY

STUDY OF PROPOSALS TO ELIMINATE DEPENDENCY AND SEX DISCRIMINATION UNDER THE SOCIAL SECURITY PROGRAM

SEC. 421. (a) The Secretary of Health, Education, and Welfare, in consultation with the Task Force on Sex Discrimination in the Department of Justice, shall undertake and carry out, within the Department of Health, Education, and Welfare and the Social Security Administration, a detailed study of proposals to eliminate dependency as a factor in the determination of entitlement to spouse's benefits under the social security program, and of proposals to bring about equal treatment of men and women in any and all respects under such program, taking into account the practical effects (particularly the effect upon women's entitlement to such benefits) of such things as—

(1) changes in the nature and extent of women's participation in the labor force.

(2) the increasing divorce rate, and
(3) the economic value of women's work in the home. The study shall include appropriate cost analyses.

(b) The Secretary shall submit to the Congress within six months after the date of the enactment of this Act a full and complete report on the study carried out under subsection (a).

TITLE V—CHANGES IN EARNINGS TEST UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM LIBERALIZATION OF EARNINGS FOR INDIVIDUALS AGE 65 AND OVER

SEC. 501. (a) Section 203(f) (8) (A) of the Social Security Act is amended by striking out "a new exempt amount which shall be effective (unless such new exempt amount is prevented from becoming effective by subparagraph (C) of this paragraph) with respect to any individual's taxable year which ends after the calendar year" and inserting in lieu thereof "the new exempt amounts (separately stated for individuals described in

subparagraph (D) and for other individuals) which are to be applicable (unless prevented from becoming effective by subparagraph (C)) with respect to taxable years ending in (or with the close of) the calendar year after the calendar year."

(b) (1) Section 203(f) (8) (B) of such Act is amended by striking out "The exempt amount for each month of a particular taxable year shall be" in the matter preceding clause (1) and inserting in lieu thereof "except as otherwise provided in subparagraph (D), the exempt amount which is applicable to individuals described in such subparagraph and the exempt amount which is applicable to other individuals, for each month of a particular taxable year, shall each be".

(2) Section 203(f) (8) (B) (1) of such Act is amended by striking out "the exempt amount" and inserting in lieu thereof "the corresponding exempt amount".

(3) The last sentence of section 203(f) (8) (B) of such Act is amended by striking out "the exempt amount" and inserting in lieu thereof "an exempt amount".

(c) (1) Section 203(f) (8) of such Act is further amended by adding at the end thereof the following new subparagraph:

"(D) Notwithstanding any other provision of this subsection, the exempt amount which is applicable to an individual who has attained age 65 before the close of the taxable year involved—

"(i) shall be \$333.33½ for each month of any taxable year ending after 1977 and before 1979,

"(ii) shall be \$375 for each month of any taxable year after 1978 and before 1980, and

"(iii) shall be determined (under subparagraph (B)) for each month of any taxable year ending after 1979 as though the dollar amounts specified in clauses (i) and (ii) had been determined (for the taxable years described in such clauses) under subparagraph (B)."

(2) No notification with respect to an increased exempt amount for individuals described in section 203(f) (8) (D) of the Social Security Act (as added by paragraph (1) of this subsection) shall be required under the last sentence of section 203(f) (8) (B) of such Act in 1977 or 1978; and section 203(f) (8) (C) of such Act shall not prevent the new exempt amount determined and published under section 203(f) (8) (A) in 1977 from becoming effective to the extent that such new exempt amount applies to individuals other than those described in section 203(f) (8) (D) of such Act (as so added).

(d) Subsections (f) (1), (f) (3), (f) (4) (B), and (h) (1) (A) of section 203 of such Act are each amended by striking out "\$200 or the exempt amount" and inserting in lieu thereof "the applicable exempt amount".

(e) The amendments made by this section shall apply with respect to taxable years ending after December 1977.

ELIMINATION OF MONTHLY EARNINGS TEST

SEC. 502. (a) Clause (E) of the last sentence of section 203(f) (1) of the Social Security Act (as amended by section 501(d) of this Act) is further amended by inserting before the period at the end thereof the following: " , if such month is in the taxable year in which occurs the first month that is both (i) a month for which the individual is entitled to benefits under subsection (a), (b), (c), (d), (e), (f), (g), or (h) of section 202 (without having been entitled in the preceding month to a benefit under any other of such subsections), and (ii) a month in which the individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (5)) of more than the exempt amount as determined under paragraph (8)".

(b) The amendment made by subsection (a) shall apply only with respect to monthly

benefits payable for months after December 1977.

LIBERALIZATION OF TEST FOR DETERMINING DEDUCTIONS ON ACCOUNT OF NONCOVERED WORK OUTSIDE THE UNITED STATES

SEC. 503. (a) Effective with respect to months in taxable years ending after 1977 and before 1979, subsections (c) (1), (d) (1), and (d) (2) of section 203 of the Social Security Act (as amended by the preceding provisions of this Act) are each amended by striking out "seven or more" and inserting in lieu thereof "nine or more".

(b) Effective with respect to months in taxable years ending after 1978, subsections (c) (1), (d) (1), and (d) (2) of such section 203 (as amended by subsection (a) of this section) are each further amended by striking out "nine or more" and inserting in lieu thereof "twelve or more".

TITLE VI—COMBINED SOCIAL SECURITY AND INCOME TAX ANNUAL REPORTING
PART A—AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT

ANNUAL CREDITING OF QUARTERS OF COVERAGE

SEC. 601. (a) (1) Sections 209(g) (3), 209(j), 210(a) (17) (A), and 210(f) (4) (B) of the Social Security Act are each amended by striking out "quarter" wherever it appears and inserting in lieu thereof "year".

(2) Sections 209(g) (3) and 209(j) of such Act are each further amended by striking out "\$50" and inserting in lieu thereof "\$100".

(3) (A) Section 209 of such Act is amended by striking out "or" at the end of subsection (n), by striking out the period at the end of subsection (o) and inserting in lieu thereof "; or", and by inserting after subsection (o) the following new subsection:

"(p) Remuneration paid by an organization exempt from income tax under section 501 of the Internal Revenue Code of 1954 in any calendar year to an employee for service rendered in the employ of such organization, if the remuneration paid in such year by the organization to the employee for such service is less than \$100."

(B) Section 210(a) (10) of such Act (as amended by section 302(d) (3) of this Act) is amended by striking out "(10(A))" and all that follows down through "(B) Service" and inserting in lieu thereof "(10) Service", and by redesignating clauses (i) and (ii) as subparagraphs (A) and (B), respectively.

(b) Section 212 of such Act is amended to read as follows:

"CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR YEARS

"SEC. 212. (a) For the purposes of determining average monthly wage and quarters of coverage the amount of self-employment income derived during any taxable year which begins before 1978 shall—

"(1) in the case of a taxable year which is a calendar year, be credited equally to each quarter of such calendar year; and

"(2) in the case of any other taxable year, be credited equally to the calendar quarter in which such taxable year ends and to each of the next three or fewer preceding quarters any part of which is in such taxable year.

"(b) For the purposes of determining average indexed monthly earnings, average monthly wage, and quarters of coverage the amount of self-employment income derived during any taxable year which begins after 1977 shall—

"(1) in the case of a taxable year which is a calendar year or which begins with or during a calendar year and ends with or during such year, be credited to such calendar year; and

"(2) in the case of any other taxable year, be allocated proportionately to the two calendar years, portions of which are included within such taxable year, on the basis of the

number of months in each such calendar year which are included completely within the taxable year.

For purposes of clause (2), the calendar month in which a taxable year ends shall be treated as included completely within that taxable year."

(c) Section 213(a) (2) of such Act is amended to read as follows:

"(2) (A) The term 'quarter of coverage' means—

"(i) for calendar years before 1978, and subject to the provisions of subparagraph (B), a quarter in which an individual has been paid \$50 or more in wages (except wages for agricultural labor paid after 1954) or for which he has been credited (as determined under section 212) with \$100 or more of self-employment income; and

"(ii) for calendar years after 1977, and subject to the provisions of subparagraph (B), each portion of the total of the wages paid and the self-employment income credited (pursuant to section 212) to an individual in a calendar year which equals \$250, with such quarter of coverage being assigned to a specific calendar quarter in such calendar year only if necessary in the case of any individual who has attained age 62 or died or is under a disability and the requirements for insured status in subsection (a) or (b) of section 214, the requirements for entitlement to a computation or recomputation of his primary insurance amount, or the requirements of paragraph (3) of section 216(i) would not otherwise be met.

"(B) Notwithstanding the provisions of subparagraph (A)—

"(i) no quarter after the quarter in which an individual dies shall be a quarter of coverage, and no quarter any part of which is included in a period of disability (other than the initial quarter and the last quarter of such period) shall be a quarter of coverage:

"(ii) if the wages paid to an individual in any calendar year equal to \$3,000 in the case of a calendar year before 1951, or \$3,600 in the case of a calendar year after 1950 and before 1955, or \$4,200 in the case of a calendar year after 1954 and before 1959, or \$4,800 in the case of a calendar year after 1958 and before 1966, or \$6,600 in the case of a calendar year after 1965 and before 1968, or \$7,800 in the case of a calendar year after 1967 and before 1972, or \$9,000 in the case of the calendar year 1972, or \$10,800 in the case of the calendar year 1973, or \$13,200 in the case of the calendar year 1974, or an amount equal to the contribution and benefit base (as determined under section 230) in the case of any calendar year after 1974 with respect to which such contribution and benefit base is effective, each quarter of such year shall (subject to clauses (i) and (v)) be a quarter of coverage;

"(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such year equals \$3,600 in the case of a taxable year beginning after 1950 and ending before 1955, or \$4,200 in the case of a taxable year ending after 1954 and before 1959, or \$4,800 in the case of a taxable year ending after 1958 and before 1966, or \$6,600 in the case of a taxable year ending after 1965 and before 1968, or \$7,800 in the case of a taxable year ending after 1967 and before 1972, or \$9,000 in the case of a taxable year beginning after 1971 and before 1973, or \$10,800 in the case of a taxable year beginning after 1972 and before 1974, or \$13,200 in the case of a taxable year beginning after 1973 and before 1975, or an amount equal to the contribution and benefit base (as defined under section 230) which is effective for the calendar year in the case of any taxable year beginning in any calendar year after 1974, each quarter any part of which falls in such year shall (subject to clauses (i) and (v)) be a quarter of coverage;

"(iv) if an individual is paid wages for

agricultural labor in a calendar year after 1954 and before 1978, then, subject to clauses (i) and (v), (I) the last quarter of such year which can be but is not otherwise a quarter of coverage shall be a quarter of coverage if such wages equal or exceed \$100 but are less than \$200; (II) the last two quarters of such year which can be but are not otherwise quarters of coverage shall be quarters of coverage if such wages equal or exceed \$200 but are less than \$300; (III) the last three quarters of such year which can be but are not otherwise quarters of coverage shall be quarters of coverage if such wages equal or exceed \$300 but are less than \$400; and (IV) each quarter of such year which is not otherwise a quarter of coverage shall be a quarter of coverage if such wages are \$400 or more;

"(v) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter;

"(vi) not more than one quarter of coverage may be credited to a calendar quarter; and

"(vii) no more than four quarters of coverage may be credited to any calendar year after 1977.

If in the case of an individual who has attained age 62 or died or is under a disability and who has been paid wages for agricultural labor in a calendar year after 1954 and before 1978, the requirements for insured status in subsection (a) or (b) of section 214, the requirements for entitlement to a computation or recomputation of his primary insurance amount, or the requirements of paragraph (3) of section 216(i) are not met after assignment of quarters of coverage to quarters in such year as provided in clause (iv) of the preceding sentence, but would be met if such quarters of coverage were assigned to different quarters in such year, then such quarters of coverage shall instead be assigned, for purposes only of determining compliance with such requirements, to such different quarters. If, in the case of an individual who did not die prior to January 1, 1955, and who attained age 62 (if a woman) or age 65 (if a man) or died before July 1, 1957, the requirements for insured status in section 214 (a) (3) are not met because of his having too few quarters of coverage but would be met if his quarters of coverage in the first calendar year in which he had any covered employment had been determined on the basis of the period during which wages were earned rather than on the basis of the period during which wages were paid (any such wages paid that are reallocated on an earned basis shall not be used in determining quarters of coverage for subsequent calendar years), then upon application filed by the individual or his survivors and satisfactory proof of his record of wages earned being furnished by such individual or his survivors, the quarters of coverage in such calendar year may be determined on the basis of the periods during which wages were earned."

(d) The amendments made by subsection (a) shall apply with respect to remuneration paid and services rendered after December 31, 1977. The amendments made by subsections (b) and (c) shall be effective January 1, 1978.

ADJUSTMENT IN AMOUNT REQUIRED FOR A QUARTER OF COVERAGE

Sec. 602. (a) Section 213(a)(2)(A)(ii) of the Social Security Act, as amended by section 601(c) of this Act, is amended by striking out "\$250" and inserting in lieu thereof "the amount required for a quarter of coverage in that calendar year (as determined under subsection (e))."

(b) Section 213 of such Act is further amended by adding at the end thereof (after the new subsection added by section 304 of this Act) the following new subsection:

"Amount Required for a Quarter of Coverage

"(e) (1) The amount of wages and self-employment income which an individual must have in order to be credited with a quarter of coverage in any year under subsection (a)(2)(A)(ii) shall be \$250 in the calendar year 1978 and the amount determined under paragraph (2) of this subsection for years after 1978.

"(2) The Secretary shall, on or before November 1 of 1978 and of every year thereafter, determine and publish in the Federal Register the amount of wages and self-employment income which an individual must have in order to be credited with a quarter of coverage in the succeeding calendar year. The amount required for a quarter of coverage shall be the larger of—

"(A) the amount in effect in the calendar year in which the determination under this subsection is made, or

"(B) the product of the amount prescribed in paragraph (1) which is required for a quarter of coverage in 1978 and the ratio of the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the year in which the determination under this paragraph is made to the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for 1976 (as published in the Federal Register in accordance with section 215(a)(1)(D)), with such product, if not a multiple of \$10, being rounded to the next higher multiple of \$10 where such amount is a multiple of \$5 but not of \$10 and to the nearest multiple of \$10 in any other case."

(c) The amendments made by this section shall be effective January 1, 1978.

TECHNICAL AND CONFORMING AMENDMENTS

Sec. 603. (a) (1) Section 203(f)(8)(B)(i) of the Social Security Act is amended by striking out "was" wherever it appears and inserting in lieu thereof "is".

(2) Section 203(f)(8)(B)(ii) of such Act is amended to read as follows:

"(i) the product of the exempt amount described in clause (i) and the ratio of (I) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the calendar year in which the determination under subparagraph (A) is made to (II) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the calendar year before the most recent calendar year in which an increase in the exempt amount was enacted or a determination resulting in such an increase was made under subparagraph (A), with such product, if not a multiple of \$10, being rounded to the next higher multiple of \$10 where such product is a multiple of \$5 but not of \$10 and to the nearest multiple of \$10 in and other case."

(b) (1) The first sentence of section 218(c)(8) of such Act is amended by striking out "quarter" wherever it appears and inserting in lieu thereof "year", and by striking out "\$50" and inserting in lieu thereof "\$100".

(2) Section 218(q)(4)(B) of such Act is amended by striking out "any calendar quarters" and inserting in lieu thereof "a calendar year", and by striking out "such calendar quarters" and inserting in lieu thereof "such calendar year".

(3) Section 218(q)(6)(B) of such Act is amended by striking out "calendar quarters designated by the State in such wage reports as the" and inserting in lieu thereof "period

or periods designated by the State in such wage reports as the period or".

(4) Section 218(r)(1) of such Act is amended—

(A) by striking out "quarter" in the matter before clause (A) and inserting in lieu thereof "year",

(B) by striking out "in which occurred the calendar quarter" in clause (A), and

(C) by striking out "quarter" in clause (B) and inserting in lieu thereof "year".

(c) (1) Effective with respect to estimates for calendar years beginning after December 31, 1977, section 224(a) of such Act is amended by striking out the last sentence.

(2) Section 224(f)(2) of such Act is amended to read as follows:

"(2) In making the redetermination required by paragraph (1), the individual's average current earnings (as defined in subsection (a)) shall be deemed to be the product of—

"(A) his average current earnings as initially determined under subsection (a);

"(B) the ratio of (i) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the year in which such redetermination is made to (ii) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for calendar year 1977 or, if later, the calendar year before the year in which the reduction was first computed (but not counting any reduction made in benefits for a previous period of disability); and

"(C) in any case in which the reduction was first computed before 1978, the ratio of (i) the average of the taxable wages reported to the Secretary for the first calendar quarter of 1977 to (ii) the average of the taxable wages reported to the Secretary for the first calendar quarter of the calendar year before the year in which the reduction was first computed (but not counting any reduction made in benefits for a previous period of disability).

Any amount determined under this paragraph which is not a multiple of \$1 shall be reduced to the next lower multiple of \$1."

(d) Section 229(a) of such Act is amended—

(1) by striking out "shall be deemed to have been paid, in each calendar quarter occurring after 1956 in which he" and inserting in lieu thereof ", if he", and

(2) by striking out "wages (in addition to the wages actually paid to him for such service) of \$300." at the end thereof and inserting in lieu thereof the following: "shall be deemed to have been paid—

"(1) in each calendar quarter occurring after 1956 and before 1978 in which he was paid such wages, additional wages of \$300, and

"(2) in each calendar year occurring after 1977 in which he was paid such wages, additional wages of \$100 for each \$300 of such wages, up to a maximum of \$1,200 of additional wages for any calendar year."

(e) (1) Section 230(b) of such Act is amended by striking out the last sentence.

(2) Section 230(b)(1) of such Act is amended to read as follows:

"(1) the contribution and benefit base which is in effect with respect to remuneration paid in (and taxable years beginning in) the calendar year in which the determination under subsection (a) is made, and"

(3) Section 230(b)(2) of such Act is amended to read as follows:

"(2) the ratio of (A) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a))

reported to the Secretary of the Treasury or his delegate for the calendar year before the calendar year in which the determination under subsection (a) is made to (B) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the calendar year before the most recent calendar year in which an increase in the contribution and benefit base was enacted or a determination resulting in such an increase was made under subsection (a)."

(f) (1) Effective with respect to convictions after December 31, 1977, section 202(u) (1) (C) of such Act is amended by striking out "quarter" wherever it appears and inserting in lieu thereof "year".

(2) (A) Section 205(c) (1) of such Act is amended by striking out "(as defined in section 211(e))".

(B) Section 205(c) (1) of such Act is further amended by adding at the end thereof the following new subparagraph:

"(D) The term 'period' when used with respect to self-employment income means a taxable year and when used with respect to wages means—

"(i) a quarter if wages were reported or should have been reported on a quarterly basis on tax returns filed with the Secretary of the Treasury or his delegate under section 6011 of the Internal Revenue Code of 1954 or regulations thereunder (or on reports filed by a State under section 218(e) or regulations thereunder),

"(ii) a year if wages were reported or should have been reported on a yearly basis on such tax returns or reports, or

"(iii) the half year beginning January 1 or July 1 in the case of wages which were reported or should have been reported for calendar year 1937."

(C) Section 205(o) of such Act is amended by inserting "before 1978" after "calendar year".

(g) The amendments made by subsection (b) of this section shall apply with respect to remuneration paid after December 31, 1977. The amendments made by subsections (d) and (f) (2) shall be effective January 1, 1978. Except as otherwise specifically provided, the remaining amendments made by this section shall be effective January 1, 1979.

PART B—AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1954

DEDUCTION OF TAX FROM WAGES

Sec. 611. (a) Section 3102(a) of the Internal Revenue Code of 1954 is amended by striking out "or (C) or (10)", and by inserting after "is less than \$50;" the following: "and an employer who in any calendar year pays to an employee cash remuneration to which paragraph (7) (C) or (10) of section 3121(a) is applicable may deduct an amount equivalent to such tax from any such payment of remuneration even though at the time of payment the total amount of such remuneration paid to the employee by the employer in the calendar is less than \$100;"

(b) (1) Paragraphs (1) and (2) of section 3102(c) of such Code are each amended by striking out "quarter" wherever it appears and in inserting in lieu thereof "year".

(2) Paragraph (3) of section 3102(c) of such Code is amended—

(A) by striking out "quarter of the" in subparagraph (A); and

(B) by striking out "quarter" wherever it appears in subparagraphs (B) and (C) and inserting in lieu thereof "year".

(c) The amendments made by this section shall apply with respect to remuneration paid and to tips received after December 31, 1977.

TECHNICAL AND CONFORMING AMENDMENTS

Sec. 612. (a) Sections 3121(a) (7) (C) and 3121(a) (10) of the Internal Revenue Code of 1954 are each amended by striking "quarter"

wherever it appears and inserting in lieu thereof "year", and by striking out "\$50" and inserting in lieu thereof "\$100".

(b) Section 3121(a) of such Code is amended by striking out "or" at the end of paragraph (14), by striking out the period at the end of paragraph (15) and inserting in lieu thereof "; or", and by adding after paragraph (15) the following new paragraph: "(16) remuneration paid by an organization exempt from income tax under section 501(a) (other than an organization described in section 401(a)) or under section 521 in any calendar year to an employee for service rendered in the employ of such organization, if the remuneration paid in such year by the organization to the employee for such service is less than \$100."

(c) Section 3121(b) (10) of such Code (as amended by section 302(e) (4) of this Act) is amended by striking out "(10) (A)" and all that follows down through "(B) service" and inserting in lieu thereof "(10) service", and redesignating clauses (i) and (ii) as subparagraphs (A) and (B), respectively.

(d) Sections 3121(b) (17) (A) and 3121(g) (4) (B) of such Code are each amended by striking out "quarter" and inserting in lieu thereof "year".

(e) The amendments made by this section shall apply with respect to remuneration paid and services rendered after December 31, 1977.

PART C—CONFORMING AMENDMENT TO THE RAILROAD RETIREMENT ACT OF 1974
COMPUTATION OF EMPLOYEE ANNUITIES

Sec. 621. (a) The last sentence of section 3(f) (1) of the Railroad Retirement Act of 1974 is amended—

(1) by inserting "paid before 1978" after "in the case of wages", and

(2) by inserting "and in the case of wages paid after 1977" before the period at the end thereof.

(b) The amendments made by this section shall be effective January 1, 1978.

TITLE VII—MISCELLANEOUS PROVISIONS
ACTUARIAL REDUCTION OF BENEFIT INCREASES TO BE APPLIED AS OF TIME OF ORIGINAL ENTITLEMENT

Sec. 701. (a) Effective with respect to monthly benefits payable for months after December 1977, section 202(q) (4) of the Social Security Act is amended by striking out all that follows subparagraph (B) and inserting in lieu thereof the following:

"then the amount of the reduction of such benefit (after the application of any adjustment under paragraph (7)) for each month beginning with the month of such increase in the primary insurance amount shall be computed under paragraph (1) or (3), whichever applies, as though the increased primary insurance amount had been in effect for and after the month for which the individual first become entitled to such monthly benefit reduced under such paragraph (1) or (3)."

(b) For purposes of applying section 202(q) (4) of the Social Security Act, as amended by subsection (a) of this section, to monthly benefits payable for any month after December 1977 in the case of an individual who was entitled to a monthly benefit as reduced under section 202(q) (1) or (3) of such Act prior to January 1978, the amount of reduction in such benefit for the first month for which such benefit is increased by reason of an increase in the primary insurance amount of the individual on whose wages and self-employment income such benefit is based and for all subsequent months (and similarly for all subsequent increases) shall be increased by a percentage equal to the percentage of the increase in such primary insurance amount (such increase being made in accordance with the provisions of section 202(q) (8) of such Act). Where such individual's benefit, reduced under section 202(q)

of such Act, is increased as a result of the use of an adjusted reduction period or an additional adjusted reduction period (in accordance with paragraphs (1) and (3) of such section 202(q)), then for the first month for which such increase is effective and for all subsequent months, the amount of such reduction (after the application of the previous sentence, if an increase in the primary insurance amount is applicable) shall be determined—

(1) in the case of old-age and spouse's insurance benefits, by multiplying such amount by the ratio of (A) the number of months in the adjusted reduction period to (B) the number of months in the reduction period,

(2) in the case of widow's and widower's insurance benefits for the month in which such individual attains age 62, by multiplying such amount by the ratio of (A) the number of months in the reduction period beginning with age 62 multiplied by $\frac{10}{100}$ of 1 per centum, plus the number of months in the adjusted reduction period prior to age 62 multiplied by $\frac{10}{100}$ of 1 per centum, plus the number of months in the adjusted additional reduction period multiplied by $\frac{43}{100}$ of 1 per centum to (B) the number of months in the reduction period multiplied by $\frac{10}{100}$ of 1 per centum, plus the number of months in the additional reduction period multiplied by $\frac{43}{100}$ of 1 per centum, and

(3) in the case of widow's and widower's insurance benefits for the month in which such individual attains age 65, by multiplying such amount by the ratio of (A) the number of months in the adjusted reduction period multiplied by $\frac{10}{100}$ of 1 per centum, plus the number of months in the adjusted additional reduction multiplied by $\frac{43}{100}$ of 1 per centum to (B) the number of months in the reduction period prior to age 62 multiplied by $\frac{10}{100}$ of 1 per centum, plus the number of months in the adjusted additional reduction period multiplied by $\frac{43}{100}$ of 1 per centum,

with each such decrease being made in accordance with the provisions of section 202(q) (8) of such Act.

(c) When an individual is entitled to more than one monthly benefit under title II of the Social Security Act for any month and one or more of such benefits are reduced under section 202(q) of the Social Security Act, as amended by this Act, subsection (b) of this section shall apply separately to each such benefit before the application of section 202(k) of such Act (pertaining to the method by which monthly benefits are offset when an individual is entitled to more than one kind of benefit), and the application of this subsection shall operate in conjunction with section 202(q) (3) of the Social Security Act.

(d) (1) Section 202(q) (7) (C) of the Social Security Act is amended by striking out "because" and all that follows and inserting in lieu thereof "because of the occurrence of an event that terminated her or his entitlement to such benefits,"

(2) Section 202(q) (3) (H) of such Act is amended by inserting "for that month or" after "first entitled".

ELIMINATION OF CERTAIN OPTIONAL PAYMENT PROCEDURES UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

Sec. 702. (a) (1) The first sentence of section 202(j) (1) of the Social Security Act is amended by striking out "An individual" and inserting "Subject to the limitations contained in paragraph (4), an individual" in lieu thereof.

(2) Section 202(j) of such Act is further amended by inserting at the end thereof the following new paragraph:

"(4) (A) Except as provided in subparagraph (B), no individual shall be entitled to benefits under subsection (a), (b), (c), (e), or (f) for any month prior to the month in which he or she files an application for such benefits if the effect of such payment would be to reduce, pursuant to subsection (q), the monthly benefits to which such individual would otherwise be entitled.

"(B) (1) If the individual applying for retroactive benefits is applying for such benefits under subsection (a), and there are one or more other persons who would, except for subparagraph (A), be entitled for any month, on the basis of the wages and self-employment income of such individual and because of such individual's entitlement to such retroactive benefits, to retroactive benefits under subsection (b), (c), or (d) not subject to reduction under subsection (q), then subparagraph (A) shall not apply with respect to such month or any subsequent month.

"(11) If the individual applying for retroactive benefits is a surviving spouse, or surviving divorced spouse who is under a disability (as defined in section 223(d)), and such individual would, except for subparagraph (A), be entitled to retroactive benefits as a disabled surviving spouse, or surviving divorced spouse for any month before he or she attained the age of 60, then subparagraph (A) shall not apply with respect to such month or any subsequent month.

"(11) If the individual applying for retroactive benefits has excess earnings (as defined in section 203(f)) in the year in which he or she files an application for such benefits which could, except for subparagraph (A), be charged to months in such year prior to the month of application, then subparagraph (A) shall not apply to so many of such months immediately preceding the month of application as are required to charge such excess earnings to the maximum extent possible."

(3) Section 228(h) of such Act is amended by adding at the end thereof the following new paragraph:

"(4) For the purposes of determining entitlement to hospital insurance benefits under subsection (b) in the case of an individual described in clause (iii) of subsection (b)(2)(A), the entitlement of such individual to widow's or widower's insurance benefits under section 202 (e) or (f) by reason of a disability shall be deemed to be the entitlement to such benefits that would result if such entitlement were determined without regard to the provisions of section 202(j)(4)."

(b) The amendments made by this section shall be effective with respect to applications for benefits under title II of the Social Security Act filed on or after January 1, 1978.

EARLY MAILING OF BENEFIT CHECKS WHERE REGULARLY SCHEDULED DELIVERY DAY FALLS ON SATURDAY, SUNDAY, OR LEGAL HOLIDAY

SEC. 703. (a) Title VII of the Social Security Act is amended by adding at the end thereof the following new section:

"TIME FOR DELIVERY OF BENEFIT CHECKS WHEN REGULAR DELIVERY DAY FALLS ON A SATURDAY, SUNDAY, OR LEGAL HOLIDAY

"SEC. 703. (a) If the day regularly designated for the delivery of benefit checks under title II or title XVI falls on a Saturday, Sunday, or legal public holiday (as defined in section 6103 of title 5, United States Code) in any month, the benefit checks which would otherwise be delivered on such day shall be mailed in time for delivery, and delivered, on the first day preceding such day which is not a Saturday, Sunday, or legal public holiday (as so defined), without regard to whether the delivery of such checks would as a result have to be made before the end of the month for which such checks are issued.

"(b) If more than the correct amount of payment under title II or XVI is made to any individual as a result of the receipt of a benefit check pursuant to subsection (a) before the end of the month for which such check is issued, no action shall be taken (under section 204 or 1631(b) or otherwise) to recover such payment or the incorrect portion thereof."

(b) The amendment made by subsection (a) of this section shall apply with respect to benefit checks the regularly designated day for delivery of which occurs on or after the thirtieth day after the date of the enactment of this Act.

DEFINITION

SEC. 704. As used in this Act and the amendments to the Social Security Act made by this Act, the term "Secretary" means, unless the context otherwise requires, the Secretary of Health, Education, and Welfare.

The Clerk will now report the amendment recommended by the Committee on Post Office and Civil Service printed in the bill.

Mr. LEVITAS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. Evidently a quorum is not present.

The Chair announces that pursuant to clause 2, rule XXIII, he will vacate proceedings under the call when a quorum of the committee appears. Members will record their presence by electronic device.

The call was taken by electronic device.

QUORUM CALL VACATED

The CHAIRMAN. One hundred Members have appeared. A quorum of the Committee of the Whole is present. Pursuant to rule XXIII, clause 2, further proceedings under the call shall be considered as vacated.

The Committee will resume its business.

COMMITTEE ON POST OFFICE AND CIVIL SERVICE AMENDMENT

The CHAIRMAN. The Clerk will now report the amendment recommended by the Committee on Post Office and Civil Service, printed in the bill.

The Clerk read as follows:

Committee on Post Office and Civil Service amendment:

STUDY CONCERNING MANDATORY COVERAGE OF FEDERAL EMPLOYEES

SEC. 301. (a) As soon as possible after the date of enactment of this Act, the Chairman of the Civil Service Commission, the Secretaries of the Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget, shall jointly undertake and carry out a detailed study with respect to coverage of Federal employees within the old-age, survivors, and disability insurance system.

(b) The study to be undertaken under subsection (a) shall include—

(1) a review of the methods by which full coverage of Federal employees within the old-age, survivors, and disability insurance system could be attained;

(2) an analysis of the adjustments to such system (as well as to the civil service retirement and disability system and other Federal employee retirement systems involved, including the foreign service, Judiciary, Central Intelligence Agency, and District of Columbia retirement systems) and which are necessary under each such method to provide such coverage, particularly—

(A) adjustments in age, service, and other eligibility requirements; and

(B) adjustments in the nature and level of disability, death, and survivor benefits (taking into account any related factors, such as the taxability of such benefits);

(3) a comparison of the financial aspects of each such method, particularly—

(A) the adjustments required by each such method in the contributions by Federal employees, the Government (whether by specific contribution or by appropriation), and others involved;

(B) the adjustments required by each such method in the manner in which benefits are financed under the retirement systems involved; and

(C) the effects of each such method on the solvency of the retirement systems involved;

(4) the effects of each such method of coverage on—

(A) recruitment and retention of Federal employees;

(B) other employee benefits (such as health benefits coverage provided for civil service annuitants); and

(C) Federal, State, and local income tax systems;

(5) a review of the methods by which partial coverage of Federal employees within the old-age, survivors, and disability insurance system could be attained, together with consideration of the factors described in paragraphs (2), (3), and (4) as they would relate to such partial coverage; and

(6) alternatives to providing coverage of Federal employees within the old-age, survivors, and disability insurance system which would improve the solvency of the old-age, survivors, and disability insurance system.

In connection with such study, interested parties, including Federal employee organizations, associations of retired Federal employees, and heads of agencies administering Federal employee retirement systems, shall be allowed to submit views, arguments, and data.

(c) Upon the completion of the study under subsection (a) and in any event no later than 2 years after the date of the enactment of this Act, the Chairman of the Civil Service Commission, the Secretaries of the Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget shall submit to the President and to the appropriate committees of each House of the Congress a joint report on the results of such study together with their recommendations. Any such recommendation which includes adjustments of existing statutes shall be accompanied with draft legislation accomplishing such adjustments.

(d) With respect to Federal employees under the Federal employee retirement systems, the study and the report under this section shall include at least one method of coverage of such employees within the old-age, survivors, and disability insurance system which provides—

(1) that the benefits available to such Federal employees would not be less favorable than the benefits which are then currently available to such employees under the Federal employee retirement systems; and

(2) that the contributions required of such Federal employees would not be greater than the contributions which are then currently required of such employees under the Federal employee retirement systems.

(e) For purposes of this section, the term "Federal employees" means—

(1) an employee, as defined in section 2105 of title 5, United States Code;

(2) an officer or employee of the United States Postal Service or of the Postal Rate Commission; and

(3) any other individual in the employ of the United States or any instrumentality of the United States.

Page 175, line 4, strike out "Federal, State," and insert "State".

Page 175, line 11, strike out "Federal, State" and insert "State".

Page 175 strike out line 15 and all that follows down through line 23.

Page 175, line 24, strike out "(2) (A)" and insert "(1) (A)".

Page 176, line 9, strike out "(3) (A)" and insert "(2) (A)".

Page 176, beginning on line 21, strike out "paragraph (1), (2), or (3)" and insert in lieu thereof "paragraph (1) or (2)".

Page 188, beginning on line 21, strike out "re-designating paragraphs (8) through (20) as paragraphs (5) through (17)" and insert "re-designating paragraphs (7) through (20) as paragraphs (5) through (18)".

Page 189, line 2, strike out "210(a) (6)" and insert "210(a) (7)".

Page 189, line 5, strike out "paragraph (6)" and insert "paragraph (7)".

Page 189, line 9, strike out "210(a) (11) (B)" and insert "210(a) (12) (B)".

Page 189, line 12, strike out "210(a) (13)" and insert "210(a) (14)".

Page 189, line 15, strike out "210(a) (8), (9) or (12)" and insert "210(a) (9), (10), or (13)".

Page 189, line 18, strike out "210(a) (17)" and insert "210(a) (18)".

Page 189, beginning on line 22, strike out "re-designating paragraphs (8) through (20) as paragraphs (5) through (17)" and insert "re-designating paragraphs (7) through (20) as paragraphs (5) through (18)".

Page 190, line 5, strike out "3121(b) (11) (B)" and insert "3121(b) (12) (B)".

Page 190, line 8, strike out "3121(b) (13)" and insert "3121(b) (14)".

Page 190, line 11, strike out "3121(b) (8), (9) or (12)" and insert "3121(b) (9), (10), or (13)".

Page 190, line 14, strike out "3121(b) (17)" and insert "3121(b) (18)".

Page 190, line 18, strike out "(b) (6)" and insert "(b) (7)".

Page 190, beginning in line 22, strike out "(b) (5)" and "section 210(a) (5)" and insert "(b) (6)" and "section 210(a6)".

Page 191, beginning in line 2, strike out "3121(b) (6)" and insert "3121(b) (7)".

Page 191, line 7, strike out "210(a) (6)" and insert "210(a) (7)".

Mr. NIX (during the reading). Mr. Chairman, I ask unanimous consent that the committee amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The CHAIRMAN. The gentleman from Pennsylvania (Mr. NIX) will be recognized for 15 minutes, and the gentleman from Oregon (Mr. ULLMAN) will be recognized for 15 minutes.

The Chair recognizes the gentleman from Pennsylvania (Mr. NIX).

Mr. NIX. Mr. Chairman, I yield myself 3 minutes.

(Mr. NIX asked and was given permission to revise and extend his remarks.)

Mr. NIX. Mr. Chairman, I rise to urge my colleagues to vote "aye" with regard to the post office and civil service committee amendment to section 301 of H.R. 9346, the "social security financing amendments of 1977". I will be brief since the issue presented by the committee amendment is very simple.

Should we mandate social security coverage for Federal employees effective in 1982 and then attempt to find an equitable way to implement such coverage?

Or, should we study the feasibility of mandating such coverage before we mandate the action? It seems to me the clear answer is that a plan for achieving coverage for Federal employees should be found before such coverage is required by law.

This is what our committee amendment provides. We do not take the position that mandatory social security coverage for Federal employees per se is bad. We simply do not know whether such coverage can be attained in a manner which is fair and equitable to the Federal employee and the taxpayer, and in addition, which is not more costly than the present separate systems.

What our committee requires is that a feasibility study be conducted by the Chairman of the Civil Service Commission and the Secretary of Health, Education, and Welfare (the heads of the two agencies which administer the two largest systems), and in addition, by the Secretary of Treasury and the Director of the Office of Management and Budget. The study is required to be completed within 2 years and is required to include a number of alternative methods by which social security coverage for Federal employees may be attained.

I point out for the Members that our committee ordered reported H.R. 9346, by unanimous voice vote, and the committee amendment to section 301 which strikes the mandatory coverage provisions and inserts in lieu thereof a requirement for a feasibility study was adopted by a record vote of 25 to 0. The committee has also received a letter from the Chairman of the Civil Service Commission indicating that the administration agrees with the committee amendment and supports the approach which it takes.

Mr. Chairman, the modified closed rule, under which this bill is being considered, makes in order not just the Post Office and Civil Service Committee amendment which deletes the mandatory coverage provisions for Federal employees, but also a substitute amendment to be offered by the gentleman from Virginia (Mr. FISHER) which expands upon the Post Office and Civil Service Committee amendment. Mr. FISHER's amendment, which is patterned after our amendment, would delete those provisions requiring mandatory coverage for State and local employees and nonprofit organizations. Our committee has taken no formal action with respect to the Fisher amendment since it relates to matters beyond our jurisdiction. I intend to support Mr. FISHER's substitute and I urge my colleagues to do likewise. In any event, however, I urge my colleagues to vote "aye" with respect to the Post Office and Civil Service Committee amendment which excludes Federal employees from mandatory social security coverage.

Mr. Chairman, I yield 2 minutes to the gentleman from Illinois (Mr. DERWINSKI).

(Mr. DERWINSKI asked and was given permission to revise and extend his remarks.)

Mr. DERWINSKI. Mr. Chairman, I rise in support of the amendment

adopted by a 25-to-0 vote by the Committee on Post Office and Civil Service Committee. The purpose of our committee amendment is simple and direct.

It strikes from H.R. 9346 those provisions mandating social security coverage for Federal employees. Let me emphasize as strongly as I can, the Post Office and Civil Service Committee amendment is not an attempt to pre-judge the issue by dismissing it without benefit of hearing. What we are saying is that mandating social security coverage for Federal employees, at this time, is wrong since no one in this Chamber has any proof such a plan is workable.

Our committee amendment makes no determination now as to the efficacy of mandatory coverage for Federal employees. Instead, we direct the Chairman of the Civil Service Commission, Secretary of Health, Education, and Welfare, Secretary of Treasury, and Director of the Office of Management and Budget to conduct a comprehensive study on all aspects and consequences of this issue. Under our amendment, if an equitable and viable method of integrating the social security and Federal retirement systems can be arrived at, then the Congress will have the opportunity to enact proper law.

If social security coverage is to be extended, commonsense dictates the need for a careful review and study of how the various retirement systems for Federal employees are to be restructured. If such a system is feasible, will there be dual payments? How will integration of the systems be effected? These are but two of numerous questions which have to be answered intelligently before we tell Federal employees they are being placed under social security coverage.

The Committee on Ways and Means itself has made a good case for this amendment. In its report on H.R. 9346, the committee says there is not enough evidence available at the present time to make a proper determination as to whether social security coverage for various groups of individuals is appropriate.

Perhaps a solid case can be made for extending social security coverage to all Federal employees. On the other hand, there is a possibility a solid case can be made against such coverage.

All we are saying is that the issue should be studied carefully, before we jump off the deep end and discover there is no water in the pool.

Mr. Chairman, this specific committee amendment has been debated most of the afternoon, so I think the only appropriate thing is to sum it up. What we are trying to do is to see that the cart is not put before the horse.

The committee amendment provides for a necessary study so that if the Members should decide that the Federal civil service employees should be brought under social security, they would at least have the results of that study on which to base their judgment. As it stands now, we are telling the Federal employees, "Look, by 1982 you will be arbitrarily brought under this joint coverage. We do not know what the conditions will be, we do not know how it will affect you individually, we do not know how much

more you will have to contribute, what your benefits may or may not be." So the Members can imagine that almost 3,000,000 people are thoroughly up in arms because of the unknown factors.

Our committee position is rational, it is practical, it is consistent with sound legislative procedures.

With all due respect, our friends on the Committee on Ways and Means have been playing with too many mirrors and not dealing with enough facts and figures lately. So the Post Office and Civil Service Committee amendment is designed to see that the legislative procedure is sound, that the fears of Federal employees are not exaggerated, that they have answers to their questions in the best legislative tradition.

I urge the Members to support the Post Office and Civil Service Committee amendment.

Mr. GEPHARDT. Mr. Chairman, I yield 5 minutes to the gentleman from Florida (Mr. GIBBONS).

Mr. GIBBONS. Mr. Chairman, I had not planned on speaking so soon. I was hoping we would have more than a corporal's guard here; but this is a pretty good guard, so I will fire away.

First of all, Mr. Chairman, I am opposed to this amendment and to the Fisher amendment, and I want to lay it on the line why I am opposed to it.

Some people say that this is brand-new, they never heard of universal coverage before, that this is a great surprise. It is a well-kept secret around here, but it is not a great surprise that people have been studying this issue ever since 1935, and ever since 1935 everyone who has ever studied the issue, inside the Government and outside the Government, every objective study has come down to the fact that there ought to be universal coverage for all people under the social security system. No ifs, no ands, no buts. That has always been the decision. It is no surprise. It is something that has been studied and talked about, and it is not new.

Why do certain people not want to come under the system? Well, they have the benefits anyway. As I told the Members here in the opening debate on this matter, for a contribution of as little as \$111 in a lifetime—not in a month, not in a year, but in a lifetime—these people who are not now in the system get the benefit of the system, and they can take out in cash, just for one retiree—not for a retiree and spouse, but just for one retiree—\$114 in a month. So they put in \$111 in a lifetime, and they take out \$114 the first day they retire. And if they are lucky enough to have a spouse the same age, they get 50 percent more. In addition to that, they get medicare for life. In addition to that, they get disability insurance for life. Sure, they do not want to come into the system. They have the best of all worlds. Who is paying for this great benefit? Those other poor suckers out there who are paying social security tax that we make them pay every year.

Are the Members in this room paying social security tax? Hell no, they are not. But there are those who have the

gall to sit here and raise taxes. The only tax we have ever raised since I have been in Congress, and for about 40 years, year after year after year, and not pay 1 cent of social security taxes in ourselves.

Do the Members know how much this bill is going to increase taxes of working people in 1982? In 1983?

It is going to increase their taxes by \$54 billion.

No, they do not want to come in. I do not blame them. If I had a "sweetheart" deal like that, if I was making a sucker out of the other taxpayers in the country, I would not want to come in either.

That is what the issue is, and that is what we are voting for if we vote for this amendment or if we vote for the Fisher amendment.

Mr. Chairman, I will now answer any questions any Member might have.

Mr. CARTER. Mr. Chairman, if the distinguished gentleman will yield, the gentleman made the statement that no Member in this House pays social security taxes.

Mr. GIBBONS. We are not paying it on our congressional salary.

Mr. CARTER. I want to tell the gentleman that some of us are paying social security. For many years I have paid social security.

Mr. GIBBONS. The gentleman is not paying it on that \$57,500 congressional salary he is getting, though.

I am paying the social security tax, too, but I did not want to use myself as an illustration. I pay the tax, but there are doggone few of us who pay it. We could count the number who pay it on two hands.

Mr. CARTER. I just wanted to correct the gentleman. I might add that I never expect to collect 10 percent of that which I have paid in.

Mr. GIBBONS. Let us face it, if we adopt either this amendment or the Fisher amendment, it is not you or I who are going to pay more social security taxes into that system that we stuck on everybody else. No, we are not going to pay anything from that \$57,500 into that social security system, but everybody else has to, except a few Federal employees and a few State and local employees.

All the soldiers and sailors and airmen are covered by social security. We have already required them to contribute, but we are going to make sacred cows out of ourselves and out of a few privileged Federal employees and out of a few privileged local and State employees who get the benefits anyway. That is all the issue is.

Mr. ULLMAN. Mr. Chairman, I yield 5 minutes to the gentleman from Arkansas (Mr. TUCKER).

Mr. CONABLE. Mr. Chairman, will the gentleman yield?

Mr. TUCKER. I yield to the gentleman from New York.

Mr. CONABLE. Mr. Chairman, while I admire the spirit of my friend, the gentleman from Florida (Mr. GIBBONS), I think he overstates the case to some degree.

I would hope the Federal employees do

not get the message that there is no benefit to them in coming into the system on an integrated basis such as the Committee on Ways and Means contemplates. I think there are very substantial benefits to them, and that it makes a good deal more sense for everybody concerned than does the present two headed system that we have, each system functioning as though the other did not exist. They could be fitted together to provide more predictable and more natural benefits, fairer to all including the very same Federal employees who are now so suspicious and resistant.

Mr. TUCKER. Mr. Chairman, I thank the gentleman for his comments, and I agree with him.

Mr. Chairman, as a member of the Subcommittee on Social Security, I would like to point out a few of the basic facts involved with each of these amendments.

Seventy percent of our State and local government employees are, at their option, already covered by social security. Ninety percent of our nonprofit employees are already covered by social security, at their option. The Federal employees represent the only group that is not covered at all and have neither the obligation to be covered nor the opportunity to be covered under existing law.

Out of all the existing social security annuitants, 45 percent are currently receiving social security benefits. Some have worked only the minimum number of quarters to qualify. They did not do anything illegal, they did not do anything wrong, but nonetheless they place a great burden on the social security system which is not justified, and is not fair to other workers paying social security taxes.

Looking at ourselves as Members of Congress, we do not pay social security taxes on our \$57,500 salary. That is not right. We have as fat a retirement system as anybody in the country. We ought to pay social security taxes on our salary, especially since we require everybody else to pay.

My wife is a schoolteacher in Arkansas, and she paid 6 percent each month into her teachers' retirement system; she also paid social security taxes. There are millions and millions of Americans who pay into pension systems, private pension systems and State pension systems, who also pay social security taxes.

The subcommittee provided that there would be a study, just as the gentleman from Virginia (Mr. FISHER) is suggesting in his amendment. The report that is due back would be forthcoming in 1980, and implementation of coverage would come in 1982. That is a reasonable approach.

Mr. Chairman, it is an approach which I do not think will pass today. I recognize that the Fisher amendment probably will pass. However, I hope all of us will recognize that this is something that has been recommended for a decade. It is fair. It is not designed to hurt anybody; it is not designed to take any money out

of the three trust funds, but it is a question of equity.

Mr. Chairman, if we do not do it this year, I hope all of us will recognize that it is something which should be done within the next 2 years.

Mr. NIX. Mr. Chairman, I yield 2 minutes to the gentleman from Texas (Mr. WHITE).

(Mr. WHITE asked and was given permission to revise and extend his remarks.)

Mr. WHITE. Mr. Chairman, it was my privilege to serve as chairman of the Retirement and Employee Benefits Subcommittee during the 94th Congress. In that capacity, I was astonished to discover that there are in existence 51 separate Federal retirement systems. One of my last actions as chairman of the subcommittee was to request that the General Accounting Office conduct an in-depth feasibility study to determine the possibility and the advisability of combining all of these fragmented systems. This report is due in February of 1978, and it quite obviously will provide us with much valuable information which will reflect directly on the proposition we are discussing today. Before adopting the committee's mandatory inclusion of Federal employees under social security, there are a number of questions that must be asked. I suggest that the Post Office and Civil Service amendment or the Fisher amendment certainly must be adopted until we have had a chance to study the results of the GAO study, and then to pursue additional Post Office and Civil Service Committee studies into the matter.

A proposal as drastic and consequential as combining the Federal retirement system with the social security system ought not to be accomplished willy-nilly. We need to know the answers to many profound questions in advance.

For example:

First. Will financial problems of the social security fund be resolved by integrating the two systems?

Chairman NIX points out in his letter to Chairman ULLMAN of Ways and Means that universal coverage provisions of the Ways and Means Committee bill does not rule out some future merger of the financial assets of the two systems. The Federal civil service retirement fund has \$43 billion in assets, but also an unfunded liability of \$107 billion.

Second. Can we insure, without studying the meshing in further detail, that cost to the Federal Government will not be larger if the merger is effected?

FISHER points out in the Ways and Means Committee report, in dissenting views, that the revenue to the OASDI system expected to come from universal coverage in 1982 is \$13.5 billion. Because this tax is shared equally by employer and employee, half of this revenue will have to come from Federal Treasury—and State and local treasuries, if coverage extends to employees of State and local governments. This would seem to necessitate an increase in Federal income taxes, or in the deficit.

Chairman NIX estimates that an additional budgetary outlay of \$2.6 billion in 1980 would be required.

How do we protect individual's rights and benefits under universal coverage?

First. If universal coverage is approved, Federal employees—who now pay 7 percent of their gross salary for retirement benefits—would pay an additional 5.1 percent in 1980. An employee earning \$12,000 a year would pay \$1,440 or 12 percent of his salary for social security and Federal retirement.

Second. Would Federal employees become eligible for medicare, as provided to social security beneficiaries? If so, the Federal employees health benefits program would have to offer a medicare supplement plan for all retirees, and for employees at age 65—Federal retirees now pay \$20 and more a month for continuation of health benefits policies.

Third. Federal employees eligibility for workers compensation benefits, as currently provided under Federal retirement, would have to be modified to comply, with different disability benefits under OASDI. Disability under social security can be paid for a lifetime, with medical care in addition, for a worker with as few as six quarters employment subject to social security tax. Federal worker now does not get disability until he has been in Federal retirement program for 5 years, and benefits are lower.

Fourth. Civil service retirement benefits are subject to Federal income tax while social security benefits are not. An integration of the systems would be likely to have significant tax consequences for both employees and the Government as employer.

Fifth. Civil service retirement benefits can be refunded, while social security benefits may not. Will Federal employees continue to be able to withdraw retirement funds and still qualify for social security?

Sixth. For persons who have acquired a fully insured social security benefit prior to becoming Federal employees, will they lose the benefit which they have already earned?

Seventh. In the event that Federal employees are still eligible to retire under current provisions of civil service retirement law after having been covered under social security, would the annuity be treated as earnings for the purpose of the earnings limitation under social security? If so, this could effectively bar any receipt of social security until age 72, at least.

Further questions of intent: First. If section 301a of the Ways and Means Committee bill is enacted, it would allow for social security performed in a Federal penal institution by an inmate, which would then make inmates eligible: to receive credit for past service performed while serving time in a Federal prison. For example, an individual serving a life sentence could begin drawing social security benefits at age 65, and receive retroactive quarter of coverage credit for prior time served.

Second. Mandatory coverage would bring under social security the President and Vice President, and Members of Congress—this action should certainly not be effected without careful study.

It would also bring Federal judges under social security, such an action would

have to be examined for its constitutionality, as it may constitute an unconstitutional reduction in pay for sitting judges under the meaning of article III, section 1 of the Constitution, which provides that "the judges, both of the Supreme and inferior courts, shall hold their offices during good behavior, and shall, at stated times, receive for their services, a compensation, which shall not be diminished during their continuance in office."

Major changes in the civil service retirement system have always followed adequate congressional and administrative study. The Civil Service Retirement Act of 1956 followed a comprehensive study of the civil service retirement systems and the needs for refinancing the fund. The Civil Service Retirement Amendments of 1969 followed the report of the Cabinet Committee on Federal Staff Retirement Systems of 1966.

Therefore, the complexities of the retirement system mandates the thorough study of ways in which the two systems could be meshed, and the consequences of such an action, prior to the formal integration of the two systems. It would be irresponsible to legislate the conversion of such a complex retirement system without first laying a firm foundation for conversion.

Mr. NIX. Mr. Chairman, I yield 2 minutes to the gentlewoman from Maryland (Mrs. SPELLMAN).

(Mrs. SPELLMAN asked and was given permission to revise and extend her remarks.)

Mrs. SPELLMAN. Mr. Chairman, I rise in support of the amendment of the Committee on Post Office and Civil Service.

Actually, what we are asking here is no drastic change. We are not saying, "Don't put Federal employees under social security." I hope everybody understands that.

What we are saying, Mr. Chairman, is, "Let us look into the feasibility of it. Let us find out what is involved here so that the study in 1980 does not merely come in with a way of putting them together, but tells us also whether this step should be taken and what it will cost the taxpayers."

Mr. Chairman, there are people who think that Federal employees do not want to come into the system. The fact of the matter is that they do not know, and neither do we in this House know whether coverage under social security will be beneficial or harmful to them or to the taxpayers generally.

We are not proposing the upsetting of any timetable. We are just requiring that the 1980 study be a comprehensive study which determines the feasibility of combining the systems. And then, if it is determined that the Nation will benefit from combining the systems and that it will not cause the social security system to go further down into the hole, the program could be carried out by 1982. The timetable will be the same.

We would merely be acting intelligently—acting on the basis of sound information and understanding the consequence of our acts.

The Ways and Means Committee is

opting for a "quick fix and the future be damned." We are not junkies seeking a quick shot in the arm just so we can feel better for the moment regardless of the fact that in the long run we may be worse off. We are responsible legislators. It is important that we know what we are doing and do it right for a change.

Mr. NIX. Mr. Chairman, I yield 2 minutes to the gentleman from California (Mr. ROUSSELOT).

(Mr. ROUSSELOT asked and was given permission to revise and extend his remarks.)

Mr. ROUSSELOT. Mr. Chairman, I rise in favor of both the Post Office and Civil Service Committee amendment and the Fisher amendment. I would like to briefly discuss a few issues that have been raised by those who oppose the Fisher amendment and said so. First of all, the claim has been made that Federal, State, and local employees are somehow presently sneaking into the social security system. They are not. They come in the same way that anybody else enters the system, and if they get 40 quarters of eligibility, they qualify.

If you do not like the way people can qualify on a minimum basis, then you are the Committee on Ways and Means; change the requirements if you think they are too minimal. Do not come here and tell us they are sneaking in. They are not coming in any differently than anybody else in this country, so do not give me this garbage that Federal, State, and local employees are sneaking around the corner to get in the system. They are not. They are paying the same as every other constituent that you have, as long as they are in the system under coverage.

Second, you ask why the Federal, State, and local employees are different? They are not different. If you do not like it, change the law. You are the committee. You change it.

What the real purpose of the committee amendment is is to get huge new revenues. That is what we need, because the system is in trouble. You want to grab this group of 6.7 million people—they are not all Federal employees; there is a small group of nonprofit people, too, you want to grab this new group because the system is in trouble. It is financially in trouble, like New York City. So we are going to grab a group over here that has a good system, pull them in, dump them into the system, and make them pay for all the problems that this Congress has created by not correcting the financing and benefit levels of the system before this.

Mr. ULLMAN. Mr. Chairman, I yield 4 minutes to the gentleman from Illinois (Mr. MIKVA).

Mr. MIKVA. Mr. Chairman, I can understand the distinguished gentleman from California (Mr. ROUSSELOT) urging that we let this system continue with those people in it who want to be in it and those people who do not want to be in not coming in. It is consistent for him to go back to 1964 when his candidate for President made that a national referendum issue.

What I do not understand is the people on the other side of the fight who seem to be now adopting this proposition.

I received a lot of telegrams and let-

ters from schoolteachers and Federal employees and firemen and policemen who say, "Let social security be voluntary." But we made the opposite decision in 1964. We made that decision in 1932, as a matter of fact. We renewed it in 1964. It seems to me it comes with no grace for some people to accept the premise that social security is the bedrock of the national entire pension system for everybody else but them.

The Members have heard that we are going to "dump" people into the system, that this is precipitous, that this is a sneak play. In 1932 the first proposal for social security included Federal employees and sought to include as may local and State employees as they then thought the Constitution would permit them to include. That is 50-some-odd years ago, because the proposal that the Committee on Ways and Means has come up with does not take effect until 1982, 4 years hence. That hardly sounds like some kind of sneak play behind the door, as far as I can see.

We are going to have another study. Maybe this study could compile all of the previous studies that we have had. There are at least a dozen major studies that have been made on this question, and it would be helpful to dust them all off the shelf and bring them all to our attention again, because nothing new is going to be found in this study that was not found in the 12 earlier studies.

I confess that I can count the bumps on my head from all the mail and telephone calls I have received, and I am sure that my colleagues have received as many. This Member will not take up the cudgels again if and when the Fisher amendment is adopted, or the Civil Service Committee amendment is adopted. I will let somebody else bring about that premise that everybody agrees on but nobody wants to do anything about.

But in the meantime, perhaps without all of the zeal that my colleague the gentleman from Florida has, I do think we ought to realize what we are doing to the millions and millions of employees who have no option. We do not tell them: "You can pay in if you want, and if not go get a private plan instead." We tell them they must pay and we are increasing the rate both by this bill and by existing law by a very hefty bite out of their paychecks every week. Everyone under 30 thinks he is supporting everybody over 30 in this country. When we see the size of the bite coming out of their paycheck, we cannot blame them.

We say we will shore it up, beef it up, and all of those things in this bill that I support, and then we say to a group of employees: "You put up enough of a lobbying effort and enough ruckus and we will continue giving you the pass that we have given you all these years."

I say to my friend, the gentleman from California, he is consistent, but some of my other friends are inconsistent. It seems to me they are promoting a high degree of inequity and unfairness in asking some people to pay for what others get.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield?

Mr. MIKVA. I yield to the gentleman from California.

Mr. ROUSSELOT. Mr. Chairman, is it not true that people now paying taxes into the social security system are paying for the current beneficiaries? Social security is not an actuarially sound insurance and pension plan because those who pay social security currently have no guarantee that they will receive the benefits that the Government leads them to believe money is now being accumulated to protect those later payments.

Mr. MIKVA. It is an inequitable system.

Mr. NIX. Mr. Chairman, I yield 2 minutes to the gentleman from Missouri (Mr. GEPHARDT).

Mr. GEPHARDT. Mr. Chairman, I thank the gentleman for yielding.

I would like to sum up by saying three things.

First. This is a bipartisan effort. The effort for universal coverage was recognized both on the Republican side of the aisle and the Democrat side of the aisle in the subcommittee and has great support on both sides.

Second. The difference between the committee bill and the Fisher amendment is very simple. The committee bill calls for a commitment to universal coverage with a study of how it is to be done. The Fisher amendment or the Nix amendment would call for a study with a faint hope that it could ever happen. The reason is that the Federal and State and local government employees do not now nor in the future will want to give up the benefit and privilege they have today of being able to double-dip. It is a privilege or benefit no one would not want to give up.

Mr. NIX. Mr. Chairman, I yield 2 minutes to the gentleman from Michigan (Mr. FORD).

(Mr. FORD of Michigan asked and was given permission to revise and extend his remarks.)

Mr. FORD of Michigan. Mr. Chairman, I rise in support of the Post Office and Civil Service Committee amendment to the original bill to exclude Federal employees from mandatory coverage and in opposition to the Fisher substitute that is going to be introduced in a few moments.

It is important to understand the difference in the approach taken by the amendment originally offered by the gentlewoman from Maryland (Mrs. SPELLMAN) in the committee and the Fisher approach.

We had a nice clean amendment, which Members will find printed in the bill, which simply said that we study first and then make up our minds what we are going to do after we get this study, while the Ways and Means Committee said we should make up our minds first and then study and try to find the rationale for why we did it. That is mandating coverage for Federal employees.

Now the Fisher amendment comes along and wraps this amendment into a totally different approach with State, county, and local government employees and nonprofit organization employees. While a very few Federal employees are presently covered by social security in their full-time employment and regular employment, that is not the case with

State, county, and municipal employees or with the employees of nonprofit organizations. The overwhelming majority of those employees are presently covered under what is referred to as an optional plan.

We should keep in mind the present law is not optional for the employee; it is optional only for the employer. We have been receiving a lot of material from the National League of Cities and the Conference of Mayors and other groups. Remember, we are receiving their impression of what they want to do with respect to coverage as employers. We are not hearing from the employees of the State and local governments. From what I have been able to determine, the employees do in fact want to be covered by social security as in fact most of them are now.

The Fisher amendment also will leave you voting for an increase over and above the committee bill in the tax to be collected from every other wage earner in the country and virtually guarantees that the study in 2 years will not produce coverage for public employees, even though Mr. FISHER has stated here that he believes that coverage of Federal, State, and local employees will follow the study in his amendment.

Mr. NIX. Mr. Chairman, I yield 2 minutes to the gentleman from Virginia (Mr. HARRIS).

(Mr. HARRIS asked and was given permission to revise and extend his remarks.)

SOCIAL SECURITY COVERAGE OF FEDERAL EMPLOYEES SHOULD BE REMOVED FROM THE BILL

Mr. HARRIS. Mr. Chairman, the social security financing bill, as reported from the House Ways and Means Committee, has thrown the Federal employee's retirement future into a tailspin. Although the committee has not touched the civil service retirement program, the bill's provision mandating social security coverage of all Federal employees, is an irresponsible and heavyhanded action raising more questions than it answers.

The committee has included several provisions to restore financial soundness to the shaky social security program and I believe many of the provisions in the bill are good news for the current and future social security recipients. However, the mistake the committee made was to put Federal workers into social security without determining whether or how social security would be coordinated with the Federal retirement program.

COMPLICATIONS OF COORDINATION NOT ANSWERED

Many fundamental questions have to be answered, for example:

Are the underlying purposes of these two different programs compatible? The civil service retirement program was created by Congress in 1920 to provide a full retirement income based on salary and years of service; the social security program was established in 1933 as an income assistance program to supplement the earnings or savings of those who otherwise might not be able to support themselves.

What incentives should be provided in a retirement program to attract and re-

tain quality Federal personnel and to keep retirement benefits for civil service employees competitive with private industry? The civil service retirement program has been a primary employment benefit provided to attract and retain high-caliber personnel. Our Federal personnel policies should be in the forefront of the Nation's employment practices. We want the best individuals possible to administer our Federal laws and programs. An adequate retirement program is a prime attraction to Federal service.

Does the provision mandating social security coverage without addressing what will happen to the Federal retirement program "break faith" with employees? A sudden change in the employee's benefit package contradicts the agreed-upon terms of employment. The biggest problem created by the bill is the "fear of the unknown." Not knowing what lies down the road; whether one's retirement is secure and retirement income predictable could inspire a mass exodus from the Federal service and induce employees into early retirement. It is not fair to employees to leave them up in the air.

How will the differing employee contribution rates, 7 percent for Federal retirement, 6.05 percent for social security in 1978 under the bill, and the years-of-participation requirements, 5 for Federal employees and 1½ years for social security for minimum benefits, be treated? The Federal employee who has 15 or 20 years of Federal service and has contributed 7 percent of his or her salary for those years has good reason to question what will happen under this bill, in my view. It is imperative that we protect the employee's vested pension rights.

What about health benefits, how will they be affected? Social security recipients also receive medicare, but Federal retirees do not. They sometimes pay more than 50 percent of the cost of their private health insurance which these days in a place like Washington, D.C., can be as much as \$50 a month.

There are other issues to resolve as well, such as survivor benefits, disability benefits, taxation of pensions—civil service annuities are taxed; social security benefits are not—and the outside earnings limitation—under the bill, social security recipients could earn up to \$4,000; civil service retirees have no such limitation on earnings. My point here is that the bill mandates a conclusion without justifying or fully exploring the merit of that conclusion. That is why I contacted every member of the Social Security Subcommittee the day after they acted, urging them to reverse their action.

LEAVES THE EMPLOYEE IN THE DARK

Perhaps the gravest result of the Ways and Means Committee action is the fact that the bill leaves the Federal employee in the dark. People take Federal jobs and enter into an employer-employee agreement. Retirement benefits are an important part of that agreement. As an employer, it is not fair for us to throw those benefits into the turmoil of uncertainty. That is precisely what this bill has done.

For these reasons—and to get my questions answered—I support the amendment offered by the House Post Office and Civil Service Committee, on which I serve, and the amendment offered by my colleague from Virginia (Mr. FISHER). These amendments would eliminate the mandatory coverage provision of the bill and call for the type of study we need to resolve the many questions posed here today. We must not break faith with our Federal employees. We must offer Federal workers a sound retirement package in return for their years of dedicated public service and their payments out of their own pockets for their retirement.

AMENDMENT OFFERED BY MR. FISHER AS A SUBSTITUTE FOR THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE AMENDMENT

Mr. FISHER. Mr. Chairman, I offer an amendment as a substitute for the committee amendment.

The Clerk read as follows:

Amendment offered by Mr. FISHER as a substitute for the Committee on Post Office and Civil Service amendment:

Strike out sections 301 through 304 (beginning on page 164, line 20, and ending on page 176, line 25), and insert in lieu thereof the following:

STUDY CONCERNING MANDATORY COVERAGE OF FEDERAL EMPLOYEES

SEC. 301. (a) As soon as possible after the date of the enactment of this Act, the Chairman of the Civil Service Commission, the Secretaries of the Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget shall jointly undertake and carry out a detailed study with respect to coverage of Federal employees within the old-age, survivors, and disability insurance system.

(b) The study to be undertaken under subsection (a) shall include—

(1) a review of the methods by which full coverage of Federal employees within the old-age, survivors, and disability insurance system could be attained;

(2) an analysis of the adjustments to such system (as well as to the civil service retirement and disability system and other Federal employee retirement systems involved, including the foreign service, judiciary, Central Intelligence Agency, and District of Columbia retirement systems) which are necessary under each such method to provide such coverage, particularly—

(A) adjustments in age, service, and other eligibility requirements; and

(B) adjustments in the nature and level of disability, death, and survivor benefits (taking into account any related factors such as the taxability of such benefits);

(3) a comparison of the financial aspects of each such method, particularly—

(A) the adjustments required by each such method in the contributions by Federal employees, the Government (whether by specific contribution or by appropriation), and others involved;

(B) the adjustments required by each such method in the manner in which benefits are financed under the retirement systems involved; and

(C) the effects of each such method on the solvency of the retirement systems involved;

(4) the effects of each such method of coverage on—

(A) recruitment and retention of Federal employees;

(B) other employee benefits (such as health benefits coverage provided for civil service annuitants); and

(C) Federal, State, and local income tax systems;

(5) a review of the methods by which partial coverage of Federal employees within the old-age, survivors, and disability insurance system could be attained, together with consideration of the factors described in paragraphs (2), (3), and (4) as they would relate to such partial coverage; and

(6) alternatives to providing coverage of Federal employees within the old-age, survivors, and disability insurance system which would improve the solvency of the old-age, survivors, and disability insurance system. In connection with such study, interested parties, including Federal employee organizations, associations of retired Federal employees, and heads of agencies administering Federal employee retirement systems, shall be allowed to submit views, arguments, and data.

(c) Upon the completion of the study under subsection (a) and in any event no later than 2 years after the date of the enactment of this Act, the Chairman of the Civil Service Commission, the Secretaries of the Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget shall submit to the President and to the appropriate committees of each House of the Congress a joint report on the results of such study together with their recommendations. Any such recommendation which includes adjustments of existing statutes shall be accompanied with draft legislation accomplishing such adjustments.

(d) With respect to Federal employees under the Federal employee retirement systems, the study and the report under this section shall include at least one method of coverage of such employees within the old-age, survivors, and disability insurance system which provides—

(1) that the benefits available to such Federal employees would not be less favorable than the benefits which are then currently available to such employees under the Federal employee retirement systems; and

(2) that the contributions required of such Federal employees would not be greater than the contributions which are then currently required of such employees under the Federal employee retirement systems.

(e) For purposes of this section, the term "Federal employee" means—

(1) an employee, as defined in section 2105 of title 5, United States Code;

(2) an officer or employee of the United States Postal Service or of the Postal Rate Commission; and

(3) any other individual in the employ of the United States or any instrumentality of the United States.

STUDY CONCERNING MANDATORY COVERAGE OF STATE AND LOCAL EMPLOYEES

Sec. 302. (a) As soon as possible after the date of the enactment of this Act, the Chairman of the Civil Service Commission, the Secretaries of the Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget shall jointly undertake and carry out a detailed study with respect to coverage of all State and local government employees within the old-age, survivors, and disability insurance system.

(b) The study to be undertaken under subsection (a) shall include—

(1) a survey of the several States and their political subdivisions with the objective of determining—

(A) the types and coverage patterns of the various State and local retirement and disability systems now in existence,

(B) the categories of employees within each such State and locality not now covered under the old-age, survivors, and disability insurance system,

(C) the methods available in each such State and locality for financing full participation in the old-age, survivors, and disability insurance system,

(D) the financial ability of the various States and localities to participate in such system, and the ability of the Federal Government to require and administer such participation, and

(E) any special conditions or situations existing in particular States and localities which might cause problems in connection with the mandatory coverage of all their employees under the old-age, survivors, and disability insurance system;

(2) a review of the methods by which full coverage of all State and local employees within the old-age, survivors, and disability insurance system might be attained;

(3) an analysis of the kinds of adjustments to existing State and local retirement and disability systems which would be necessary under each such method to make effective provision for such coverage;

(4) a comparison of the financial aspects of each such method, particularly with reference to the ability of the various States and localities to bear the costs of participation in the Federal system on a mandatory full-coverage basis;

(5) the effects of each such method of coverage on existing coverage of State and local employees under their own retirement and disability systems;

(6) a survey of the legal and constitutional barriers to full participation in the Federal system, or to making the necessary adjustments to their own retirement and disability systems, which may exist in the various States and localities; and

(7) an analysis of the identifiable problems which may exist in particular States and localities in connection with the mandatory coverage of their employees under the old-age, survivors, and disability insurance system, with emphasis upon the special problems involved in returning employees to coverage under such system in States and localities whose employees were formerly covered pursuant to State agreement but which have heretofore elected to terminate such coverage.

In connection with such study, interested parties, including State and local employee organizations, associations of retired State and local employees, and heads of agencies administering State and local employee retirement systems, shall be allowed to submit views, arguments, and data.

(c) Upon the completion of the study under subsection (a) and in any event no later than 2 years after the date of the enactment of this Act, the Chairman of the Civil Service Commission, the Secretaries of the Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget shall submit to the President and to the appropriate committees of each House of the Congress a joint report on the results of such study together with their recommendations. Any such recommendation which includes adjustments of existing Federal statutes shall be accompanied with draft legislation accomplishing such adjustments.

Strike out section 313 (beginning on page 188, line 18, and ending on page 191, line 9).

Redesignate sections 305 through 312 as sections 303 through 308, respectively.

Conform the table of contents (on page 117).

Page 225, lines 12 and 13, strike out "(as amended by section 302(d)(3) of this Act)".

Page 232, line 9, strike out "(e)" and insert in lieu thereof "(d)".

Page 232, lines 11 and 12, strike out "(after the new subsection added by section 304 of this Act)".

Page 232, line 14, strike out "(e)" and insert in lieu thereof "(d)".

Page 242, lines 1 and 2, strike out "(as amended by section 302(e)(4) of this Act)".

Page 119, line 18, strike out "5.15 percent" and insert in lieu thereof "5.25 percent".

Page 120, line 2, strike out "5.45 percent" and insert in lieu thereof "5.55 percent".

Page 120, line 4, strike out "6.00 percent" and insert in lieu thereof "6.10 percent".

Page 120, lines 16 and 17, strike out "5.15 percent" and insert in lieu thereof "5.25 percent".

Page 120, line 20, strike out "5.45 percent" and insert in lieu thereof "5.55 percent".

Page 120, line 22, strike out "6.00 percent" and insert in lieu thereof "6.10 percent".

Page 121, line 14, strike out "7.70 percent" and insert in lieu thereof "7.90 percent".

Page 121, line 18, strike out "8.20 percent" and insert in lieu thereof "8.30 percent".

Page 121, line 21, strike out "9.00 percent" and insert in lieu thereof "9.15 percent".

Page 125, line 25, strike out "\$27,900" and insert in lieu thereof "\$29,700".

Mr. FISHER (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Virginia?

There was no objection.

The CHAIRMAN. The gentleman from Virginia (Mr. FISHER) will be recognized for 15 minutes and the gentleman from Oregon (Mr. ULLMAN) will be recognized for 15 minutes.

The Chair now recognizes the gentleman from Virginia (Mr. FISHER).

(Mr. FISHER asked and was given permission to revise and extend his remarks.)

Mr. FISHER. Mr. Chairman, I have an amendment which I want to offer as a substitute for the Post Office and Civil Service Committee amendment to the social security financing bill. My amendment incorporates all the provisions of the Civil Service Committee amendment, but goes further. The purpose of my amendment is to strike the provisions requiring all Government employees and employees of nonprofit organizations to be covered by social security. The current law, under which Federal employees are not covered and employees of State and local governments and nonprofit organizations are covered as groups under voluntary agreements, would remain in effect.

In addition to striking universal coverage, my amendment will require studies concerning mandatory coverage of Federal and State and local government employees to be conducted jointly by the Civil Service Commission, Departments of Treasury and Health, Education, and Welfare, and the Office of Management and Budget. The results of these studies will be reported back to Congress in 2 years. In the case of Federal employees, a plan for coordinating social security with existing retirement systems would be prepared for the Congress to consider and act on. The plan for coordinating social security and the civil service retirement system must include a method which will make Federal employees no worse off than they would be under the existing system, in terms of costs and benefits. The amendment also includes a small standby payroll tax in-

crease and wage base increase to be effective in 1981—0.1 percent and \$1,800 respectively based on estimates prepared by the Social Security Administration—to replace the revenue loss that would be incurred if coverage is not extended.

Whatever the merits of universal coverage, I do not think it should be required without a thorough study of its effects on existing retirement systems and the benefits which have been promised to employees. The study will permit this careful look before we leap into mandatory coverage. If the recommendation of the study is for universal coverage, Congress could then mandate it. In that case the additional taxes in the Fisher amendment would not be necessary. On the other hand, if the study proposes some other alternative, then Congress could act on that. Right now the lack of information about the impact of universal coverage, and the resulting distress that the affected employees and State and local governments have felt, make a strong case for the need for a study before the coverage requirement is imposed.

There is a significant difference between the study required by my amendment and the study already in the committee bill. Under the committee bill the social security coverage will be extended to Government workers, regardless of the conclusion and recommendation of the study. The study in my amendment will examine ways of coordinating social security with civil service retirement for Federal employees without having a predetermined conclusion. Also the study in my amendment will look into issues involved in coverage for State and local government employees. They are not included in the study in the bill.

Reliable data on the impact of universal coverage are hard to come by. Approximately 30 percent of all State and local government employees are not covered by social security. No one knows what effect the extension of social security will have on their existing, well-established pension plans. Nor does anyone know what the costs of this coverage will be, either to the Government employer or to the employee. The same questions exist with regard to Federal employees.

Universal coverage is really back-door general revenue financing for social security. Because the payroll tax is shared equally by employer and employee, half of the infusion of revenue from the new coverage will come from Federal, State, and local treasuries. The Federal employer share will have to be paid either from an increase in income and other taxes or in the deficit. Even more disturbing is the prospect that State and local governments will have to pay several billion dollars more in 1982 to the Federal Treasury as the employer share of social security taxes. These jurisdictions will have to raise the funds in some way. One way would be to reduce existing pension benefits, which may not be permissible under their laws or State constitutions. Another way would be to hike the property tax and other regressive taxes which are the mainstay of local government finance.

An additional problem with requiring

State and local governments to pay social security taxes is a constitutional one. It has long been assumed that social security had to be voluntary for State and local governments. I would expect that this provision of the committee bill, if not changed by my amendment, would be challenged in the courts, perhaps successfully.

Security in old age is one of the most important issues in anyone's life. I do not believe that Congress should make changes in the arrangements that have been provided for workers in their old age without careful examination of the consequences. My amendment permits such an examination in the case of coverage under social security of Government and nonprofit organization employees. This issue should be carefully studied before the mandate for coverage is imposed. The study provision in my amendment permits this to occur in time for Congress to act to impose the coverage by the date contemplated in the committee bill, but in a much more orderly manner.

The social security financing bill will be a stronger bill with the inclusion of my amendment. The Democratic steering and policy committee has endorsed the Fisher amendment without a single dissenting vote. The Secretary of Health, Education, and Welfare and the Chairman of the Civil Service Commission have also endorsed my amendment. The House Committee on Post Office and Civil Service voted unanimously to delete Federal employees from the bill and call for a study. Major groups and associations are supporting the amendment including unions representing Federal employees, postal workers, teachers, policemen, and firemen and organizations representing State, county and municipal governments.

I urge my colleagues to vote for this amendment and for the bill.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield at that point?

Mr. FISHER. Very briefly.

Mr. ROUSSELOT. I agree with my colleague from Virginia (Mr. FISHER) on the need for a study. There have been complaints heard today that we have had too many studies, but as a result of our experience in 1972 when we tried to merge medicare with the Federal employees health benefits program, we ran into all kinds of problems in integrating those two programs, and the need for comprehensive study is apparent. The reason we had these problems is that we did not give the question enough study before we did it, and we had to keep extending the time of the merger.

So, the point the gentleman makes that we need adequate time to merge these complex systems is well taken. We have that on the basis of the bad experience of 1972 by this very same committee. At this point, I would like to call my colleagues attention to the Post Office and Civil Service Committee report which discusses the abortive 1972 effort:

PREVIOUS EXPERIENCE ON SIMILAR LEGISLATIVE ISSUE

To illustrate the complexity of the proposition to integrate the benefits of the civil service retirement system with those of the

social security system, it might be helpful to review a similar situation concerning the coordination of Medicare and the Federal Employees Health Benefits program.

The committee believes an analogy can be drawn between the unsuccessful attempt in 1972 to mandate coordination of Medicare and the Federal Employees Health Benefits program without the benefit of an adequate study to determine the feasibility of effecting such a change, and the attempt now in 1977 to integrate the benefits of the social security system with the civil service retirement system—the two largest retirement systems in the country—without a comprehensive study as contemplated by our committee amendment.

In 1972, the House Committee on Ways and Means adopted an amendment to H.R. 1 (Public Law 92-603, Social Security Amendments) providing that as of January 1, 1975, medicare payments would not be made for items and services covered under a beneficiary's Federal Employees Health Benefits Program plan unless, prior to that date, the Federal Employees Health Benefits program was modified to provide plans that supplement medicare coverage. The purpose of this provision was to focus attention on the need to consider improved coordination of Medicare and the Federal Employees Health Benefits program.

In the interim period (Oct. 30, 1972 to Jan. 1, 1975) full implementation of this requirement was to be accomplished. However, in 1974, because of the lack of progress toward coordination, the effective date was extended for another year to January 1, 1976 (Public Law 93-480). This law also provided for a joint progress report by the Department of Health, Education, and Welfare and the Civil Service Commission, to be submitted no later than March 1, 1975. This report, submitted on February 26, 1975, along with the recommendations of the General Accounting Office, outlined the problems of meeting the requirements of section 1862(c) of Public Law 92-603.

In the report, the Department of Health, Education, and Welfare and the Civil Service Commission maintained "that the modifications of Federal Employees Health Benefits Program in accordance with section 1862(c) would not be in the best interests of dually entitled Federal Employees Health Benefits and medicare beneficiaries, and would create expensive and unnecessary administrative problems". The reasons for this conclusion were expressed in a letter to Chairman David Henderson, House Committee on Post Office and Civil Service, from Secretary Casper Weinberger of the Department of Health, Education, and Welfare and Chairman Robert Hampton of the Civil Service Commission, as follows:

The Civil Service Commission actuarial estimates are that if, as section 1862(c) implies, the premiums for the supplemental plans were based solely on the health experience of the aged and disabled who are entitled to medicare, rather than on the health experience of all Federal Employees Health Benefits enrollees, a Federal Employees Health Benefits option to supplement part B alone would offer the same benefits as now for a higher premium. An option to supplement part A alone would offer the same benefits for about the same premium. Stated differently, an option to supplement when an individual has only part A appears unnecessary, while an option to supplement when an individual has only part B would disadvantage those Federal Employees Health Benefits enrollees who subscribe to it.

Section 1862(c) requires that the Government's full standard contribution to Federal Employees Health Benefits Coverage (as calculated annually under 5 U.S.C. 8906) be applied to pay the beneficiary's premium for the supplemental Federal Employees Health Benefits option, has part B premiums or

both, but does not provide for crediting any portion of the Government Federal Employees Health Benefits contribution toward the premium of the employee's or annuitant's spouse (or child) who may be covered under a Federal Employees Health Benefits family enrollment but not under medicare.

Twelve additional options would be needed under each of the 46 plans participating in the Federal Employees Health Benefits Program to supplement (a) Part A of Medicare, (b) Part B of Medicare, and (c) Parts A and B of Medicare, each for four family groupings: (1) for self only enrollees, (2) families where only the dependents are covered by medicare—making over 500 additional options. Thus, the Federal Employees Health Benefits Program would be greatly complicated.

The Comptroller General offered an alternative to achieve coordination which called for the Government to simply pay Medicare Part B premiums for all eligible Federal Employees Health Benefits enrollees. The Comptroller General's report also suggested continuation without change of the existing system for coordinating the benefits of the two programs.

After careful consideration of the various alternatives to coordinate the benefits under medicare and the Federal Employees Health Benefits program, the Committee on Ways and Means reported in 1975 that it "is not convinced that equity requires the Government to substantially increase its expenditures under the two programs in an effort to accomplish this."

The committee, therefore, concluded that the existing relationship between Medicare and the Federal Employees Health Benefits Program should be maintained. Public Law 94-182, repealed section 1862(c) of the Social Security Act on December 31, 1975, bringing to a close this legislative adventure.

The idea of better coordinating the benefits of Medicare with those of the Federal Employees Health Benefits Program was useful, and obviously the House Committee on Ways and Means felt it could be done by the mandated date of January 1, 1975, which was over 2 years from the date of enactment. However, as this entire issue was more carefully studied by the Department of Health, Education, and Welfare and the Civil Service Commission, it became increasingly evident that no easy method could be found to implement the legislative mandate. The Congress, seeing the futility of this requirement of law, wisely repealed it rather than attempt the cumbersome and overly costly approach of amending the Medicare and the Federal Employees Health Benefits laws.

To avoid a recurrence of this type of legislative procedure, we strongly suggest a careful comprehensive study be undertaken to determine the feasibility of integrating the Civil Service Retirement System and the Social Security System before mandating such integration.

Mr. ALLEN. Mr. Chairman, will the gentleman yield?

Mr. FISHER. Very briefly.

Mr. ALLEN. Does not President Carter and his administration support the gentleman's amendment, including the amendment recommended by the Post Office Committee?

Mr. FISHER. Yes, they do, and Members have all received a letter from Secretary Califano. I have another letter from the head of the Civil Service Commission endorsing my amendment. The Democratic Steering and Policy Committee has endorsed the Fisher amendment without a single dissenting vote. The House Committee on Post Office and Civil Service has voted unanimously to

delete Federal employees from the bill and call for a study. That is the extent of their jurisdiction. I do embrace their amendment entirely in mine.

Mr. ALLEN. I thank the gentleman.

Mr. FISHER. Many major groups have endorsed this, as the Members know from being on the telephone and receiving calls and mail in the last few days. I do urge most strongly that the Members vote for this amendment and for the bill. I think there is grave risk that the bill may not make it without this amendment.

Mr. WHITEHURST. Mr. Chairman, will the gentleman yield?

Mr. FISHER. I yield to my colleague from Virginia.

(Mr. WHITEHURST asked and was given permission to revise and extend his remarks.)

Mr. WHITEHURST. Mr. Chairman, I wish to strongly support the amendment offered by my colleague from Virginia. I cannot recall an instance in which a committee of this Congress has approved major legislation—affecting millions of Americans and every unit of government in this Nation—with so little analysis or understanding of what the ultimate impact of the legislation will be. The Ways and Means Committee would require social security coverage for 6 or 7 million Federal, State, and local government workers as well as employees of private nonprofit organizations. Yet, the committee offers absolutely no evidence of the feasibility of bringing these workers into the social security system. It provides no guidance concerning the complex process required to meld the social security system with the 12 principal Federal retirement systems and the myriad State, local, and private nonprofit systems. Nor does the committee even tell us that there will be any real improvement in the fiscal condition of the social security trust fund. While most would agree that the committee provision would result in a quick infusion of funds into the trust fund, it must be remembered that the 7 million newly covered workers and the future generations of Government employees will be ultimately collecting social security benefits. Moreover, the Federal, State, and local governments would presumably be called upon to contribute billions annually from their general revenues as the employer's share of contributions to social security. But, the Ways and Means Committee, in its haste to enact this legislation, has neglected to provide us with estimates of the cost of future benefits for these newly covered workers or the contributions required from general revenues.

We should all understand that if the provision before us today becomes law, the civil service retirement system as presently constituted will no longer exist. Federal workers now contribute 7 percent of their salaries to the civil service retirement system. Under H.R. 9346, social security taxes will ultimately be raised to over 7 percent of a worker's income. All of us recognize that it is infeasible to require Federal employees to pay 14 percent of their incomes to retirement programs. In addition, there

are overlapping disability and medical insurance aspects of social security and civil service retirement, and it would not make sense to continue these duplicative programs unchanged. Obviously, the contributions to and the benefits derived from the civil service retirement will have to be reduced. But, will the combined employee contributions to social security and civil service retirement be increased? Will total benefits be lower? Neither the Ways and Means Committee nor anyone else can answer these questions.

I have received scores of letters and telephone calls from Federal employees and others affected by the universal coverage provision. They want to know what the impact of the provision will be on them, and they are baffled when I respond that I do not know. Even the current Federal retirees are concerned, because they understand that contributions from current Federal workers help to pay their retirement income. If the current employees' contributions are reduced, the retirees' benefits could be threatened. These individuals are not necessarily opposed to universal social security coverage, but they want assurance that the contractual obligations of Federal, State, and local governments to them will be met. They cannot understand how the Congress can require universal coverage before finding out what its ramifications will be.

The amendment offered by the gentleman from Virginia does not preclude social security coverage of Government workers. It simply recognizes that the rational and responsible way to approach this complex issue is to determine the impact of universal coverage on employers, employees, and taxpayers before, and not after, imposing it. The Congress has a profound obligation to avoid causing widespread uncertainty and threatening the security of millions of citizens and their families. No change in the wide variety of Government retirement plans now in effect should be made until the Congress can explain the change clearly to the American people.

I urge the adoption of the amendment offered by the gentleman from Virginia.

Mr. LEVITAS. Mr. Chairman, will the gentleman yield?

Mr. FISHER. I yield to the gentleman from Georgia.

Mr. LEVITAS. I thank my colleague for yielding. I would like to say that I have received similar contacts, and I have found that most of the stuff that has been sent to me in these contacts has been wrong. It has been noted that this bill provides for a merger of civil service retirement and social security, which it does not. It is said that the employees in the civil service will lose their benefits under this proposal, which they would not.

However, there is one valid point that I think has been made. I favor universal coverage because I think it is fair, but I also think it is fair to let the people know what type of coverage they are going to get before it is put on. For that reason, I see merit in the proposal of the gentleman from Virginia, and I hope we adopt it.

Mr. ROSTENKOWSKI. Mr. Chairman, will the gentleman yield so that I may put a question to the chair?

Mr. FISHER. I yield to the gentleman from Illinois.

Mr. ROSTENKOWSKI. Mr. Chairman, it was my understanding that the amendments that were made in order by the rule, including the amendment of the gentleman from Virginia (Mr. FISHER) were to contain compensating increases in the social security tax rates and/or the wage base to maintain the actuarial status of all the trust funds at the same level as is provided for in the bill as reported by the committee. As I pointed out during general debate on this legislation, the Fisher amendment, unfortunately, does not do that. It is slightly underfinanced over the long run with respect to the cash program and seriously underfinanced in the short run with respect to the medicare trust fund.

Mr. Chairman, I would like to take the appropriate legislative remedy to correct this error which, if uncorrected, would cost the medicare trust fund almost \$25 billion between 1982 and 1987 and which in 1987 would leave the medicare trust fund with far less of a reserve than was intended in the Ways and Means Committee bill.

Mr. Chairman, could the Chair advise me as to what procedural remedies would be available to the gentleman from Illinois to correct this unintentional but very serious error embodied in the gentleman's amendment?

The CHAIRMAN. The Chair would advise the gentleman that under the rule adopted by the House earlier today, the only means by which a perfecting or correcting amendment to the Fisher amendment could be considered would be by unanimous consent.

Mr. FISHER. Mr. Chairman, may I reclaim my time to respond to the gentleman's point?

Mr. ROSTENKOWSKI. Mr. Chairman, if the gentleman will yield, if that is the situation, is it appropriate at this time to then ask unanimous consent to modify?

The CHAIRMAN. If the gentleman from Virginia (Mr. FISHER) yields.

Mr. FISHER. Mr. Chairman, I just yielded to the gentleman. If I could respond to the point the gentleman makes, my amendment does incorporate, as I indicated earlier, a small increase in the tax rate and in the wage base to cover just the kind of contingency the gentleman raises. These are based on the actuarial figures that the Social Security Administration furnished earlier to our committee and which were the ones made available to me at the time I had to prepare the amendment.

I have subsequently received word from the Commissioner of Social Security, as follows:

In summary, I think it is unfair to conclude that the Fisher amendment fails to reasonably finance the several trust funds.

And the Commissioner goes on to say:

The point to be stressed about health insurance is that no provision is made, either in existing law, in the Committee bill or in

the Fisher amendment, to adequately finance Health Insurance for the full 25-year period. The facts are that under present law Health Insurance will run out of money around 1987. Under the Fisher amendment, funds would not be exhausted until 1988, compared to 1991 under the Committee bill. In my view, this is all rather academic in that no one expects any of these arrangements to serve as the permanent arrangement for Health Insurance.

So it seems to me that it is just a question of whether we will run out in 1987, 1988, or 1991, and that long before that, obviously, preventive action will have to be taken by the committee and by the Congress.

Mr. ROSTENKOWSKI. Mr. Chairman, will the gentleman yield further?

Mr. FISHER. I yield to the gentleman from Illinois.

Mr. ROSTENKOWSKI. Mr. Chairman, I certainly agree that the funds are going to run out and there is going to have to be another adjustment. But the spirit, as I understand it, of the rule, as was explained in several debates, was that if we should take government and not-for-profit employees out from under the umbrella of universal coverage, we would have compensating language to keep the actuarial status as it was in the committee bill.

I maintain that under the Fisher amendment the spirit of the rule is violated, and that the hospital trust fund will lose \$25 billion.

Mr. FISHER. Mr. Chairman, my amendment was, as was the committee bill, based on the actuarial figures furnished to us. I have also read to the Members a communication from the Commissioner of Social Security dated just a day or two ago that makes the point I brought out.

I think the problem is one that has to be solved, but this is not the appropriate way to solve it.

Mr. ROSTENKOWSKI. Mr. Chairman, I will say to the gentleman that I am still under the impression that the Commissioner also agrees that we will lose \$25 billion under this amendment from the health insurance fund.

Mr. FISHER. Mr. Chairman, another way to put it is that under my amendment the hospital fund runs down in 1988, under the present law it runs down in 1987, and under the committee bill it runs down in 1991.

Mr. ULLMAN. Mr. Chairman, if the gentleman will yield, I can well understand the concerns of the chairman of the Subcommittee on Health—and he should have concerns—as to the state of the HI trust fund. I want to make it clear, though, that in our committee proceedings we were talking about 0.15 percent of payroll in 1981.

The CHAIRMAN. The time of the gentleman from Virginia (Mr. FISHER) has expired.

Mr. FISHER. Mr. Chairman, I yield myself 2 additional minutes.

Mr. ULLMAN. Mr. Chairman, will the gentleman yield further?

Mr. FISHER. I yield to the chairman of the committee.

Mr. ULLMAN. Mr. Chairman, let me say that the gentleman's amendment

about correlates with what I have stated. It is true that the amendment does bring the HI fund down more than I would like and more than the gentleman from Illinois (Mr. ROSTENKOWSKI) would like. But I hope the gentleman from Illinois, who is the chairman of the Subcommittee on Health, would agree that it would be better that we pursue this matter through the Congress and the other body. We will then in conference make an effort to bring the HI fund back up to the committee levels or above.

If the gentleman will agree with that approach, we could suspend any further consideration of this issue at this time.

Mr. ROSTENKOWSKI. Mr. Chairman, I certainly thank the committee chairman for that assurance.

Mr. MARTIN. Mr. Chairman, while driving to work this morning I was greeted with the radio news that the White House favors keeping Federal employees out of the social security system. I could not help but think how that word of support for employees could not be much different from similar statements that business employers must have made in 1936 when private employees were put into the system.

The truth is: under the present law half of our public employees already manage to qualify for social security benefits that exceed their contributions by \$1 billion a year. That is a good deal for them. But somebody has to pay for it.

Do you want to guess who will have to pay for it? It is the same taxpayers who are in social security now. I am talking about those 100 million workers in the private sector who are the same ones who have to pay income taxes to pay for the salaries and fringe benefits for all our public employees. They are the ones who are going to have to ante up another billion dollars a year to pay for the 3 million public employees who will qualify for the windfall benefit. I think they are going to figure out what is going on.

The amendments of the Post Office Committee and of Mr. FISHER should be rejected.

Mr. FISHER. Mr. Chairman, I reserve the balance of my time.

The CHAIRMAN. The gentleman from Virginia (Mr. FISHER) has consumed 14 minutes.

Mr. ULLMAN. Mr. Chairman, I yield 3 minutes to the ranking minority member of the committee, the gentleman from New York (Mr. CONABLE).

Mr. CONABLE. Mr. Chairman, I rise in opposition to the Fisher and Nix amendments.

I must say that I agree with the gentleman from Florida (Mr. GIBBONS) that there has been a great deal of misinformation in this area. Many of the people who are good, honest public employees have been terrified into believing that somehow their pension benefits are going to be taken away from them after years of contributing into a system which is currently in existence.

There is, of course, no intent on the part of the committee to do that.

I must say that a second objection, about which I have heard a great deal here, is that nobody knows exactly how the integrated system is going to

work. We have many examples of an integrated system, not only in business but with respect to Federal military employees and with respect to almost any system in which there is dual coverage, one related to the other and supplemental to the other.

In fact, many of the people who are objecting to our not having spelled out how this integration is going to take place would be the first people to object if the Committee on Ways and Means had tried to spell it out, because that would have been a violation of the jurisdiction of the Committee on Post Office and Civil Service. We clearly understood that, and that is the reason the effective date on the shift was made for 1982, so that there would be plenty of time to work out the details and give reassurances to the Federal and other public employees that they were not in fact going to have their benefits taken away from them, but that they were going to wind up with a more flexible and potentially more valuable system than the one they have at this point.

It has already been pointed out, Mr. Chairman, that the Fisher amendment is not adequately financed. I think there is a serious question as to what the impact ultimately will be.

Mr. Chairman, this issue will not go away. It is going to be coming up time and time again, as long as we have an enclave of Federal employees and public employees who are not covered by social security.

As long as our constituents can come to us and say, "Of course you are going to run the system into the ground; you do not need to worry about it because you are not covered by it," there is bound to be agitation to see that we accept the responsibility for directing this system adequately and that we make ourselves subject to any disabilities that may afflict the system.

Mr. KETCHUM. Mr. Chairman, will the gentleman yield?

Mr. CONABLE. I yield to the gentleman from California.

Mr. KETCHUM. Mr. Chairman, I thank the gentleman for yielding, and I certainly concur with his remarks.

I am wondering whether, through the gentleman to the chairman, a request of some sort might be in order to live up to the spirit of our agreement which says that any amendment offered must be balanced.

Does it take unanimous consent to do that?

The CHAIRMAN. The time of the gentleman from New York (Mr. CONABLE) has expired.

PARLIAMENTARY INQUIRY

Mr. KETCHUM. Mr. Chairman, I have a parliamentary inquiry.

The CHAIRMAN. Does the gentleman from Oregon (Mr. ULLMAN) yield for the purpose of a parliamentary inquiry?

Mr. ULLMAN. I do, Mr. Chairman; I yield to the gentleman from California.

Mr. KETCHUM. I thank the gentleman for yielding.

Mr. Chairman, I make this parliamentary inquiry: There was an agree-

ment on the part of the members of the Committee on Ways and Means that no amendment would be offered unless it was balanced.

To the best of my knowledge, Mr. Chairman, every Member offering an amendment has offered it on a balanced basis, replacing funds lost.

My parliamentary inquiry, Mr. Chairman, is, Will it be in order to make at least a unanimous-consent request that the figures in the Fisher amendment be adjusted upward to balance that fund?

The CHAIRMAN. The Chair will respond to the gentleman by saying that under the rule adopted by the House previously, such can be done only through a unanimous-consent request.

Mr. KETCHUM. I thank the Chair.

Mr. ULLMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from Pennsylvania (Mr. LEDERER).

(Mr. LEDERER asked and was given permission to revise and extend his remarks.)

Mr. LEDERER. Mr. Chairman, I rise in support of the Fisher amendment to delete title III, mandatory coverage for Federal employees from the proposed legislation.

I do not object to the principle of such coverage. Indeed, I have long felt the need to incorporate these groups under the social security system. However, the committee proposal, while addressing some of the more difficult financing aspects of this legislation, does not take into account the way such an integration process will take place. For example, the committee, I am sure, never intended to provide dual pension coverage for Federal employees, that is to provide full benefits under both the systems. Does the committee plan to require that Federal employees pay large sums of money into both systems? If so, what level of benefits will an employee who is unable to acquire the necessary quarters under social security receive?

There is no doubt in my mind that the integration of both of these pension systems will eventually take place. The retirement systems for Federal employees will need to be restructured to avoid overlapping benefits and dual payments vis-a-vis the social security system. This can hardly be done overnight and should be worked out before Members of this House are asked to vote on universal coverage at this time without the benefit of an intensive study on the implications of such coverage on the Federal employees, the civil service retirement system and the social security system.

Mr. Chairman, I realize that in some quarters it is very easy and somewhat advantageous to attack Federal employees. I might remind my colleagues in the House that we are also employees of the Federal Government. I do not believe that anyone wants to deny any pensioner, whether Federal employee or not, the pension they deserve without a careful study of the matter. Therefore, Mr. Chairman, I urge my colleagues to vote for the Fisher amendment and support the creation of a special commission to study and report back to the Congress on the implications of such an integra-

tion process. Once that occurs, and all the facts are before this body then I am sure I can support the efforts of my colleagues to provide for universal coverage, or at least have more information on which to base my vote.

Mr. ULLMAN. Mr. Chairman, I yield such time as she may consume to the gentlewoman from Ohio (Ms. OAKAR).

(Ms. OAKAR asked and was given permission to revise and extend her remarks.)

Ms. OAKAR. Mr. Chairman, I rise in support of the Post Office Committee's amendment to the Fisher amendment, which would delete the provisions mandating social security coverage for all Federal, State, and local government employees.

Without question, the enactment of the universal coverage provision would have a tremendous impact upon the retirement pensions of millions of men and women who work for their Government at all of its levels. These are pensions for which they are devoting a part of their pay, and on which they are relying for material well-being in their retirement years.

I believe that, before making a change with such vast implications, we have a number of obligations to these workers which we must fulfill. I am supporting this amendment because I believe the House, in the bill before us now, has not yet fulfilled these obligations.

We have, first of all, an obligation to permit those who would be most affected by this legislation to have a say in the proceedings. As the mail and phone calls now coming to all of our offices attest, Government employees feel they have not had a chance to be heard, and they are right. The universal coverage provision was not seriously considered until mid-September, long after the hearings on this bill had been completed. It was not a part of the President's proposal, nor was it part of any other major proposal before the subcommittee.

I know that many of my colleagues assert that universal coverage has been discussed for many years, and refer to reports of the Advisory Council on Social Security and others in Washington. But all of us know there is a big difference between the attention focused upon proposals that are being seriously discussed and have some chance of being enacted, and those that are being bandied about generally, without having any significant support. Universal coverage has moved rather rapidly from the latter category to the former, and, again, the workers in Cleveland and everywhere else believe quite rightly that this decision is being made without their having a full opportunity to express their views, make suggestions, and otherwise participate in the decisionmaking.

Second, before we make any change along the lines suggested in this bill, we have an obligation to tell workers exactly what their pension would be under the new legislation. Again, the bill before us fails to fulfill this obligation. At best, Federal workers would be told what kind of pension they would have as a result of the forces set in motion by this bill in 2 or 3 years, when the re-

port of the Department of Health, Education, and Welfare is due. States and localities would be left to fend for themselves, and it is anybody's guess when or how they would resolve the many problems this bill would cause in their pension systems.

Many of my colleagues who favor this bill assert that social security an existing governmental pension plans can be integrated so that no one loses anything to which he is entitled. They may be right. But when it comes to something as important as someone's pension, we cannot simply say, "Trust me. I will take care of everything." Before we take the step proposed in this bill, we should be able to tell each working man and woman exactly what the change will mean for his or her pension.

I believe the approach of the Fisher amendment, which strikes the mandatory coverage language and calls for a study of universal coverage to be completed by 1980, is a reasonable one, which gives due recognition to what is at stake in the mandatory coverage issue. I urge its adoption.

Mr. ULLMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from Washington (Mr. Dicks).

(Mr. DICKS asked and was given permission to revise and extend his remarks.)

Mr. DICKS. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Virginia.

This bill, as reported by the Ways and Means Committee, would extend coverage of the social security system to all Federal employees, as well as to State and local employees not presently covered. Yet the bill gives no indication of how this will be accomplished. All we have to go on is that a study will be conducted on how this should be done, and the study would be submitted to the Congress at the beginning of 1980.

This approach seems to be a backwards way to address a public policy question. Any merging of the civil service retirement system with social security will require a very complex method of implementation if the goal that Federal employees as a group are not made worse off and that individual employees are unfairly treated is to be met. There would, without a doubt, be numerous questions on whether individual recommendations would achieve these goals. A strong possibility exists that no implementation program could be agreed to by 1982, or worse that an implementation program would be hastily adopted in order to meet the deadline in the bill for universal coverage.

This amendment would put the horse back in front of the cart by requiring the study to determine if and how this action should be taken before a commitment is made to adopting universal coverage. Personally I have some real questions as to whether universal coverage is advisable. The lack of information about how some of the unique aspects of the civil service retirement system would be treated makes me very reluctant to make a commitment. By conducting the study

first, information will be available to make rational judgments on the details of a possible implementation of universal coverage. Social security questions have, by their nature, very long-term implications.

Once changes have been adopted, they are often difficult to correct. Even when they can be corrected, their impact can be immense as the decoupling issue has illustrated.

This amendment includes provisions for increases in the tax rate and wage base in the future to compensate any revenue lost by eliminating the mandate for universal coverage, so its adoption will not place the committee's carefully developed proposals for raising revenues for the trust funds in jeopardy.

To my mind there is no compelling reason to commit us to an action we may regret later, and thus urge my colleagues to support this amendment.

Mr. ULLMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from Guam (Mr. WON PAT).

(Mr. WON PAT asked and was given permission to revise and extend his remarks.)

Mr. WON PAT. Mr. Chairman, I rise in support of Congressman JOSEPH FISHER of Virginia's amendment to strike from H.R. 9346 that section of the bill which would require mandatory participation in the Social Security Act for Federal, State, and local government employees by 1982.

Congressman FISHER suggests instead that the Department of Health, Education, and Welfare conduct a 2-year study of the effect of such a proposal on both the social security program and individual retirement programs of these employees. This is a far more practical approach if we are to prevent untold difficulties connected with so-called universal coverage.

I have been informed by the Governor of Guam's office that the retention of the present language of H.R. 9346 would impose economic problems for the retirement program now used by Government of Guam employees.

The Committee on Ways and Means is to be congratulated for its desire to strengthen the social security retirement program. But, at this time, I have serious reservations about the potential impact on future retirement benefits for employees of the Guam Government should they be required to contribute to the social security program. I call on my colleagues to first initiate a study of this proposal to insure that if, and when, it is implemented there will be no sudden and unpleasant surprises for government administrators or those we intend to benefit by any change in the law. Thank you.

Mr. ULLMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from Louisiana (Mr. HUCKABY).

(Mr. HUCKABY asked and was given permission to revise and extend his remarks.)

Mr. HUCKABY. Mr. Chairman, I would like to take this opportunity to speak on behalf of the Fisher amend-

ment to the social security financing bill under consideration today. As you know, the amendment would delete the provisions requiring universal coverage under social security. In addition, the Fisher amendment will require studies concerning mandatory coverage of Federal, State, and local government employees to be conducted jointly by the Civil Service Commission, Departments of Treasury and Health, Education, and Welfare, and the Office of Management and Budget. The results of these studies will be reported back to Congress in 2 years.

The mandatory coverage proposal as reported by the Ways and Means Committee would for the first time mandate social security coverage for three categories of workers not previously included: Federal employees presently covered by the Civil Service Retirement and other retirement systems, State and local government employees, and the employees of nonprofit organizations. This extension, the committee estimates, would add about six to seven million additional workers to social security. Provision is also made for a comprehensive study of the integration of social security and civil service retirement and other Federal retirement systems. However, H.R. 9346 does not provide funds for a similar study of the impact of mandatory coverage on State and local systems.

In order to guarantee retirement benefits as expressed by legislative acts passed in the State of Louisiana, it cannot divert any portion of its assistance, nor would it be in a financial posture to support a second retirement program. At the present time, the State, from its general fund, contributes in excess of \$50 million annually in support of various State retirement systems. Since these funds are necessary to guarantee benefits, and it is a violation of individual rights to reduce a benefit, the State would be in an untenable position. Current law mandates that all Louisiana State employees under age 55 become a member of the State system.

Therefore, if they were to be covered by social security, they have to pay into two systems, seriously affecting their "take home" pay. I am sure you can realize the effect on employee morale since Louisiana's salary structure is well below that of the private or Federal sectors. Since there has been an increasing trend of withdrawal from social security by State and local governments, this extension will seem unfair to those who have chosen alternatives. As of March 1976, 332 groups in the category of State and local government employees had withdrawn from the system.

But a more serious problem of this proposal is the constitutional and legal aspect. It is a well recognized principle of constitutional law that the Federal Government cannot require the States to spend money. Since State and local governments would be required, as employers, to pay social security contributions, it may be that mandating inclusion violates the U.S. Constitution.

I am genuinely concerned about mandatory coverage of teachers under social

security. Most teachers are already covered by the program but those that are not have many problems with the committee provision. For example, the committee bill simply provides mandatory coverage by 1982 without any consideration for a hold-harmless measure which would guarantee no reduction in already vested benefits or prohibit the possibility of dual taxation when two retirement systems remain in existence. In addition, the bill makes no provision that existing retirement systems be protected or integrated in a way that is fair to those individuals who have contributed to these systems.

Clearly, the committee bill is a case of putting the cart before the horse. It requires a study of existing retirement systems to establish the desirability of mandatory social security coverage but before the results of the study are available and even before the study is initiated, it requires mandatory coverage by 1982. This is simply a bad procedure and it should be rectified.

I strongly support the Fisher amendment to H.R. 9346 which would eliminate mandatory coverage and require that the question be reconsidered when the results of the authorized study are available. The Congress should act on the basis of solid information rather than speculation. Adoption of this amendment is vital to the continuing well-being of teacher, and all other retirement systems, across the country.

Mr. ULLMAN. Mr. Chairman, I yield 4 minutes to the gentleman from Florida (Mr. GIBBONS).

Mr. GIBBONS. Mr. Chairman, there are a couple of things I wanted to say about the Fisher amendment which I did not address myself to the first time I talked.

I thought I had better get those points in now.

One is that we have just learned that the Fisher amendment does not meet the requirements made wisely by the chairman of the Committee on Ways and Means that these amendments be balanced. In fact, I do not know—and I wish somebody would tell me—how much the Fisher amendment is going to cost everybody else in the country. Obviously, it is going to take \$25 billion out of the hospital insurance (medicare) trust fund.

Mr. PICKLE: Mr. Chairman, will the gentleman yield?

Mr. GIBBONS. I yield to the gentleman from Texas.

Mr. PICKLE. Mr. Chairman, I am advised that the Fisher amendment raises an additional \$22.4 billion over and above what the committee bill has.

Mr. GIBBONS. Therefore, the Fisher amendment is going to cost the taxpayers now \$22 billion to take care of those people who do not want to come into the system. Then, as the gentleman from Illinois (Mr. ROSTENKOWSKI) brought out, the Fisher amendment is going to cost another \$25 billion, or, roughly a total of \$47 billion, which we are going to tax other people for. That is in addition, as I understand it, to the \$56 billion that this bill will raise in just 2 years, in 1982 and 1983, when the tax really begins to bite.

Mr. Chairman, the Congress has never

levied a tax like that since I have been here. As a matter of fact, it has never levied a tax like that at any time in the history of the Congress, even during the war.

Mr. Chairman, another thing which the Fisher amendment does—and this has not been discussed here at all—is that it opens the door for all State and local employees who are now in the system to get out.

Do the Members understand that? Everybody who is now in the system, who is a State or local employee, can, under the Fisher amendment, get out of the system if they do not like it.

We had never discussed that in the committee. I never heard it discussed anywhere. In fact, I was surprised when I read it here on the floor. But I am not surprised at anything I hear about this amendment.

Mr. FISHER. Mr. Chairman, will the gentleman yield?

Mr. GIBBONS. I yield to the gentleman from Virginia.

Mr. FISHER. I thank the gentleman for yielding.

Under the present law 2 years' notice has to be given. It is a long, involved process for a State or local government to withdraw from social security. Before any additional State and local units would be able to get out, the 2 years would have passed. The study and the plan would have been made, and there would have been adequate time to deal with it.

Mr. GIBBONS. That still does not explain why the gentleman is opening the door again for all of those people who come into the system, to jump out again. The trouble is that people do not understand the social security system. The social security system is not a pension system in the tradition of the private pension plans. All it is is a tax on working people today to pay for retired people today. That is all it has ever been since it was created. Surely that is all it will ever be and all it ever can be. So a voluntary system cannot work.

Mr. MIKVA. Mr. Chairman, will the gentleman yield?

Mr. GIBBONS. I yield to the gentleman from Illinois.

Mr. MIKVA. I thank the gentleman for yielding.

I was distressed to find out that the freeze provision will be repealed by the Fisher amendment. That was a provision wholly separate from universal coverage. It was taken up separately by the subcommittee, and the removal of this provision from the bill is one more reason why I think a vote against the Fisher amendment is necessary.

Mr. ULLMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from California (Mr. HANNAFORD).

(Mr. HANNAFORD asked and was given permission to revise and extend his remarks.)

Mr. HANNAFORD. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Virginia. Adoption of the provision in H.R. 9346 for universal coverage of Federal, State, and local employees not currently participating in the social security system would

be a grave mistake at this time. The issue of universal coverage first deserves careful scrutiny by the appropriate committees in order to review the implications of such a proposal.

Within the State of California alone, universal coverage would cost State and local governments millions of dollars. In 1982, it is estimated that the cost for the entire State would range between \$350 and \$400 million. This would require that already tight budgets be further adjusted to cover federally mandated costs. Most likely, cuts in State and local budgets will mean decreases in areas such as services and maintenance. The consequences of such budget cuts cannot be brushed aside. Decreases in maintenance budgets within the last decade, for example, are now being manifested in the recognition that many urban areas throughout the Nation are sorely in need of more money than ever for urban rehabilitation and renewal.

Moreover, Mr. Chairman, studies exhibit positive correlations between severe maintenance budget cuts and high rate of unemployment. And this acts as a further drain on State and local finances through increased welfare payments.

Mr. Chairman, the other dimension of the universal coverage provision is its impact on individual citizens. For instance, a cursory examination of the impact on policemen and firemen who would be required to participate in the social security system reveals additional financial burdens which can least be afforded. Also, under the special retirement provisions for such State and local employees, social security coverage may mean that these workers would be forced to endure periods ranging from 10 to 13 years before becoming eligible to collect benefits under social security. Within the seven major cities of California, this provision would affect a total of about 21,000 policemen and firemen.

	Firemen Policemen	
Long Beach.....	425	700
Los Angeles.....	3,000	7,400
Oakland	700	675
Sacramento	455	525
San Diego.....	700	1,100
San Francisco.....	1,700	1,900
San Jose.....	623	870
	7,603	13,170

In Long Beach, the largest city in my district, the projected costs to the city of coverage for all State and local employees in 1982 would exceed \$3 million. For a city the size of New York City, this cost would most likely exceed \$50 million.

Additional costs to the city of Long Beach under universal coverage:

1978	\$330,153
1979	557,798
1980	757,680
1981	1,040,359
1982	3,199,266
	5,885,256

Mr. Chairman, it is evident that this issue should be thoroughly studied. To act hastily now may result in fiscal dislocations in many urban areas around the country.

Mr. ULLMAN. Mr. Chairman, I yield such time as he may consume to the

gentleman from California (Mr. LEGGETT).

(Mr. LEGGETT asked and was given permission to revise and extend his remarks.)

Mr. LEGGETT. Mr. Chairman, I rise to support the Fisher amendment and review for my colleagues the profound concerns that I have about H.R. 9346. I believe that the provisions of this bill do not comprise an acceptable long-term solution to the problem of financing the social security system.

My concerns with the bill range from its short-term effect on unemployment to the lack of recognition of the extent of the eventual impact of changing demographic patterns on the social security system. However, at this time my principal concern which I will address is the provision for mandatory inclusion of local, State, and Federal workers in the social security system.

Under this provision, approximately 6 million Americans would be brought under a mandatory social security system by 1980. These 6 million workers come from the Federal Government, a large number of State and local governments, and various nonprofit organizations. Each of these organizations currently has its own retirement benefit scheme whose provisions we predicated on the assumption that their employees will not participate in the social security scheme. The specific provisions of each retirement benefit scheme are the result of many years of bargaining and one tailored to the needs of each individual set of workers and employer. H.R. 9346 ignores the myriad of problems that would be encountered in blending all of these individual schemes with the social security system.

A simple analysis of the situation with regard to the Federal employees and the integration of their retirement benefit scheme with social security has revealed the many-headed hydra that we will let loose if the universal social security coverage provision is enacted. The details of such an analysis are too complex and lengthy to include here. However, many significant questions were raised that are not addressed by the bill.

For example: Would integration of the social security and civil service schemes result in an almost doubled retirement contribution by Federal employees or would their contribution stay the same and the bulk of the contribution be used for social security contributions? If the latter course is adopted, would the present contribution of general funds to support the Federal Civil Service retirement benefits be increased? In other words, would this be at least in the short term a system of indirect support from general revenues for the social security system? How would the benefits be reconciled for individuals working part of their lives in the Federal Civil Service and part under social security coverage? Benefit formulae are different in the two systems and retirement ages differ. An individual working in the Federal Government may retire with 30 years of service at, for example, age 60, and have 10 or more years under social security. He

is eligible for Federal retirement benefits but social security benefits are available only at age 65. What happens in the intervening 5 years.

These examples could be continued "ad nauseam," but my point is already well served. We do not know whether the details of inclusion under social security of the 6 million workers covered by this provision can be achieved in a manner which will protect their vested pension rights. The fundamental question of equity for these people is left open.

I have not touched on the rather significant problems which the universal coverage proposal would present for State and local governments as well as nonprofit organizations. The complications involved in merging the civil service retirement and the social security systems are bad enough—and the laws creating both of these systems have been passed by the Congress. The pension system of State and local government are so numerous and disparate that we cannot even begin to highlight the pitfalls.

In addition, I would note that the extension of mandatory social security coverage to State and local governments raises significant constitutional issues. Just last year, the Supreme Court held in the case, *National League of Cities v. Usery*, 96 Sup. Ct. 2465 (1976), that Congress lacked the power under the commerce clause to impose the requirements of the Fair Labor Standards act on State governments. The majority opinion written by Justice Rendquist held that the Constitution did not delegate to Congress the authority to regulate the employer-employee relationships of State governments, and their subdivisions. Since the pension arrangements of State and local governments have frequently evolved through collective bargaining, could not a case be made that the Federal Government by mandating social security coverage would be regulating State employer-employee relations?

A second constitutional problem is the tax on State and local governments which this proposal would involve. State governments have considerable immunity from Federal taxation. Universal social security participation would amount to a mandatory tax on all employers, including State and local governments.

The Congress under the Social Security Act imposes various taxes on private employers and rebates most of the money to the States that participate in the various programs under the conditions laid down by the Congress. But Congress cannot impose a payroll tax upon a State government and condition its rebate upon the State's submission to coverage under the act of its employees.

In the Unemployment Compensation Amendments of 1976, Congress resolved this dilemma by requiring the States to cover State and local government employees as a condition for receiving the 2.7 percent tax credit and Federal grant for administering State unemployment insurance programs in the private employment sector. Clearly it is within Congress' power to extend financial assistance to the States upon the condition

that the States must meet certain standards in the operations of particular programs.¹ But while Congress is not limited in attaching conditions in its taxing and spending programs to its enumerated powers, it is limited to the extent that the conditions must be reasonably related to the purposes of the taxing and spending programs themselves.² The courts may well draw the line at the point at which Congress seeks to accomplish something extraneous to the program.

To phrase the constitutional issue another way, the courts could well find that it is not valid for Congress to attach conditions that, in and of themselves, promote the general welfare, since Congress may only legislate for the general welfare through its granted powers. Conditions imposed by Congress must promote the general welfare objective of the taxing and spending program itself and may not be utilized to go beyond the program to which they are attached.

Thus, the courts could find it improper for Congress to condition State participation in the social security program coverage of private employers and employees upon State submission to coverage of State employees, since this would be to accomplish some other general welfare purpose extraneous to the program for private employers and employees and a general welfare purpose that it could not in fact accomplish because it is beyond Congress delegated powers.

If universal coverage were enacted, I do not know if the courts would decide the issue along these lines. I believe, however, that we should weigh the constitutional issue carefully. We would be creating a rather chaotic situation if we coerced State and local governments into reshaping their retirement programs to accommodate universal social security coverage, only to have the courts several years later rule that universal coverage is unconstitutional.

We must, therefore, delete the universal coverage provision from H.R. 9346. The amendment offered by Mr. FISHER will delete this section and substitute instead a requirement that HEW conduct a detailed feasibility study of universal coverage and report to Congress by January 1, 1980, providing a suitable interval for analysis of this complex issue.

Mr. ULLMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from Maryland (Mr. STEERS).

(Mr. STEERS asked and was given permission to revise and extend his remarks.)

[Mr. STEERS addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks.]

Mr. ULLMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from Texas (Mr. PICKLE).

¹ *Steward Machine Co. v. Davis*, 301 U.S. 548 (1973); *Oklahoma v. Civil Service Comm.*, 330 U.S. 127 (1947).

² *Steward Machine Co. v. Davis*, *Supra.*, 590-591, 593; *Ivanhoe Irrigation Dist. v. McCracken*, 357 U.S. 275, 295 (1958); *Lau v. Nichols*, 414 U.S. 563, 569 (1974).

(Mr. PICKLE asked and was given permission to revise and extend his remarks.)

Mr. PICKLE. Mr. Chairman, I told the House earlier today that the Fisher amendment is not merely an amendment to take out universal coverage; it is a hefty additional tax on employer and employee. It will be a tax for at least an additional \$1,800 wage base each year for the next 5 years and at least a 0.1 tax increase. Even now, as the gentleman from Illinois (Mr. ROSTENKOWSKI) pointed out, that tax is inadequate. This means in addition to what we are raising under the bill, there will be another \$22 billion or \$25 billion in order to satisfy 2.6 million people, you are going to tax 100 million other people. I say that is not basically fair. There is an element of fairness, though, about universal coverage, and we could integrate these two systems evenly, and we could do it smoothly, and we could do it as provided in the bill. I think the Fisher amendment should be defeated. With all due respect to the Federal, local, State, and municipal employees who honestly and sincerely resist the committee bill pertaining to universal coverage, I think both systems can be integrated without any loss to any person.

Mr. ULLMAN. Mr. Chairman, let me say that there has been some controversy about the Fisher amendment. In all fairness, under the actuarial understanding that we had at the time we were considering the matter in the committee, the taxes that have been imposed under the Fisher amendment I would consider as adequate to cover it. The social security actuary has developed later actuarial findings that there is some shortfall, but it does not come until after 1983, and at that time we fully expect to take care of that problem.

Let us fully understand where we are now. The Nix amendment is before us, along with the Fisher substitute. The Nix amendment would just remove Federal employees but would do nothing about local and State employees or nonprofit employees. The Fisher substitute would remove not only Federal but State and local and nonprofit employees from the bill and would require, in accordance with instructions from the committee, some increase in taxes to make up the deficit that results from removing these groups of employees.

That is where we are.

Mr. KETCHUM. Mr. Chairman, will the gentleman yield?

Mr. ULLMAN. I yield to the gentleman from California.

Mr. KETCHUM. I thank the chairman for yielding.

I would like to quote one statement in the Record when the gentleman from Oregon was explaining these amendments. He said:

An amendment by Honorable JOSEPH FISHER which would strike the provisions . . . relating to State, and local employees and of employees of nonprofit organizations, but which would contain a compensating increase to maintain the actuarial status of the trust funds at the same level.

I submit that is not true. I really believe to be honest with the rest of the

committee and the Committee of the Whole that the chairman should ask for unanimous consent to make a compensating balance with the Fisher amendment, so that we can be dealing with this subject in an open way.

Mr. ULLMAN. Let us say all of the amendments proposed vary in differing degrees with respect to their actuarial implications, both in the short and in the long range. There is no way to come out even-steven. They all have a fairly wide variance factor. At the time the committee was considering this we were talking about a 0.15 as an actuarial differential. That is essentially what the Fisher amendment provided, not all in tax rate but partly in wage base. Whereas I might have hoped it would have been a little higher, I disagree with the gentleman. I think it basically complies with the requirements.

Mr. FISHER. Mr. Chairman, if the gentleman will yield, there has been a lot of talk about actuaries and they do change their estimates as unemployment figures and birth rates and all the rest of it change.

The chairman is quite right. This amendment does follow the mandate of the committee to make up any revenue that might be lost.

I want to quote again, for those who pay a lot of attention to the actuaries, the head of the Social Security Administration writing on October 25:

In summary I think it is unfair to conclude that the Fisher amendment falls to reasonably compensate the Federal trust funds.

Mr. WAGGONER. Mr. Chairman, will the gentleman yield?

Mr. FISHER. I yield to the gentleman from Louisiana (Mr. WAGGONER).

Mr. WAGGONER. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, the situation is exactly this. The only thing the Fisher amendment asks is that the matter be studied and a determination be made whether or not we can integrate social security with the Federal civil service retirement system. There is a serious question about mandating mistakes. We should support the Fisher amendment.

Mr. VANIK. Mr. Chairman, I rise in support of the Fisher amendment to H.R. 9346. For several reasons, I cannot support mandatory coverage of public employees under social security. Such action would put an excessive burden on State and local governments, which are already financially strained.

According to data compiled by the National Conference of State Legislatures, mandatory coverage of State and local employees would cost the State of Ohio \$50 to \$100 million. One county in my district, Cuyahoga County, alone would face costs of \$15 million. Moreover, these figures are reported to be conservative.

Mr. Chairman, it is obvious that, with universal coverage, we are mandating a major extension of the social security system without fully knowing how it will be implemented or what its impact will be. In good conscience, I cannot support so important a change with so little information. In addition to this dearth of information, the excessive burden that

universal coverage would place on State and local governments only emphasizes the problem with the proposal.

Mr. FISHER's amendment provides for a study by HEW of the means of integrating social security with public employee retirement systems. Once these studies are conducted, we will be better able to determine the prospects and pitfalls of such a change. I believe that such an approach is more responsible and much fairer to State and local governments, which will have to bear the burdens that universal coverage might produce.

Mr. BAUCUS. Mr. Chairman, I rise today to speak in support of Representative FISHER's amendment to the social security financing bill, H.R. 9346.

The House Ways and Means Committee reported this bill with a provision requiring mandatory social security coverage of all Federal, State, and local government employees and employees of nonprofit organizations to be effective in 1982.

Supporters of this provision claim that universal coverage has been considered since the 1930's. They argue that the bill does not eliminate the Federal retirement system, it does not "merge" the two systems, and it does not authorize the transfer of any funds from the Federal retirement system to social security.

This may all in fact be true. But it seems to me that to mandate universal coverage before we have had the study presented to us which shows the effects and desirability of such a change, is a backward and ill-advised way to legislate.

There is much concern and confusion among my constituents concerning universal coverage. I have received more calls in my district offices on this provision than on any other bill since I took office. I can understand the fears of workers who would be affected and feel that Representative FISHER's amendment offers us a sound solution.

This amendment would delete the mandatory universal coverage provision and would require the Department of Health, Education, and Welfare to conduct a feasibility study of universal coverage to be presented to Congress by January 1, 1980.

Congress must be presented with a plan for coordinating social security with the other retirement systems before we can be expected to evaluate the desirability of such a change. In particular, coordinating the current Federal retirement systems with the social security system is an extremely complex matter and not one which should be blindly entered into. In addition, we must assure these workers that we are not using them to simply bail out the social security fund.

Present Federal, State, and local government employees and employees of nonprofit institutions accepted their jobs in part because of the feature benefits that were promised to them. I believe that we who represent these people have an obligation to insure that these workers do not come up short when they reach retirement age. To do this, I feel that we

must in all good conscience support Representative FISHER's amendment.

It is my hope that a majority of my colleagues will also echo these sentiments and join me in voting for Representative FISHER's amendment.

Mr. BIAGGI. Mr. Chairman, simply stated, unless we pass the Fisher amendment, I fear all the good features of H.R. 9346 will be washed down the drain when the bill is defeated. Therefore for the benefit of saving a good bill, I urge support of the amendment.

We all agree that the social security system is in grave trouble. The system, which has never missed paying benefits in its 40-year history, faces a shortage in its trust fund which places future benefit payments in jeopardy. The problem will only grow worse as the ratio of workers to beneficiaries continues to drop. A number of important reforms have been proposed in this bill. Some will require sacrifices, others are more obvious. Yet one point they have in common is that they were made after careful and lengthy study.

The proposal to require universal coverage under social security cannot claim to be the product of either studied or lengthy deliberations. What is being proposed is requiring all Federal, State, and local government employees as well as those employed in nonprofit agencies to join the social security system by 1982.

At the very least, such a proposal would unleash an administrative nightmare on the social security system, as well as on various preexisting retirement plans.

Another problem overlooked by the merger advocates is—how do we avoid incurring double costs in implementation? How do we determine which trust fund will pay already accrued benefits. Conceivably we could be adding and not relieving the strains on the social security trust fund.

The simple and compelling reason to support the Fisher amendment is that its alternative—merger by 1982—is premature. There are many unanswered questions about the impact of merger which must be answered. They can be under the terms of the Fisher amendment which mandates a detailed study on the issue.

Let us not act in haste on a matter of such critical importance. We are dealing with the economic fortunes of millions of Americans, including many elderly. We could at some future date consider merger. But the time is not now. To act now would leave this Congress susceptible to criticism as being overreactive.

We can be proud of our record thus far in addressing the fiscal problems of the social security system. We have passed H.R. 5383 curtailing mandatory retirement. This will allow more people to work and contribute into the system instead of merely taking from it. It could add some \$600 million to the social security trust fund in 5 years. The other parts of H.R. 9346 will also aid in meeting short- and long-term challenges to the future of social security. Let us proceed with them and abandon the merger proposal.

Mr. AMBRO. Mr. Chairman, I rise

with severely mixed emotions in reluctant support of the amendment introduced by the gentleman from Virginia (Mr. FISHER) to strike the provisions in the bill requiring mandatory social security coverage of Federal, State, and local government employees and employees of nonprofit organizations by 1982. I do so with reluctance, as I have said, and with some trepidation, because I am a firm believer in the social security system as an important fact of American life, and I am concerned with safeguarding the integrity of the trust fund. At present, more than 33 million Americans—1 out of 7—are receiving social security benefits, another 104 million make contributions to the system, and approximately 95 percent of our children and mothers are protected by survivors' insurance, which means that almost every American is involved in the social security system either as a beneficiary, a contributor, or the dependent of a contributor. It is to these citizens that we owe an obligation to protect the viability of the trust fund.

We are all aware of the economic and social factors that have served to undermine the trust fund in recent years: lowered birth rates, increased life expectancy, high unemployment, and inflation. Pointing fingers and attempting to affix blame are useless and enervating exercises. We must turn our energy and attention to remedying rather than just deploring the situation. To this end, we are being asked to make social security coverage universal extending it to all Federal, State, and local government employees and employees of nonprofit organizations, thereby bringing an additional 6 million workers into the system. We are told that this will help to improve the short term solvency of social security, that taxes levied on new workers coming into the system will improve its finances thus helping all private sector workers by preventing the need for another increase in the tax rate, and that it will ultimately help not hinder State and local government and their employees by supplanting many financially unsound pension plans with a more secure system. However, we are also being asked to approve this scheme and, after the fact, to commission a study to determine just how this can be done, and, I might add, if it can at all be done equitably and effectively. This, to put it tritely, is a classic case of putting the cart before the horse. Let us first do a thorough and complete study with a date certain for its submission, and then let us analyze it and act upon its recommendations. That is the only rational and logical way for us to proceed. The Fisher amendment contains just such a provision, and it is for this reason that I shall cast my vote in its favor.

Mr. BOB WILSON. Mr. Chairman, I rise in support of the substitute amendment offered by the gentleman from Virginia (Mr. FISHER) to strike the universal social security coverage mandated by H.R. 9346.

What it all boils down to is simply that this is the wrong legislation at this time. We just do not have enough solid

information to make a rational decision on integrating social security with Federal retirement or on requiring participation by State and local governments.

Universal social security is not necessarily bad. In fact, social security has many good things to offer. A few examples would be the survivor protection for a worker with young children, the disability coverage for young workers with only minimal quarters under social security, the provision of a widow's benefit with no reduction in the retiree's monthly check, the nontaxability of social security and the payment of a benefit to divorced wives under certain circumstances.

Social security is also a very complex and intricate program, which does not easily integrate with other retirement plans by simply waving a magic wand, no matter how much some Members of this House would like to see it do so. The basic premises of Federal retirement and social security are different. Federal retirement is just that: a contributory program by both employer and employee, with annuities based on years of service and salary earned. The benefit is paid to the worker himself or herself, with any payment to a surviving spouse contingent upon the election of a reduced annuity by the retiree. Social security on the other hand goes far beyond the question of retirement benefits for the covered worker. Much emphasis is placed on survivor protection for young families. Benefit levels are heavily weighted in favor of those at the lower end of the earnings' scale and are not proportional to social security taxes paid. There are special benefits, like that for a wife, which require no contribution to the trust fund on the part of the worker or his spouse. By contrast, a working wife with many years of taxes paid into the social security trust fund often receives no payment at all for her social security-covered employment.

Trying to mesh social security with another large-scale Government retirement program is no easy task. As a member of the House Armed Services Committee, I can tell you that we have examined a number of alternatives to integrate military retirement and social security. It may seem elementary in principle, but the actual workings of offset formulas are highly complex and often discriminatory. A good example would be the case where the wife has worked and earned substantial social security credits on her own. In the military survivor benefit plan, we have widows who were formerly working wives and who are losing \$150 to \$200 per month from their survivor benefit plan annuities for a social security benefit they are not even receiving. I mention this only as an illustration of the difficulties involved. Corrective legislation in this instance has been passed by the House and is awaiting Senate action. In order to avoid a repetition of this type of problem and this is just one example, believe me, Congress has to do more homework before undertaking major surgery on one Federal program by using a meat cleaver on another.

I urge the House to mandate a com-

prehensive study of universal coverage and the actual mechanics of integrating Civil Service retirement and social security. With that type of data, Congress will be in a position to make a carefully reasoned, well-informed decision on the advisability of such an interweaving. The Post Office and Civil Service Committee will have an opportunity to study and propose one or more plans to supplement social security with a new Federal retirement plan or to determine that such integration is unsound and recommend a continuation of the present system. Additionally, the State and local governments will have a chance to give us their input on coverage for their employees and we will be able to examine the constitutional questions which need to be resolved if the States and localities are mandated into social security by the Federal Government.

According to the adage, haste makes waste. In the case of H.R. 9346, haste makes lousy legislation. We have serious problems with the long-term funding of social security. We also have some hard choices to make about its future course. Let us bite the bullet and make those decisions. Let us give the House an opportunity to consider the long-simmering issues of a realistic retirement earnings' test or no earnings' ceiling at all, of equity for working wives, of the use of general revenues versus a tax rate and wage base increase. Let us not, however, make the Federal, State, and local Government workers the scapegoat for the financial problems of the social security trust fund and hungrily eye their new social security taxes as a cure-all to our problems.

I again urge my colleagues to join in supporting the amendment by Mr. FISHER.

Mr. LUKEN. Mr. Chairman, I rise in opposition to a proposal by the House Ways and Means Committee that would require local, State, and Federal employees to be covered under the social security program beginning January 1, 1982.

This extension of coverage has become unpopular in many areas of the country as evidenced by the increasing trend of withdrawal from social security by State and local governments. Workers are afraid that universal coverage will jeopardize their rights to retirement benefits from pension plans they have paid into for years.

I, too, am skeptical of universal coverage. I noted that no adequate study has been done to determine the validity and feasibility of the Ways and Means proposal, and therefore believe it is foolish to pass this measure without further knowledge.

I would also like to bring to your attention that the Ways and Means Committee, which has jurisdiction over social security, has proposed legislation that integrates social security and Civil Service pension programs.

Obviously, the members of the Post Office and Civil Service Committee are skeptical as to the feasibility of meshing the two systems without impairing the pension rights of Federal employees.

Their committee, which does have jurisdiction over the Federal pension program, voted unanimously against the Ways and Means Committee's proposal.

It is also interesting to note, Mr. Speaker, that provisions under title III require a study by HEW of the methods of integrating Federal and social security retirement plans, yet there are no provisions for a similar study of the meshing of State and local programs with social security. Such a study would demonstrate that many State and local governments cannot reduce pension benefits for their employees due to State constitutional restrictions or court decisions.

Furthermore, arguments have been raised that it is unconstitutional for Congress to tax State and local governments. However, these problems have not been resolved in the haste of the Ways and Means Committee.

Therefore, I urge my colleagues to consider these and other arguments against universal social security coverage, and to support the amendment offered by Mr. FISHER which will exempt local, State, and Federal employees from coverage, and will require HEW and others to study the feasibility of universal coverage.

Mr. VENTO. Mr. Chairman, the steamroller inclusion of public employees in the financially troubled social security program is inappropriate.

The provision to include public employees in social security really ducks the problem and is very unfair to public employees who have paid higher amounts into separate funds for many years.

The controversial provision in the social security funding bill would be implemented in 1981, with the specific details for accomplishment left to future congressional action. This proposal is like a picture of an elephant seen from an inch away. It does not provide a full image and leaves public employees guessing.

Perhaps most harmful is that it puts off serious funding problems and increases future liability by inclusion of 6 million public employees.

While the legislation being considered increases the social security tax by 6.05 percent in 1978—as scheduled—6.45 percent in 1981, 6.75 percent in 1985, 6.9 percent in 1986, and 7.45 percent in 1990; and the amount of income paid on to \$19,900 next year, \$22,900 in 1979, \$25,900 in 1980, and upward in further steps to an estimated \$35,400 in 1985 and an expected \$39,600 in 1987; it provides no assurance of resolving the real difficulties.

Unemployment levels at 7 to 8 percent and inflation increases have been the nagging culprits of the basic social security program reducing the number who pay into the program and increasing the amounts paid out.

The inclusion of public employees may provide short-term funds but long-term liabilities.

Most public employee funds are solvent and doing well with timely contributions from the employees and government. The committee action changes the rule for one inning of the ball game and

trusts future congressional action to resolve the rules in the ninth inning.

An immediate small increase in the social security tax and income amounts, the addition of general revenue for the next 2 years, while modifying some benefit provisions, was realistic. The committee, however, opted for a panacea which simply aggravates the issue.

Many questions concerning provisions of this bill remain unanswered. First, is the constitutional issue of mandating the States inclusion; second is the questionable financing, that is, how do you extend new coverage and increased benefits in most instances to public employees; third, how to provide medicare coverage with less contributions than are currently paid by public employees—surely, we do not expect them to pay into both programs.

The civil service retirement fund has a deficit of \$100 million annually. Who is going to fund it in the future and assume the even greater liability when there is no continued participation by public employees.

Clearly, the direction that the committee has moved to is inappropriate. The ghost of the railroad retirement funding solution casts a pall over much of today's discussion.

Many of these questions and fears could have been resolved by the committee but not in the manner presented by this legislation. Unfortunately, this action has raised fears that will make needed reforms more difficult and confusing.

Today we face an important task. We must provide adequate funding for commitments that have been made to generations of Americans.

The subcommittee chairman, Representative JIM BURKE, sounded the warning during the general debate on the issue and has reminded this House and Congress of the magnitude of the problem. For almost 2 years the financial status of the social security fund has been in question.

While this legislation does not solve all of the problems, its provisions will restore some needed confidence and solvency to the trust funds. It will equitably adjust benefits through the decoupling proviso and provide new earned income limits for many working beneficiaries.

Clearly, the benefits historically derived from our social security system have been significant based on what an individual paid into the fund to receive them. The maximum contribution of each employer/employee through 1976 would have been \$7,763.10. A person received survivors benefits, disability coverage, and retirement benefits in addition to medicare for that contribution.

We should have recognized that many in our society—90 percent aged 30 to 60—are covered by benefits, but only 85 percent pay in for at least one 3-month period in a 2-year period. Therefore, general revenue supplemental funding is logical considering the benefit structure and the cost of the system.

However, opposition precluded that alternative.

Instead, we cut back with a regressive increase which will fall hard on low-

income persons. The increase in the wage base is a necessary step and, frankly, the basic revenue raiser in this proposal.

This proposal requires the self-employed who receive the same benefits to pay 1.5 times the basic percentage. The logic in reducing the cost of the self-employed is that they receive no tax deduction which seems to make sense. But who makes up the loss to the social security trust funds? This is yet another justification for use of general revenue support for social security's basic program.

The other obvious inequity that exists in the social security benefit program is the difference between earned income and nonearned income. Apparently, this is a spillover from our basic tax laws. How much more effective would our solution be to social security funding if, in fact, we considered the total economic status of beneficiaries?

We could save substantial amounts if we would only equalize earned and unearned income and address realistically and equitably all the "double dippers."

Much discussion has been stimulated about additional benefits, but our ability to provide these must be tempered by our willingness to resolve the financial status of today's programs.

Frankly, nothing invokes more justified anger from the American people than a retreat from past commitments. Certainly they may fight ardently to work beyond 65 and the right to earn higher incomes, but they do not want changed requirements placed on them by new modifications of age as some will propose today.

Social security is here to stay, and the commitments made, I trust, will be reflected in my colleagues votes on this and other amendments today. This program needs some basic reform. This proposal helps with funding, but is far from perfect. It is my hope that it is a start and that once we have met the crisis our future actions will address the inequities and long-term commitments so necessary to this program and our constituencies.

Mr. McCLORY. Mr. Chairman, I rise in support of the amendment offered by our distinguished colleague, the gentleman from Virginia (Mr. FISHER).

There certainly is not one Member in this Chamber who would dispute the statement that the social security system is in serious trouble. Strong and deliberate measures must be taken in order to prevent financial disaster. The social security system simply cannot survive under current conditions by which payments exceed receipts—a situation with no end in sight if operations continue under present legislation.

As bad as things are with social security, they are not so bad that we should move in a precipitous manner. Yet, such would be the case if we today were to approve the provision of this bill which would mandate universal social security coverage.

Let us not debate the pros and cons of universal coverage, for we do not have anywhere near enough information on which to base our opinions—and that is

my point. No one wants to perpetrate an injustice on Federal, State, and local government workers and employees of nonprofit organizations. But, this bill mandates universal coverage beginning in 1982—no matter what. The year 1982 may seem a long way down the road, but for a problem as complex as providing for the fair implementation of universal coverage, 1982 may be right around the corner.

Why do the supporters of this bill feel that we must mandate universal coverage today? Why must we act now?

The day before this bill was reported by the Ways and Means Committee, a petition hearing the signatures of 661 of my constituents in opposition of universal coverage was hand delivered to my office. Since that time I have received numerous letters, telegrams, and telephone calls stating the same position.

Many constituents would explain in detail what their current pension arrangements were and would then ask how they would be effected by universal coverage. When I looked at the committee report—which is over 300 pages in length—and saw that nothing within it could answer any of these constituent questions, I realized that I could not support the universal coverage provision of this bill.

As far as I am concerned, it is very simple: Without a study showing how universal social security coverage would work—and, for that matter, if it could work—I must oppose it.

I urge adoption of the amendment.

Mr. SEIBERLING. Mr. Chairman, I support the Fisher amendment, and I will vote for it. I want to make it clear, however, that I support the concept of universal coverage. The social security system was created to provide basic retirement insurance for every working person. Requiring universal coverage would guarantee everyone a retirement benefit based on their average monthly wage, and make them eligible for the supplemental benefits, such as medicare health insurance, which serve the special needs of persons in their retirement, and which are not always covered in other retirement plans. If social security were a universal program, the portability of coverage from public to private employment would guarantee retirement income for the many thousands of public employees who withdraw their pensions before retirement because of a job change, and thus lose their entitlement to full retirement benefits. It would also save the social security system about \$1 billion a year by eliminating the opportunity for persons who retire early with full pensions to seek short-term or part-time employment merely to supplement their retirement pensions with the minimum social security benefit.

As we all know, the minimum benefit is heavily weighted to provide persons with a low average monthly wage over their working lifetime with a subsistence retirement income. I think it is grossly unfair that private employees should pay for the benefits of already-pensioned retirees with adequate retirement income who participate after retirement solely to

qualify for the minimum social security benefits. This should not be allowed, and universal coverage is the only way to restore equity to the system and eliminate this situation.

We all know that there has been much misunderstanding about this proposal. Contrary to the misinformation which has been distributed about universal coverage, the Committee on Ways and Means did not intend that universal coverage would result in double payments by employers and employees. The committee specifically indicated that their proposal would not draw 1 cent from any other retirement system into the social security trust funds, and it has been repeatedly emphasized that universal coverage would not require the dismantling of any other retirement program. The purpose of universal coverage is to include all persons not now contributing to the system so that every person is assured some retirement income, and eligibility for necessary services. Under universal coverage, as I understand it, any additional retirement income could be financed on a voluntary basis to supplement the social security payment. Indeed, other retirement plans would continue to exist under universal coverage, since social security alone is not a total retirement plan.

However, the committee bill does not come to grips with the serious issues and questions that must be thoroughly examined before mandating universal social security coverage. There are five States which operate their own retirement systems totally independent from social security. Ohio is one of these States. The Public Employees Retirement System in Ohio has provided sound and adequate retirement coverage for State, municipal and school employees, and this system would probably continue under universal coverage to provide whatever additional benefits employees desire. But there is nothing in the universal coverage provision to suggest how this would be done. The committee bill would require a study by the Department of Health, Education, and Welfare to recommend how the civil service retirement system could operate along with social security, but the study proposed would not examine State, municipal, or teachers retirement systems and study the questions which must be answered if universal coverage is to become a reality.

For example, in Ohio, a person may retire with full pension benefits after 30 years of service, and many public employees take advantage of this provision to retire at 55. But they would not be eligible for full social security benefits until they reach 65. Would a supplemental retirement system provide them with adequate benefit levels during those years between retirement and eligibility for social security? Under universal coverage, less money would be contributed from payroll to the private retirement system, thus reducing the fund's earning power through investment. What additional costs would this mean for contributing employers and employees? Would the Federal Government provide technical assistance to help State and municipal employers with this transition?

Would the State and municipal employers, faced with fiscal problems in recent years, be able to sustain the administrative expenses and the increased tax rates proposed by this legislation?

The Fisher amendment proposes a way to answer these and other questions raised by universal social security coverage. His amendment would require a comprehensive review of all existing retirement programs which are independent of social security, and would examine the financial impact of universal coverage for State and local employers. Each State would be surveyed to evaluate the existing retirement plans, and alternatives would be suggested for each State on how to participate in the social security system without reducing benefits for retirees. The study would be submitted to Congress in 1980.

There is one aspect of the Fisher amendment which concerns me, and that is the automatic tax rate increase proposed for 1981 if Congress does not mandate universal coverage. There are substantial tax rate increases in this bill already, and I am reluctant to impose an additional burden on those participating in social security should Congress not approve universal coverage. However, following the completion of the study called for by the Fisher amendment, the Congress will still have an opportunity to review whether to adopt a specific universal coverage plan. Moreover, in the meantime, Congress can and I believe will continue to review the whole question of financing social security. Accordingly, I believe the Fisher amendment is the best approach toward instituting universal social security coverage, and I will vote for the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Virginia (Mr. FISHER) as a substitute for the Post Office and Civil Service Committee amendment.

PARLIAMENTARY INQUIRY

Mr. ARCHER. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. ARCHER. Mr. Chairman, inasmuch as we were not permitted to offer a separate amendment for the Post Office and civil service employees, I would ask that this question be divided so we will have a separate vote. We can do anything by unanimous consent. I ask unanimous consent that this question be divided so we can vote separately.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. FISHER. Mr. Chairman, I object.

Mr. ULLMAN. Mr. Chairman, it is not in accordance with the rule.

The CHAIRMAN. Objection is heard. The question is on the amendment offered by the gentleman from Virginia (Mr. FISHER) as a substitute for the Committee on Post Office and Civil Service amendment.

The question was taken; and the Chairman announced that the ayes appeared to have it.

RECORDED VOTE

Mr. CONABLE. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered. The vote was taken by electronic device, and there were—ayes 386, noes 38, not voting 10, as follows:

[Roll No. 697]

AYES—386

- | | | |
|-----------------|-----------------|----------------|
| Abdnor | Diggs | Kildee |
| Addabbo | Dingell | Kindness |
| Akaka | Dodd | Kostmayer |
| Alexander | Dornan | Krebs |
| Allen | Downey | Krueger |
| Ambro | Drinan | LaFalce |
| Ammerman | Duncan, Oreg. | Lagomarino |
| Anderson, | Duncan, Tenn. | Latta |
| Calif. | Early | Le Pante |
| Anderson, Ill. | Eckhardt | Leach |
| Andrews, N.C. | Edgar | Lederer |
| Andrews, | Edwards, Ala. | Leggett |
| N. Dak. | Edwards, Calif. | Lehman |
| Annunzio | Edwards, Okla. | Lent |
| Applegate | Ellberg | Levitae |
| Archer | Emery | Livingston |
| Armstrong | English | Lloyd, Calif. |
| Ashbrook | Erlenborn | Lloyd, Tenn. |
| Aspin | Ertel | Long, La. |
| Badillo | Evans, Colo. | Long, Md. |
| Baldus | Evans, Del. | Lott |
| Barnard | Evans, Ga. | Lujan |
| Baucus | Evans, Ind. | Luken |
| Bauman | Fary | Lundine |
| Beard, R.I. | Fascell | McClary |
| Bedell | Fenwick | McCloskey |
| Bellenson | Findley | McCormack |
| Benjamin | Fish | McDade |
| Bennett | Fisher | McDonald |
| Bevill | Fithian | McEwen |
| Blaggi | Filippo | McFall |
| Bingham | Flood | McKay |
| Blanchard | Florio | McKinney |
| Blouin | Flowers | Madigan |
| Boggs | Flynt | Manon |
| Boland | Foley | Markay |
| Boiling | Ford, Tenn. | Marks |
| Bonker | Forsythe | Marlenee |
| Bowen | Fountain | Marrriott |
| Brademas | Fowler | Mathis |
| Breaux | Frey | Mattox |
| Breckinridge | Fuqua | Mazzoli |
| Brinkley | Gammage | Metcalfe |
| Brooks | Gaydos | Meyner |
| Brownfield | Gialmo | Michel |
| Brown, Calif. | Gilman | Michalski |
| Brown, Mich. | Ginn | Millard |
| Brown, Ohio | Glickman | Miller, Calif. |
| Broyhill | Goldwater | Miller, Ohio |
| Buchanan | Gonzalez | Mineta |
| Burgener | Goodling | Minish |
| Burke, Calif. | Gradison | Mitchell, Md. |
| Burke, Fla. | Grassley | Mitchell, N.Y. |
| Burke, Mass. | Gudger | Moakley |
| Burlison, Tex. | Guyer | Moffett |
| Burlison, Mo. | Hall | Mollohan |
| Burton, John | Hamilton | Montgomery |
| Burton, Phillip | Hammer- | Moore |
| Butler | schmidt | Moorhead, |
| Byron | Hanley | Calif. |
| Caputo | Hannaford | Moorhead, Pa. |
| Carney | Hansen | Moss |
| Carter | Harkin | Motti |
| Cavanaugh | Harrington | Murphy, Ill. |
| Cederberg | Harris | Murphy, N.Y. |
| Chappell | Harsha | Murphy, Pa. |
| Chisholm | Hawkins | Murtha |
| Clausen, | Heckler | Myers, John |
| Don H. | Hefner | Myers, Michael |
| Clay | Heftel | Natcher |
| Cochran | Hightower | Neal |
| Cohen | Hillis | Nedzi |
| Coleman | Hollenbeck | Nichols |
| Collins, Ill. | Holt | Nix |
| Collins, Tex. | Holtzman | Nolan |
| Conte | Horton | Nowak |
| Corcoran | Howard | O'Brien |
| Cornell | Hubbard | O'Car |
| Cornwell | Huckaby | Oberstar |
| Cotter | Hughes | Ottinger |
| Coughlin | Hyde | Panelta |
| Crane | Ichord | Patten |
| Cunningham | Ireland | Fatterson |
| Daniel, Dan | Jacobs | Pattison |
| Daniel, R. W. | Jeffords | Pease |
| Danielson | Jenkins | Pepper |
| Davis | Jenrette | Pettis |
| de la Garza | Johnson, Calif. | Pike |
| Delaney | Johnson, Colo. | Pressler |
| Dellums | Jones, N.C. | Preyer |
| Dent | Jones, Tenn. | Price |
| Derrick | Jordan | Pritchard |
| Derwinski | Kasten | Pursell |
| Devine | Kastenmeter | Quayle |
| Dickinson | Kazen | Quie |
| Dicks | Kelly | |

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|--------------|--------------|---------------|
| Quillen | Shiple | Vanik |
| Rahall | Shuster | Vento |
| Railsback | Sikes | Volkmer |
| Rangel | Sisk | Waggoner |
| Regula | Skelton | Walgren |
| Reuss | Skubitz | Walker |
| Richmond | Slack | Walsb |
| Rinaldo | Smith, Iowa | Wampler |
| Risenhoover | Smith, Nebr. | Watkins |
| Roberts | Snyder | Waxman |
| Robinson | Solarz | Weaver |
| Rodino | Spellman | White |
| Roe | Spence | Whitehurst |
| Rogers | St Germain | Whitley |
| Roncalo | Staggers | Whitten |
| Rooney | Stangeland | Wiggins |
| Rose | Stanton | Wilson, Bob |
| Rosenthal | Steed | Wilson, C. H. |
| Rostenkowski | Steers | Wilson, Tex. |
| Roussetot | Stokes | Winn |
| Roybal | Stratton | Wirth |
| Rudd | Studds | Wolf |
| Runnels | Stump | Wright |
| Ruppe | Symms | Wyder |
| Russo | Taylor | Wylie |
| Ryan | Thompson | Yates |
| Santini | Thone | Yatron |
| Sarasin | Thornton | Young, Alaska |
| Satterfield | Traxler | Young, Fla. |
| Sawyer | Treen | Young, Mo. |
| Scheuer | Trible | Young, Tex. |
| Schroeder | Tsongas | Zablocki |
| Sebelius | Udall | Zefertli |
| Seiberling | Van Deerlin | |
| Sharp | Vander Jagt | |

NOES—38

- | | | |
|--------------|--------------|-------------|
| AuCoin | Gephardt | Myers, Gary |
| Badnam | Gibbons | Obey |
| Bafalis | Gore | Pickle |
| Beard, Tenn. | Hagedorn | Poage |
| Bonior | Holland | Rhodes |
| Brodhead | Jones, Okla. | Schulze |
| Carr | Kemp | Simon |
| Cleveland | Ketchum | Stark |
| Conable | Keys | Steiger |
| Corman | Maguire | Tucker |
| D'Amours | Mann | Ullman |
| Ford, Mich. | Martin | Weiss |
| Frenzel | Mikva | |

NOT VOTING—10

- | | | |
|--------------|----------|--------|
| Ashley | Koch | Teague |
| Clawson, Del | McHugh | Whalen |
| Conyers | Perkins | |
| Fraser | Stockman | |

The Clerk announced the following pair:

On this vote:
Mr. Ashley for, with Mr. McHugh against.

So the amendment offered as a substitute for the Committee on Post Office and Civil Service amendment was agreed to.

The result of the vote was announced as above recorded.

The CHAIRMAN. The question is on the Committee on Post Office and Civil Service amendment, as amended.

The question was taken; and the Chairman announced that the ayes appeared to have it.

RECORDED VOTE

Mr. CORMAN. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered. The vote was taken by electronic device, and there were—ayes 380, noes 39, not voting 15, as follows:

[Roll No. 698]

AYES—380

- | | | |
|---------------|-------------|-----------|
| Abdnor | Applegate | Benjamin |
| Addabbo | Archer | Bennett |
| Akaka | Armstrong | Bevill |
| Alexander | Ashbrook | Blaggi |
| Allen | Aspin | Bingham |
| Ambro | Badillo | Blanchard |
| Ammerman | Baldus | Blouin |
| Anderson, | Barnard | Boggs |
| Calif. | Baucus | Boland |
| Andrews, N.C. | Bauman | Bolling |
| Andrews, | Beard, R.I. | Bonker |
| N. Dak. | Bedell | Bowen |
| Annunzio | Bellenson | Brademas |

Breaux
Breckinridge
Brinkley
Brooks
Broomfield
Brown, Calif.
Brown, Mich.
Brown, Ohio
Broyhill
Buchanan
Burgener
Burke, Calif.
Burke, Fla.
Burke, Mass.
Burlison, Tex.
Burlison, Mo.
Burton, John
Burton, Phillip
Butler
Byron
Caputo
Carney
Carter
Cavanaugh
Cederberg
Chappell
Chisholm
Clausen,
Don H.
Clay
Cochran
Cohen
Coleman
Collins, Ill.
Collins, Tex.
Conte
Corcoran
Cornell
Cornwell
Cotter
Coughlin
Crane
Cunningham
Daniel, Dan
Daniel, E. W.
Danielson
Davis
de la Garza
Delaney
Dellums
Dent
Derrick
Derwinski
Devine
Dickinson
Dicks
Diggs
Dingell
Dodd
Dornan
Downey
Drinan
Duncan, Oreg.
Duncan, Tenn.
Early
Eckhardt
Edgar
Edwards, Ala.
Edwards, Calif.
Edwards, Okla.
Eilberg
Emery
English
Ertel
Evans, Colo.
Evans, Del.
Evans, Ga.
Evans, Ind.
Fary
Fascell
Fenwick
Findley
Fish
Fisher
Fithian
Flippo
Flood
Florio
Flowers
Flynt
Foley
Ford, Mich.
Ford, Tenn.
Forsythe
Fountain
Fowler
Frey
Fuqua
Gammage
Gaydos
Gialmo
Gilman
Ginn
Glickman

Goldwater
Gonzalez
Gooding
Gradison
Grasley
Gudger
Guyer
Hall
Hamilton
Hammes-
schmidt
Hanley
Hannaford
Hansen
Harkin
Harrington
Harris
Harsha
Hawkins
Hefner
Hefter
Hightower
Hillis
Hollenbeck
Holt
Holtzman
Horton
Howard
Hubbard
Huckaby
Hughes
Hyde
Ichord
Ireland
Jeffords
Jenkins
Jenrette
Johnson, Calif.
Johnson, Colo.
Jones, N.C.
Jones, Tenn.
Jordan
Kasten
Kastenmeier
Kazen
Kelly
Kildee
Kindness
Kostmayer
Krebs
Krueger
LaFalce
Lagomarsino
Latta
Le Fante
Leach
Lederer
Leggett
Lehman
Lent
Levitas
Livingston
Lloyd, Calif.
Lloyd, Tenn.
Long, La.
Long, Md.
Lott
Lujan
Lukens
Lundine
McClory
McCloskey
McCormack
McDade
McDonald
McEwen
McFall
McKay
McKinney
Madigan
Mahon
Markey
Marks
Marlenee
Marriott
Mathis
Mattox
Mazzoli
Meeds
Metcalfe
Meyner
Michel
Milford
Miller, Calif.
Miller, Ohio
Mineta
Minish
Mitchell, Md.
Mitchell, N.Y.
Moakley
Moffett
Mollohan
Montgomery
Moore

Moorhead,
Calif.
Moorhead, Pa.
Moss
Mottl
Murphy, Ill.
Murphy, N.Y.
Murphy, Pa.
Murtha
Myers, John
Myers, Michael
Natcher
Neal
Nedzi
Nichols
Nix
Nolan
Nowak
O'Brien
Oakar
Oberstar
Ottinger
Panetta
Patten
Patterson
Pattison
Pease
Pepper
Pettis
Pike
Pressler
Preyer
Price
Pritchard
Pursell
Quayle
Quie
Quillen
Rahall
Rallsback
Rangel
Regula
Reuss
Richmond
Rinaldo
Risenhoover
Roberts
Robinson
Rodino
Roe
Rogers
Roncalio
Rooney
Rose
Rosenthal
Rostenkowski
Rousselot
Roybal
Rudd
Runnels
Ruppe
Russo
Ryan
Santini
Sarin
Satterfield
Scheuer
Schroeder
Sebelius
Seiberling
Sharp
Shipley
Shuster
Sikes
Sisk
Skelton
Skubitz
Slack
Smith, Iowa
Smith, Nebr.
Snyder
Solarz
Spallman
Spence
St Germain
Staggers
Stangeland
Stanton
Steed
Steers
Stokes
Stratton
Studds
Stump
Taylor
Thompson
Thone
Thornton
Traxler
Trenn
Trible
Tsongas
Udall
Van Deerrin

Vander Jagt
Vanik
Vento
Volkmer
Waggonner
Walgren
Walker
Walsh
Wampier
Watkins
Warman
Weaver

White
Whitehurst
Whitley
Whitten
Wiggins
Wilson, Bob
Wilson, C. H.
Wilson, Tex.
Winn
Wirth
Wolf
Wright

Wylder
Wylie
Yates
Yatron
Young, Alaska
Young, Fla.
Young, Mo.
Young, Tex.
Zablocki
Zeferetti

NOES—30

AuCoin
Badham
Bafalis
Beard, Tenn.
Bonior
Brodhead
Carr
Cleveland
Conable
Conyers
Corman
D'Amours
Frenzel

Gephardt
Gibbons
Gore
Hagedorn
Holland
Jacobs
Jones, Okla.
Kemp
Ketchum
Keys
Maguire
Mann
Martin

Mikva
Myers, Gary
Obey
Pickle
Poage
Rhodes
Schulze
Simon
Stark
Steiger
Tucker
Ullman
Weiss

NOT VOTING—15

Anderson, Ill.
Ashley
Clawson, Del.
Erlenborn
Fraser

Heckler
Koch
McHugh
Mikulski
Perkins

Sawyer
Stockman
Symms
Teague
Whalen

The Clerk announced the following pairs:

On this vote:
Mr. Ashley for, with Mr. McHugh against.
So the Committee on Post Office and Civil Service amendment, as amended, was agreed to.
The result of the vote was announced as above recorded.

AMENDMENT OFFERED BY MR. JENKINS
The CHAIRMAN. Under the rule, the Chair now recognizes the gentleman from Georgia (Mr. JENKINS).
Mr. JENKINS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:
Amendment offered by Mr. JENKINS: Page 126, strike out lines 22 through 25 and insert in lieu thereof the following:
“(A) in 1978 shall be \$18,000,
“(B) in 1979 shall be \$20,500,
“(C) in 1980 shall be \$23,000,
“(D) in 1981 shall be \$25,500,
“(E) in 1982 shall be \$28,000,
“(F) in 1983 shall be \$30,500, and
“(G) in 1984 shall be \$33,000.
Page 126, line 3, strike out “1982” and insert in lieu thereof “1985”.
Page 119, strike out lines 13 through 18 and insert in lieu thereof the following:
“(2) with respect to wages received during the calendar year 1978, the rate shall be 5.15 percent;
“(3) with respect to wages received during the calendar years 1979 through 1984, the rate shall be 5.20 percent;
Page 120, strike out lines 12 through 17 and insert in lieu thereof the following:
“(2) with respect to wages paid during the calendar year 1978, the rate shall be 5.15 percent;
“(3) with respect to wages paid during the calendar years 1979 through 1984, the rate shall be 5.20 percent;
Page 121, strike out lines 12 through 15 and insert in lieu thereof the following:
“(3) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1985, the tax shall be equal to 7.80 percent of the amount of the self-employment income for such taxable year;
Mr. JENKINS (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the Record.
The CHAIRMAN. Is there objection to

the request of the gentleman from Georgia?
There was no objection.
The CHAIRMAN. The gentleman from Georgia (Mr. JENKINS) will be recognized for 15 minutes in support of his amendment, and the gentleman from Oregon (Mr. ULLMAN) will be recognized for 15 minutes in opposition to the amendment.
The Chair recognizes the gentleman from Georgia (Mr. JENKINS).
Mr. JENKINS. Mr. Chairman, I yield myself such time as I may consume.
(Mr. JENKINS asked and was given permission to revise and extend his remarks.)
Mr. JENKINS. Mr. Chairman, I want to talk with the Members very briefly about this amendment that I offer tonight, which would decrease the galloping rate of the wage base increase as contained in the committee bill.
Initially let me say this: that when the administration sent over the proposal in May, the administration never conceived nor did they ever recommend the wage base increase that we have in the committee bill. Under the message of the President in May of this year, the President, the administration recommended an increase in the wage base of employees of only \$600 more than what is in existing law for the year 1979, and an additional \$600 in 1981, 1983, and 1985.
Under the committee bill that we are being called upon to vote for tonight, we have a \$3,400 increase in the first year, in 1978; \$3,400 in the wage base.
I realize that all of us are concerned about the people who are making \$10,000 a year or \$15,000 a year. I have more of those people in my district than any others.
I fully realize that if I am to decrease the wage base to help protect that man who is in the \$20,000-a-year bracket, self-employed, that I must also increase the tax rate. I do that in 1978 with a 0.1-percent increase, which means that a man making \$10,000 a year will pay \$10 a year more in taxes under my amendment. If he is making \$15,000 a year, he will pay \$15 more a year, about \$1 a month; but at the same time I put the brakes on the spiraling increase in the wage base, so that you do not have to go back to your districts and talk to your people and say, “I raised your taxes 23 percent in 1 year.”
Now, I want to talk about the people that this affects. I do not know the people in your districts, but I assume they are very much like mine. I want to direct my attention to this group of people that all of us in our campaigns have said we need to help. We need to help that private little businessman that is struggling today. We do not want to increase the burden; yet what are we doing in this bill today? We are directing every bit of the tax increase and every bit of the burden right on his shoulders. Yet we go out and say, “No, we are going to help you.”
Where are we going to help? If we ever help him, we have to do it now. Even my amendment places a 10-percent increase on that man making \$20,000 a year next year.

We talk about the economic situation today. We say we have to create jobs and that they have to come from the private sector. People are uncertain in the business world. They do not know about the private sector. Yet the very people we look to to create these jobs are these little businessmen who earn between \$20,000 and \$30,000 a year. Who are they? It is the corner drugstore. It is the service station. It is the hardware store. It is the little feed store, the grocery store, the real estate man, in these little towns. These are the people we are hurting. These are the very people that we are going to have to go back to in July and August and say, "Yes, I made social security solvent; but, I let you pay the lion's share of it to make up the problem."

I do not think I can do that after I have campaigned through my district and said, "I recognize your problem. I want equitable treatment. I want fair treatment for the little self-employed person."

All of us realize that we have to take some action. Who are these people for whom I am trying to help today? This is the man, and the woman, who struggle every day to cope, every single day.

I am not worried about the man who makes \$40,000 or \$50,000 a year. He does not concern me. He is not going to be hurt under the committee bill. In all the charts to view, we have not been shown the \$20,000-a-year man who will have to pay \$250 more next year. I am not concerned about the corporate executive. I am not concerned about the Fords and all the giant corporations right now. I am talking about the man who is making \$20,000 to \$25,000 to \$30,000 a year with his own little business, the man who is fighting regulations every day.

The big corporations have their own attorneys, their CPA's, but the little man has to cope with what he has by himself. This is the man for whom we increased the minimum wage that he has to pay to his employees.

He is the man who is sharing the responsibility of paying the increase in the State income tax, the real estate tax, the ad valorem taxes. He is the man that your child and my child go to when they want a school annual advertisement or want to buy school band uniforms. They do not go to the giant corporations; they go to the little man on the corner. This is the man we are placing the burden on with this bill.

Mr. CONABLE. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from New York.

Mr. CONABLE. After my great success in fighting the Fisher amendment, I hope it will not hurt the gentleman too much if I support his amendment. I think it is a modest step, but a step in the right direction. If a bigger step is indicated, a smaller step is not bad.

I do think there are many complications that are going to attend our fast expanding wage base. The gentleman has put his finger on some of them. I think we are going to be tempted to tax pensions in the future, and I strongly oppose that. I think it is going to reduce our capacity to finance future cost-of-living

increases by an expanding wage base once we have taken the step the committee bill does.

I think also that there are serious questions of equity involved, and a serious impact on our private pension systems if we raise the wage base to the extent the committee bill does. So, I compliment the gentleman on his amendment and I intend to support it.

Mr. JENKINS. I thank the gentleman for his comments and for his support.

Mr. PICKLE. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Texas.

Mr. PICKLE. As I understand what the gentleman is offering, it would be to provide a more gradual increase in the wage base and a slightly more rapid increase in the rate. I think that is important, because the committee bill places a heavy emphasis on the wage base. It goes from \$17,700 next year up to as much as \$30,000 and more. The gentleman in the well is offering an amendment that increases the wage base slowly, but puts in a tax. It is a balance, and it would not be nearly as onerous to business people as the bill before us.

I think that is a fair approach, and I think the gentleman has got a good amendment. I support his amendment.

Mr. JENKINS. I thank the gentleman for his comments.

I want to say that I am not attempting to burden any one group over another. I just simply think that it is unfair to unload totally upon this group who earn between the \$20,000 and \$25,000.

Mr. BURKE of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Massachusetts.

Mr. BURKE of Massachusetts. I think what the gentleman from Georgia is trying to do—I know he is well-intentioned—but what he is doing here is raising the tax rate on 85 percent of the employees faster than the committee bill does up until 1984. This will hit the employers very hard, particularly those in manufacturing areas of this country who are losing hundreds of thousands of jobs.

The wage base increase only affects about 13 or 14 percent of the wage earners in this country, and does not affect the employment picture as bad as the gentleman's amendment will. I hope the gentleman's amendment is defeated, because if it is adopted, it will contribute to higher unemployment in this country, particularly in the manufacture of textiles, shoe wares, and the other manufacturing plants around the country that are going down the tube at the present time.

Mr. JENKINS. I thank the gentleman for his comments. I disagree with him. I say this: If I were trying to unload upon the employee and employer, I would put it all in the tax rate; but I have attempted to strike a balance, and I might say that the administration itself, in a message to Congress, at no time advocated the employees' share to increase at the rate we are increasing it in this bill.

But the people that I am talking about today are the same people that all of us

know, the people in the small towns. They are the people who really carry the burden and who we say we are trying to help. But we are not going to help them in this bill. It is unfortunate that we are going in this direction. He is really the "Rocky" of the country. He is bruised and battered, and he has been time and time again. Here we are, getting ready to sock it to him again, and yet he holds on. He holds on day after day after day. And every time we go to our districts he says:

This is a good nation, this is a good country, we have to do something for Social Security, we have to do something for our entire tax structure. I cannot take it much longer.

And what we are going to do if we continue to place the burden upon his shoulders is that we are going to make a group of dishonest people, because after a while he is going to say, "I cannot cope. I cannot make it any more, I cannot survive, I cannot exist anymore." And today, with few Members here, we will sock it to him again.

Mr. Chairman, I submit that my amendment is a very modest amendment. It does not do much for the small businessman, but it does a little for him.

Mr. ULLMAN. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, it is my hope that we might be able to proceed very expeditiously on some of these amendments. I think we understand them. It is also my hope that the committee might rise about 9 o'clock tonight, and the more amendments we get out of the way tonight, the less time it is going to take tomorrow to finish the bill. It may even be possible, if we could move rapidly enough, that we could finish the bill tonight.

But let me very quickly relate to the Jenkins amendment. I want to commend the gentleman for doing some very serious thinking about this matter, but I urge the Members to stay with the formula the committee has laid out. What the gentleman from Georgia, Mr. JENKINS, would do is this: In 1978, he would increase the tax rates, by 0.1 percent and then in 1979 and 1980 by 0.15 percent above the committee bill; by 1981 to 1984, continuing 0.05 percent above the bill, and then in 1985 and thereafter, he would stay with the committee tax rates. On the base, he would start out in 1977 the same as the committee bill, and he would arrive at the same place as the committee bill in 1985. But between 1977 and 1985 we would both step up the base. He would step it up with a little different format than we would, and he would start it a little slower. I think one could draw 100 different versions of the way to do it. The committee has studied it very carefully, and I urge the Members to stay with the committee and vote against the gentleman's amendment.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield?

Mr. ULLMAN. I yield to the gentleman from California.

Mr. ROUSSELOT. I thank the gentleman for yielding.

Mr. Chairman, the difference between

the committee bill and the Jenkins amendment as it relates to rates is that the Jenkins amendment starts out exactly the same and ends up the same, and the only difference is for years during the years 1978-84. It is very minuscule, in the rate difference.

Mr. ULLMAN. On rate, there is a 0.1 percent increase in the Jenkins amendment in 1978, which is an early rate increase, and then a 0.15 in 1978 and 1980, which is a very sizable increase in rate.

Mr. ROUSSELOT. But it is a 7-year period?

Mr. ULLMAN. Yes. 1977 is the same. 1985 is the same. But in those intervening years, he uses a little different schedule of base increase.

Mr. ROUSSELOT. Well, his base, of course, does not go up quite as rapidly.

Mr. ULLMAN. Yes, but it gets to the same place eventually.

Mr. ROUSSELOT. Yes, eventually, but the wage base goes up more slowly.

Mr. ULLMAN. Yes, that is right.

Mr. ROUSSELOT. So this amendment really is, as the gentleman from Georgia (Mr. JENKINS) said, a middle-income amendment. It is for the middle-income people who are covered.

Mr. ULLMAN. Except that in both the bill and under the amendment we arrive at the same place; we are just using different steps.

Mr. ROUSSELOT. So I would assume that if we do not care for the middle income, we should probably vote against this amendment.

Mr. BURKE of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. ULLMAN. I yield to the gentleman from Massachusetts.

Mr. BURKE of Massachusetts. Mr. Chairman, I might point out to my friend, the gentleman from California (Mr. ROUSSELOT), that if the amendment offered by the gentleman from Georgia (Mr. JENKINS) is adopted, it will more than likely cost us about 500,000 jobs.

Mr. ROUSSELOT. Mr. Chairman, if the gentleman will yield, where did the gentleman from Massachusetts (Mr. BURKE) get that information? I have seen no such figures from the Joint Economic Committee or the Budget Committee.

Mr. BURKE of Massachusetts. This would cost 500,000 jobs in the manufacturing areas of this country. The textile firms are just holding on now by their fingertips.

Mr. ROUSSELOT. We know the problems of the textile industry, but this amendment does not effect that problem.

Mr. BURKE of Massachusetts. They just need a little bit of a push to put them over the precipice now.

Mr. ROUSSELOT. Like the minimum wage?

Mr. BURKE of Massachusetts. That is right.

Mr. ROUSSELOT. Yes, that is right, just like the increase in the minimum wage, that does adversely affect the textile industry.

Mr. BURKE of Massachusetts. What we would be doing here is this: This tax goes on the employer on one side and on the employee on the other, but the

employer actually feels he is paying it, so this is a double tax he is paying.

If we want to reduce the manufacturing jobs in this country, you should vote for this amendment.

Mr. ULLMAN. Mr. Chairman, I yield 3 minutes to the gentleman from Arkansas (Mr. TUCKER).

Mr. TUCKER. Mr. Chairman, I would like to be very clear to my colleagues in stating what this amendment would do, because it might have some surface attractions, but it also has some real deep dangers. I want the Members to be very clear about what it does.

The wage base, as adjusted in this amendment, ultimately reaches the same base rate level set forth in the committee bill. As a matter of fact, it does so by 1984. We are just quibbling about a thousand dollars or so.

The important thing is this: in order to ease that wage base in just a little bit slower, we have, first, a 0.1 percent tax increase, in 1978 and then we have another 0.05 percent tax increase on top of that in 1979.

So this amendment increases the tax immediately on 85 percent of the employees in this country and 85 percent of the employment—and that includes the employers in the country—by next year. That means a couple of billion dollars in taxes next year on all employment, or on 85 percent of it, and 85 percent of the employees, and this is just to take care of a very few people.

That would have a severe economic impact, and that is why the committee did not take this approach. We did not want to put that kind of a tax burden on all jobs and on all employers next year.

Mr. GEPHARDT. Mr. Chairman, will the gentleman yield?

Mr. TUCKER. I yield to my friend, the gentleman from Missouri.

Mr. GEPHARDT. Mr. Chairman, the gentleman is saying, then, that we are not talking about a middle-class amendment; we are talking about an amendment that would benefit only about 15 percent of the wage earners, the highest paid people in the United States?

Mr. TUCKER. The gentleman is correct. This does not take care of the middle class; this takes care of the top 15 percent of the wage earners in the country, and it puts added burdens on the remaining 85 percent of the wage earners in this country.

Mr. JENKINS. Mr. Chairman, will the gentleman yield?

Mr. TUCKER. I yield to the gentleman from Georgia.

Mr. JENKINS. Mr. Chairman, the gentleman said the amendment is for the highest income group in the country?

Mr. TUCKER. The top 15 percent.

Mr. JENKINS. How much more does the \$25,000 a year man who is self-employed pay in 1978 under this bill than he does this year?

Mr. TUCKER. Under our bill he would in 1978 pay \$133 more than he would under present law.

Mr. JENKINS. I am speaking of the self-employed.

Mr. TUCKER. The gentleman's amendment makes no change in the self-employed tax rate from the committee bill, which stays at 1½ times.

Mr. JENKINS. But the bill's wage base goes up, does it not, a total of \$3,400 from what it is in 1977?

Mr. TUCKER. Yes, but it goes up only \$2,000, less than \$2,000 over what it would go up anyway. Under existing law it would go to \$17,700 next year, and under the committee bill it would go to \$19,900. So there is only a \$2,000 increase in wage base.

The CHAIRMAN. The time of the gentleman from Arkansas (Mr. TUCKER) has expired.

Mr. JENKINS. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I do not wish to spend any additional time except to explain one issue.

In the rate increase that will occur under my amendment, it will mean a \$10 a year increase in 1978 for a man making \$10,000 a year. Thereafter it goes to 0.05 percent, which means a \$5 a year increase for a \$10,000 a year man, which is a little bit of an increase for him, which is a 3-percent increase, to try to reduce the 23-percent increase for the \$20,000 a year man down to 10 percent.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia (Mr. JENKINS).

The question was taken; and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. JENKINS. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 136, noes 281, not voting 17, as follows:

[Roll No. 699]

AYES—136

Abdnor	English	Montgomery
Ambro	Ertel	Moore
Anderson, Ill.	Evans, Ga.	Moorhead,
Andrews, N.C.	Flippo	Calif.
Andrews,	Flynt	Mottl
N. Dak.	Forsythe	Murphy, Pa.
Applegate	Fountain	Nichols
Archer	Fowler	O'Brien
Ashbrook	Fuqua	Pickle
AuCoin	Gammage	Poage
Badham	Ginn	Quayle
Bafalis	Glickman	Quillen
Barnard	Goldwater	Rhodes
Bauman	Gradison	Risenhoover
Beard, Tenn.	Grassley	Robinson
Bingham	Gudger	Rose
Boggs	Guyer	Roussetot
Bowen	Hall	Rudd
Breaux	Hansen	Runnels
Breckinridge	Harris	Satterfield
Brinkley	Harsha	Sawyer
Brown, Mich.	Hefner	Schulze
Brown, Ohio	Holt	Sebelius
Broyhill	Huckaby	Shuster
Buchanan	Hyde	Sikes
Burgenor	Ireland	Skelton
Burleson, Tex.	Jenkins	Skubitz
Butler	Johnson, Colo.	Smith, Iowa
Cederberg	Jones, N.C.	Snyder
Chappell	Kelly	Spence
Cochran	Ketchum	Stangeland
Collins, Tex.	Lagomarsino	Stump
Conable	Latta	Symms
Corcoran	Leach	Treen
Crane	Lent	Vander Jagt
Cunningham	Levitas	Waggonner
Daniel, Dan	Livingston	Walker
Daniel, R. W.	Lloyd, Tenn.	Wampler
Davis	Long, La.	Watkins
de la Garza	Lott	Whitley
Derwinski	McClory	Whitten
Devine	McDonald	Wiggins
Dornan	McEwen	Wilson, Tex.
Duncan, Tenn.	Martin	Winn
Edwards, Ala.	Mathis	Wylder
Edwards, Okla.	Michel	Young, Tex.

NOES—281

Addabbo	Gephardt	Nix
Akaka	Giulmo	Nolan
Alexander	Gibbons	Nowak
Allen	Gilman	Oakar
Ammerman	Gonzales	Oberstar
Anderson,	Gore	Obey
Calif.	Hagedorn	Ottinger
Annunzio	Hamilton	Fanetta
Armstrong	Hammer-	Patten
Aspin	schmidt	Patterson
Badillo	Hanley	Pattison
Baldus	Hannaford	Pease
Baucus	Harkin	Pepper
Beard, R.I.	Harrington	Pettis
Bedell	Hawkins	Pike
Bellenson	Hefel	Pressler
Benjamin	Hightower	Freyer
Bennett	Hillis	Price
Bevill	Holland	Pritchard
Biaggi	Hollenbeck	Purell
Bianchard	Holtzman	Quie
Blouin	Horton	Rahall
Boland	Howard	Rallsback
Bonior	Hubbard	Rangel
Bonker	Hughes	Regula
Bredemas	Ichord	Reuss
Brodhead	Jacobs	Richmond
Brooks	Jefords	Rinaldo
Broomfield	Jenrette	Roberts
Brown, Calif.	Johnson, Calif.	Rodino
Burke, Calif.	Jones, Okla.	Roe
Burke, Fla.	Jones, Tenn.	Rogers
Burke, Mass.	Jordan	Roncalio
Burlison, Mo.	Kasten	Rooney
Burton, John	Kastenmeier	Rosenthal
Burton, Phillip	Kazen	Rostenkowski
Byron	Kemp	Roybal
Caputo	Keys	Ruppe
Carney	Kildee	Russo
Carr	Kindness	Ryan
Carter	Kostmayer	Santini
Cavanaugh	Krebs	Sarasin
Chisholm	Krueger	Scheuer
Clausen,	LaFalce	Schroeder
Don H.	Le Fante	Seiberling
Clay	Lederer	Sharp
Cleveland	Leggett	Shipley
Cohen	Lehman	Simon
Coleman	Lloyd, Calif.	Sisk
Collins, Ill.	Long, Md.	Slack
Coote	Lujan	Smith, Nebr.
Conyers	Luken	Solarz
Corman	Lundine	St Germain
Cornell	McCloskey	Staggers
Cornwell	McCormack	Stanton
Cotter	McDade	Stark
Coughlin	McFall	Steers
D'Amours	McKay	Steiger
Danielson	McKinney	Stokes
Delaney	Madigan	Stratton
Dellums	Maguire	Studds
Dent	Mahon	Taylor
Derrick	Mann	Thompson
Dicks	Markey	Thone
Diggs	Marks	Thornton
Dingell	Marlenee	Traxler
Dodd	Marrriott	Trible
Downey	Mattox	Tsongas
Drinan	Mazzoli	Tucker
Duncan, Oreg.	Meeds	Udall
Early	Metcalfe	Ullman
Eckhardt	Meyner	Van Deerin
Edgar	Mikulski	Vanik
Edwards, Calif.	Mikva	Vento
Ellberg	Millford	Volkmer
Emery	Miller, Calif.	Walgren
Evans, Colo.	Miller, Ohio	Walsh
Evans, Del.	Mineta	Waxman
Evans, Ind.	Minish	Weaver
Fary	Mitchell, Md.	Weiss
Fasell	Mitchell, N.Y.	White
Fenwick	Moakley	Whitehurst
Findley	Moffett	Wilson, Bob
Fish	Mollohan	Wirth
Fisher	Moorhead, Pa.	Wolff
Fithian	Moss	Wright
Flood	Murphy, Ill.	Wylie
Florio	Murphy, N.Y.	Yates
Flowers	Murtha	Yatron
Foley	Myers, Gary	Young, Alaska
Ford, Mich.	Myers, John	Young, Fla.
Ford, Tenn.	Myers, Michael	Young, Mo.
Frenzel	Natcher	Zablocki
Frey	Neal	Zeferetli
Gaydos	Nedzi	

NOT VOTING—17

Ashley	Goodling	Steed
Bolling	Heckler	Stockman
Clawson, Del.	Koch	Teague
Dickinson	McHugh	Whalen
Erlenborn	Perkins	Wilson, C. H.
Fraser	Spellman	

The Clerk announced the following pairs:

On this vote:

Mrs. Spellman for, with Mr. Ashley against.
Mr. Teague for, with Mr. McHugh against.
Mr. Del Clawson for, with Mrs. Heckler against.
Mr. Dickinson for, with Mr. Whalen against.

Messrs. SNYDER, EDWARDS of Oklahoma, ABDNOR, ERTEL, and QUILLEN changed their vote from "no" to "aye."
Mr. FISH and Mrs. SMITH of Nebraska changed their vote from "aye" to "no."

So the amendment was rejected.

The result of the vote was announced as above recorded.

AMENDMENT OFFERED BY MR. PICKLE

Mr. PICKLE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. PICKLE: Strike out section 104 (beginning on page 127, line 18, and ending on page 131, immediately before line 4).

Page 131, line 5, strike out "105" and insert in lieu thereof "104".

Page 131, strike out the sentence beginning in line 7.

Conform the table of contents on page 117.

Page 169, strike out lines 1 through 5 and insert in lieu thereof the following: "of 1954 (the Federal Insurance Contributions Act) is amended by redesignating sections 3125 and 3126 as sections 3126 and 3127, respectively, and by inserting after section 3124 the following new section:"

Page 169, line 6, strike out "3126" and insert in lieu thereof "3125".

Page 169, in the matter following line 22, strike out "3126", "3127", and "3128" and insert in lieu thereof "3125", "3126", and "3127", respectively.

Page 170, line 4, strike out "3127" and insert in lieu thereof "3126".

Page 170, line 15, strike out "3126" and insert in lieu thereof "3125".

Page 170, line 19, strike out "3127" and insert in lieu thereof "3126".

Page 171, line 5, strike out "3126" and insert in lieu thereof "3125".

Page 171, line 17, strike out "3126" and insert in lieu thereof "3125".

Page 171, lines 21 and 22, strike out "3127 (a)", "3127 (b)", and "3127 (c)" and insert in lieu thereof "3126 (a)", "3126 (b)", and "3126 (c)", respectively.

Page 171, line 25, strike out "3127".

Mr. PICKLE (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

(Mr. PICKLE asked and was given permission to revise and extend his remarks.)

Mr. PICKLE. Mr. Chairman, I do not want to see the social security program turned into a welfare or need program. It is an insurance program. We probably destroy the insurance program the moment you borrow from the General Treasury. It could become a charity program.

Since its creation in 1935, amidst this country's greatest depression, the social security system has been the bedrock of our social structure. Why has this system served so well and been so popular among Americans? It is because of the

high public confidence it has enjoyed. Folks have always been able to count on the system to deliver.

Accordingly, I feel the worse thing that the House could do to erode public confidence is to pump funds from the General Treasury into the system. And if we do not strike the authority in this bill to use general revenues, I fear we will be giving rise to the whispers of the last few years that the social security system is going the way of the Edsel.

At first glance, it may seem that the "standby" authority is an innocuous and safe approach to employ. But if one will closely examine the calculations used to conclude that the authority will never become necessary, one may become skeptical. The committee bill says that no borrowing from the Treasury will be permitted unless the OASDI funds dips below the reserve ratio of 25 percent.

The social security trustees report figures that the ratio—income compared to outgo—will reach its lowest level in 1980 and that it will be about 26 or 27 percent.

Mr. Chairman, the plight of the social security system is the result of numerous factors and should not be solely attributed to mishandling by the Congress.

Certainly Congress must bear some of the responsibility because we have expanded the system over the years to a much different version of the original program designed to provide supplementary income for retired workers. We have made changes that has added survivors, the disabled, and the sick—medicare. I feel that these were progressive and humane advances but I do question whether we always provided adequate financing to pay for the extended benefits.

In the last 4 or 5 years, there have been three main reasons for the difficulty we find ourselves in today:

First. Recession—Beginning in 1973, we have extremely high numbers of unemployed—ranging from 7 to 9 million—which has deprived the trust fund of billions of dollars.

Second. Cost of Living—In 1972, the Congress, with good intentions, enacted a formula for retirement benefits which enabled workers to get higher benefits than their earnings normally called for. This bill has halted that error by "decoupling."

Third. Disability Insurance—Inconsistencies in the definition of disability have caused an unanticipated rapid growth in disability payments seriously jeopardizing that fund.

All want to our elderly citizens have a decent supplementary income. They have worked for it, paid for it, and are entitled to it. Over the years to assure that level, we have raised both the taxable wage base and rate. But we should remember that the young working force has a real stake in this system as well. They must be assured that the funds they are paying now will accrue to their benefit when they retire. For this reason, we must not think of any one particular segment; the retired, the young worker, the disabled, the Federal employee, the Member of Congress. Instead, we must keep in mind that this bill has a vital interest for all Americans.

I am a little wary, however, of some of

the economic assumptions that the trustees make in light of predictions of other prestigious prognosticators.

For example, the committee projections are based on:

An unemployment rate of 5.2 percent in 1980—current rate 6.9 percent—and down to 4.5 by 1981–82.

Inflation: 6.33 percent in 1978, 5.33 percent in 1979, and 4.7 percent in 1980—currently, 6.5 percent.

Real GNP: to increase by 5.4 percent in 1978, 5.2 percent in 1979, and 5.1 percent in 1980—now 4.8 percent.

The Council of Economic Advisers and the Joint Economic Committee have both made forecasts which are much less optimistic than that of the social security trustees.

For example, the JEC predicted that real GNP would grow only 4 to 4.4 percent next year—1 full percent below the committee predictions. The CEA also stated that it expected real growth to be around 4.5 percent. Even less optimistic has been the private business council which predicted an inflation rate of 6.2 percent in 1978.

Naturally, we can tinker around these figures all day but what it really gets down to is that with just slight variations on the assumptions by the trustees, the reserve ratio could plummet below the danger level of 25 percent and we would have general taxpayer dollars supporting social security.

Some would pooh-pooh and say that this is not really of any importance. I strongly disagree and feel like we would change the intrinsic strength of the social security system. This amendment will be the most important vote you will ever cast on social security. This amendment means whether or not we keep the program on an insurance basis or turn it into a welfare or need program.

First. If you favor turning social security into a program of general assistance, then it should be done in a straightforward manner. But on the other hand, if you believe that Congress would be signaling the American people that we really feel that the social security system can pay for itself and retain the solidarity of an insurance system, you will vote for this amendment.

Second. If you borrow from the General Treasury you turn the social security system into a needs, or welfare program. You depart from an insurance program and weaken the basic strength of the system.

Third. If you borrow, you will be paying for that deficit from a deficit in the General Treasury. What is the deficit in the Treasury? Let us look at the last 6 years:

Congressional Budget Office says:
 1978 projected deficit in 2d budget resolution \$61 billion 0.25.
 1977 \$48.1 billion.
 1976 \$66.5 billion.
 1975 \$45.1 billion.
 1974 \$4.7 billion.
 1973 \$14.8 billion.
 1972 \$23.4 billion.
 1971 \$23.0 billion.
 1969 plus \$3.2 billion last time there was a surplus \$225.6 billion.

Fourth. If you borrow from general revenues, you will destroy the confidence

of those who have paid into the social security trust fund and especially the young now paying in. The only argument advanced for the stand-by borrowing authority is that people will lose confidence in their government—that retirees will become alarmed. My friends, the thing that would alarm them most is to realize that their money depends on borrowing from the General Treasury which has a deficit of \$225 billion over the last 6 years. What security can retirees have with that kind of track record?

Fifth. If we vote for this backdoor borrowing, we will be allowing the Congress no alternative. Certainly if we did have another recession and we saw that the fund was in dire jeopardy, we surely could take steps at that time to shore it up. Adopting this approach, the stand-by borrowing authority strips us of that alternative.

Sixth. Do not be too assured that since this proposal is coupled with an agreement to pay a tax to refund the Treasury that future Congresses will not simply waive that painful tax. It would not be the first time such a thing happened—in exchange, unemployment compensation program.

Seventh. This would be a foot in the door for permanent social security funding out of general revenues. The Burke approach would have one-third employer, one-third employee, and one-third General Treasury. This would mean about \$30 billion out of general revenues at current levels. Of course, this \$30 billion amount would simply be added to the already swollen Federal deficit.

My friends, this is not a partisan matter. This should not be a political matter. It is a most fundamental question: Do you want a deficit-ridden Treasury to become a partner in the social security insurance program. Our beloved senior citizens who have earned their money deserve better than that. Let us remove the borrowing authority from this bill. By removing the borrowing authority, you do not weaken the bill, you strengthen it by announcing to the 100 million employers and employees that the program can be maintained as an insurance system and not be given any damaging handout program.

Mr. CONABLE. Mr. Chairman, will the gentleman yield?

Mr. PICKLE. I yield to the gentleman from New York.

Mr. CONABLE. I thank the gentleman for yielding, and I also thank him for his courage and his perceptiveness in offering this amendment. The proponents of the committee bill say that borrowing will not be necessary from the General Treasury. They are all honorable men. I think for that reason we do not need the borrowing power, and I consider granting of borrowing power to the administrators of the social security system a step down the primrose path once again.

Mr. Chairman, I wish to support the gentleman from Texas in his amendment, and I want to compliment him on the argument he has made in support of it.

Mr. PICKLE. Mr. Chairman, how much time do I have?

The CHAIRMAN. The gentleman has consumed 7½ minutes.

Mr. BURKE of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. PICKLE. I yield 30 seconds to the gentleman from Massachusetts.

Mr. BURKE of Massachusetts. Mr. Chairman, the gentleman has given me just enough time to remind him of the story of that fellow who went fishing down in his district in Texas. He was out there in the little stream and he caught a little minnow on the hook, and he was trying to take the hook out. The little minnow kept wiggling around. The man said, Hold still, little fish, I am not going to hurt you; I am just going to gut you."

And that is what the gentleman wants to do with this bill. He wants to gut this bill.

Mr. PICKLE. Mr. Chairman, I say to the gentleman from Massachusetts that I heard that was a catfish the man was working on and not a little minnow. But I guess he thinks we just do things bigger down in Texas. But what the gentleman said is happening is just what this bill does to the American people.

Mr. STEIGER. Mr. Chairman, will the gentleman yield?

Mr. PICKLE. I yield to the gentleman from Wisconsin.

Mr. STEIGER. I thank the gentleman for yielding.

Mr. Chairman, I must say that I am somewhat surprised by the statement made by the gentleman from Massachusetts. If this is the centerpiece of this bill, it is in deep, deep trouble. The Pickle amendment is absolutely necessary to retain the soundness of the social security system. It is inconceivable to me that we would in fact adopt a kind of system based on an artificial figure, this 25 percent figure, which is artificial, to say the least, and then say this if we go below that, without any action by the Congress, without any debate by this body, we will borrow. I think that destabilizes the confidence in the American people.

Mr. Chairman, I commend the gentleman for his excellent amendment.

Mr. KETCHUM. Mr. Chairman, will the gentleman yield?

Mr. BURKE of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. PICKLE. I yield to the gentleman from California (Mr. KETCHUM).

Mr. BURKE of Massachusetts. Mr. Chairman, the gentleman just mentioned my name. I thought he would be kind enough to yield to me.

Mr. PICKLE. Mr. Chairman, if the chairman of the committee is not able to yield to the gentleman from Massachusetts (Mr. BURKE) I will yield to the gentleman later.

Mr. KETCHUM. I thank the gentleman for yielding.

Mr. Chairman, I rise in support of the amendment offered by the gentleman from Texas (Mr. PICKLE). He is quite right. If the reserves were to drop below 25 percent, it is obvious, I think, that Congress would come back, decide what we are going to do, and try to decide what direction we are going to take. But if we are going to take the direction that the bill takes us, the gentleman is quite

correct, then it takes us in the direction of the original bill of my dear friend, the gentleman from Massachusetts (Mr. BURKE).

That is really what we are talking about here. If we allow this foot in the door with this bill in its entirety, then we really are pointing to Federal funding of social security, and that is a total repudiation of what social security is all about.

If we really want to do this, then let us scrap what we are doing here and let us take up the amendment suggested by the gentleman from Massachusetts (Mr. BURKE). Let us be honest about it and let us go for Federal funding.

Years ago we had an old gentleman in this country by the name of Townsend, and what the gentleman from Massachusetts leads up to is a Townsend plan, but instead of 30 bucks every Thursday, it is going to be 200 or 300 bucks, and we will guarantee everybody in the United States, upon achieving a given age—and we can pick that one out of the air—a payment every Thursday for the rest of their lives.

Let us be honest about it. The gentleman in the well is 100-percent correct.

I urge the Members to support the gentleman's amendment if they value the social security system as it was originally drafted, and I congratulate the gentleman from Texas (Mr. PICKLE) for offering his amendment.

Mr. PICKLE. Mr. Chairman, I appreciate the gentleman's comments very much.

Mr. BURKE of Massachusetts. Mr. Chairman, will the gentleman yield now?

Mr. PICKLE. Mr. Chairman, I reserve the balance of my time.

Mr. ULLMAN. Mr. Chairman, I yield myself 3 minutes.

Mr. Chairman, I must say in response that there is no Member in this room who is more strongly opposed to the use of general revenues in the social security system than is the chairman of the Committee on Ways and Means.

I say to the Members that this borrowing authority is our best insurance that we never will go to general revenues.

Let me say, second, that we have in the bill a financing structure that will keep this borrowing authority from triggering. I want to say that the reason that is important is that it would be a mistake, in my judgment, to try to build up the reserves in the trust fund too fast. That would have an adverse impact on the economy.

If we build up too many billions of dollars in the trust funds, then we are taking that money away from segments of the economy where we could achieve growth.

So it is or hope that we can keep the trust funds at reasonable levels. If we are going to get down near 30 percent, then I think, in order to insure or to give the American people, the people who depend upon social security for a living, the assurance that they need, that the money will be there to pay their benefits, this borrowing authority is tremendously important. Under ordinary circumstances there will be no trigger.

If we should reach some kind of an

economic downturn that nobody can anticipate—and it could happen quickly—we do not want to get ourselves in a posture where all at once everybody is uptight about the social security trust fund running out of money. This would guarantee that it would not. It has in it an automatic tax that will trigger when we borrow and will automatically replenish the trust fund to proper levels.

Mr. Chairman, that is a good device. The Government of the United States has been borrowing from the social security system for 40 years. I think there is nothing wrong with a situation where, under unforeseen circumstances, the social security system should turn around and borrow funds from the Federal Government, borrowing only under a stringent repayment formula.

Mr. Chairman, I urge the Members to oppose the Pickle amendment and to support the committee. This is a key part of this bill.

The CHAIRMAN. The time of the gentleman from Oregon (Mr. ULLMAN) has expired.

Mr. ULLMAN. Mr. Chairman, I yield 2 minutes to the gentleman from Massachusetts (Mr. BURKE).

Mr. BURKE of Massachusetts. Mr. Chairman, I wonder where the great leaders of the Republican Party have gone to. Where are the men like Senator Vandenberg who recommended that general revenues be used? What has happened to that party over there? Why are their numbers depleted? Because they have lost touch with the people.

Mr. Chairman, why do they not build up a man like Senator Vandenberg in their ranks today and take up the cudgels on behalf of the employers and the employees in this country? Why do they follow that old, archaic philosophy which they are advocating here today?

Mr. Chairman, let them pick up and read the speeches of Senator Vandenberg and renew and revitalize their party. They should not follow their leaders back to 1932.

Mr. Chairman, the Pickle amendment is the harshest and the cruelest thing we could do to the elderly in this country because what it does is to tell the elderly in this country that these funds might go broke. It says, "We are not going to give you any assurance that your check is going to be forthcoming."

Mr. Chairman, I do not believe the gentleman from Texas (Mr. PICKLE) wants to do that. I do not believe members of the minority party want to do that. I think they want to put a little bit of their heart into this bill. I say to them, use that and use it the way Senator Vandenberg used it. He thought it over carefully, and he put in the Vandenberg amendment the using of general revenues.

Mr. Chairman, all they are asking for here is a minimum guarantee, through the legislation, that the fund will not go broke.

Are we going to say to the elderly of this country, "We are not going to give you that assurance"?

A vote for the Pickle amendment is letting down the old folks in this country just as sure as we are sitting here.

Mr. ULLMAN. Mr. Chairman, I yield

4 minutes to the gentleman from Arkansas (Mr. TUCKER).

Mr. TUCKER. Mr. Chairman, the eloquence of the gentleman from Massachusetts (Mr. BURKE) is unmatched.

Let me review briefly with my colleagues the history which brings us to where we are today.

The social security trust funds, measured at a percentage at the end of the year of expenditures during the year, are rapidly declining. The Committee on Ways and Means was faced with several options as to how we could get those trust funds back up to a safe level. We could have made a huge increase in the tax rate and a huge increase in the wage base or made a cutback very severely in benefits. There are any number of ways or approaches by which to drive the trust fund reserves back up very quickly.

We chose, instead, to take a very moderate approach, doing a little bit of several things. The result is that the trust funds do decline and in 1980 and 1981 reach a very low level of about 26 or 27 percent. Then they start back up again and reach a safe level.

Why is the 26 percent level not safe? Very simply, a 26-percent reserve level means that we only have about a 3-month balance to cover cash flow demand on social security trust funds.

Thus, Mr. Chairman, if there were another Arab oil embargo or if economic circumstances are not as good as projected in the social security board of trustees' mid-term projection, which is certainly possible, we could go below 25 percent.

If we do and if it occurred in 1980 or 1981 while we are out of session, in a campaign, or in some other way unable to come back immediately with tax increases, the old people in this country might not get their check.

Mr. Chairman, what we are suggesting is very modest because in 1944 the Senator Vandenberg to whom the distinguished gentleman from Massachusetts (Mr. BURKE) referred, said this, and I quote; and this was a fine Republican Senator:

We pledge the Congress to an equivalent direct appropriation to social security to preserve the integrity of its obligations.

Mr. Chairman, the Senate Finance Committee in 1944 said of the 1939 amendments:

Congress obligates itself in the future to direct appropriations from general revenue.

Mr. Chairman, the result was that in 1944 the U.S. Congress adopted by a voice vote in the Senate and a voice vote in the House an absolute guarantee of general revenue funds if the social security fund ran out of money.

The reason it was necessary at that time was that the Congress was refusing to go ahead and make the necessary increases in the tax and wage base to keep the trust funds up. By 1950 the reserve was so high that it was no longer necessary to have that amendment, and it was taken out.

Mr. Chairman, all we are asking for is that the House provide this loan authority, which is repayable within the wording of the bill. It is a very modest amend-

ment, but it is fiscally sound. It assures that we will meet payrolls if we have to send out checks in the months when the reserves have gone too low.

It gives the old people of this country also a great psychological boost in that we have made good on what my friend, the gentleman from Texas, recognizes as a solid political commitment never to let the old people of this country miss their social security checks.

Mr. PICKLE. Mr. Chairman, will the gentleman yield?

Mr. TUCKER. I yield to the gentleman from Texas.

Mr. PICKLE. I thank the gentleman for yielding.

Does the gentleman in the well think that this will not go over the 25 percent?

Mr. TUCKER. I would hope that it would not.

Mr. PICKLE. Does the gentleman think it will trigger it? I see the gentleman hesitates.

Mr. TUCKER. If the gentleman will let me answer the question, I will reclaim my time. I think that it is impossible that it can trigger it. Another loan embargo would trigger it. That is why we need this.

Mr. ULLMAN. Mr. Chairman, I yield 2 minutes to the gentleman from Missouri (Mr. GEPHARDT).

Mr. GEPHARDT. Mr. Chairman, I would like to ask a question, and the question was just stated by the sponsor of the amendment. He is asking the question as to whether or not the gentleman thought it would trigger 25 percent, and the gentleman said he did not know. Let me ask him what his view is. The way the bill is structured financially, what will happen in 1986 and 1987 in terms of balance in the trust funds?

Mr. TUCKER. If the gentleman will yield, in 1986 and 1987 after we get past the short term, by then we will be way back up to the 40 or 45 percent level of reserves. Thus, we are facing a danger. When we reach that level of reserves, if a loan is triggered, under the provisions of the bill it will automatically be repaid out of those excess funds.

Mr. GEPHARDT. So the gentleman's theory here is that we have constructed a financially sound bill, and the loan authority is simply a back-up for those 4 years if we have a problem.

Mr. PICKLE. If the gentleman will yield, on the basis we do not need this. It is not necessary. I asked the committee to do something because the danger is in two immediate years, and the committee would not do it. Therefore, if it is going to be rosy, we do not need this standby authority.

Mr. GEPHARDT. I hope, as the gentleman in the well does, we do not need it, but we are close. We will be at 26 percent. It may be that unemployment may be higher when we go in. We also believe we have a bill financially structured so that it will go to 50 percent in 1985 and the money will clearly be paid back. It is a financially sound bill. The loan authority is to assure the people of this country that this loan will be repaid.

Mr. TUCKER. If the gentleman will yield further, to vote for this amendment would be financially irresponsible, totally

financially irresponsible for the people of this country. Please vote no on the Pickle amendment.

Mr. ULLMAN. Mr. Chairman, I yield myself 1 minute.

There are millions of Americans out there waiting for a signal from us that we will keep this social security fund on a basis where the money will be there when they need to draw on it. This is the signal. Here we are saying we will back up that social security trust fund to the full extent of the American Treasury. We are doing it on a sound basis, on a repayable basis. This is the signal they are looking for.

Mr. PICKLE. Mr. Chairman, I yield 2 minutes to the gentleman from New York (Mr. PIKE).

Mr. PIKE. Mr. Chairman, I do not honestly think that we have lost touch with the American people here, and I honestly do not think that those who support this amendment, as I do, are fiscally irresponsible. We know that what the American people want most of all are increased benefits, and they want lower taxes. We can give them these things so fast it would make your head spin. Can you imagine the terror that would strike all our hearts if in the middle of a political campaign we were called upon to come back to Washington to make sure that the old people got their checks? We would get down here so fast, and we would do that so rapidly and with such joy, with the whole thought that this is some terror to hold over the older people in America. My Lord, we would like that opportunity in the middle of a political campaign, to come down here and vote to help the old people.

The real issue here is, is social security going to be an insurance program, or is it going to be a welfare program? And when we start dipping into the Federal Treasury to make the payments to the social security people, it has become a welfare program. If we are going to go that route, for heaven's sake, let us come back here, recognize the route we are going, and vote to do it.

I personally would vote, and in that instance we might at least consider freezing the basic benefits instead of raising the taxes one more time, but at least let us do it through the front door.

I hope the amendment is adopted.

Mr. CONABLE. Mr. Chairman, will the gentleman yield?

Mr. PIKE. I yield to the gentleman from New York (Mr. CONABLE).

Mr. CONABLE. Mr. Chairman, I applaud the gentleman's statement. I think what we are doing here is in effect a subterfuge, and I deeply regret it.

Mr. PICKLE. Mr. Chairman, I yield 2 minutes to the gentleman from Louisiana (Mr. WAGGONNER).

(Mr. WAGGONNER asked and was given permission to revise and extend his remarks.)

Mr. WAGGONNER. Mr. Chairman, I had not planned to speak on this amendment even though I support it without reservation, but I speak now because I take seriously and resent very much the recent statement by the gentleman from Arkansas (Mr. TUCKER) that anyone who supported this amendment was irrespon-

sible, that it was irresponsible to do it. There are some of us who just happen to believe that this is not the way to finance social security, and we do it in good faith.

The choice is ours to do as we will. There are only three ways we can finance increased costs of social security: By increasing the tax rate, by increasing the wage base which is taxed, or by Treasury financing. We can get Treasury financing by direct contribution or by borrowing. We can get it any way we want.

There are some of us who believe, and everybody said in the committee, this authority was not going to be needed. If it is not, why should we include it in this bill? I think we ought to support this amendment. It is not an irresponsible vote. If we believe in financing social security as we always have, we will cast a responsible vote by voting our conscience. But vote your conscience and you will cast a responsible vote.

Mr. PICKLE. Mr. Chairman, the social security program is an insurance program. Employers and employees have paid into it evenly. They have run their own system. If we go to the general Treasury, we destroy the discipline of the system. Can Members imagine what Congress would do if all we had to do was to pay from the Treasury extra benefits? I think we can understand there may be no control on it.

If we get to a point where the ratio is so low, then this Congress would be called back into session and we would debate the issue in full body and come up with the right answer. It is best to do it that way. Then we cannot come through the back door and put this formula in and say we have taken the easy way. The responsible way is to knock this borrowing authority out. It will not weaken the bill and it will give confidence to the American people that this is a program for employees and employers and they can run their own program.

I therefore ask the Members to vote "aye" on this amendment.

Mr. ALEXANDER. Mr. Chairman, I rise in support of the Pickle amendment to H.R. 9346, the Social Security Financing Amendments of 1977. This amendment, which will strike the standby authority for the social security retirement and disability funds to borrow money from the General Treasury, speaks to the central issue in the bill before us today.

I oppose such standby borrowing authority because the primary need for the social security system is solvency. To rely upon loans from the Treasury to achieve a sound system is at best temporary and does not provide a permanent solution to combat the imminent bankruptcy of the Social Security Administration.

I share the view of my colleague from Texas that there could be no clearer signal to the American people that the social security system is going down the drain than to have it bailed out in this manner by general revenues.

I urge adoption of the Pickle amendment.

Mrs. HECKLER. Mr. Chairman, I would like to speak in favor of the amendment offered by my distinguished colleague from Texas (Mr. PICKLE). Al-

though I understand the committee's concern about the financial problems of the social security system, I do not believe this is the best method of insuring its financial stability.

The social security system was set up as a trust fund and it must stay a trust fund in order to maintain its integrity. It was designed as a system whereby individuals could contribute over the years of their working lives and would then earn benefits when they reached retirement.

Social security is not welfare; it is an earned right. Bringing social security into the process of appropriations from the General Treasury would remove from the system that dignity, that integrity, which has made it so great a success.

If we vote to allow standby borrowing for social security, we will set a precedent for using general revenues to finance social security and I believe that is a bad precedent to set. It would, I emphasize, make social security indistinguishable from welfare. And it would make it very tempting for Congress to dip deeper and deeper into the Federal Treasury to finance the social security system. I believe that would be a fatal mistake.

Even though we are merely voting on standby authority, and there are those who argue that that authority will not be used, I believe the chances are it will be used and that it will lead to general revenue financing of social security.

I must express my opposition to that concept and therefore my support for the amendment offered by my distinguished colleague from Texas (Mr. PICKLE). I would urge my colleagues to vote for this amendment and to defeat the proposition that the social security trust fund should not still be held in trust. I believe it must be held in trust and not commingled with the general revenues of the Federal Treasury.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas (Mr. PICKLE).

The question was taken; and the Chairman announced that the ayes appeared to have it.

RECORDED VOTE

Mr. ULLMAN. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 196, noes 221, not voting 17, as follows:

[Roll No. 700]

AYES—196

Abdnor	Brown, Ohio	Cunningham
Alexander	Broyhill	Daniel, Dan
Anderson, Ill.	Burgener	Daniel, R. W.
Andrews, N.C.	Burke, Fla.	Davis
Andrews,	Burleson, Tex.	de la Garza
N. Dak.	Butler	Derrick
Archer	Byron	Devine
Armstrong	Caputo	Dornan
Ashbrook	Cederberg	Duncan, Tenn.
AuCoin	Chappell	Edwards, Ala.
Badham	Clausen,	Edwards, Okla.
Bafalis	Don H.	Emery
Bauman	Cleveland	Evans, Del.
Beard, Tenn.	Cochran	Evans, Ind.
Bennett	Cohen	Findley
Boggs	Coleman	Fish
Bonker	Collins, Tex.	Flowers
Bowen	Conable	Flynt
Breaux	Corcoran	Forsythe
Breckinridge	Cotter	Fountain
Broomfield	Ooughlin	Frenzel
Brown, Mich.	Crane	Frey

Fuqua	Lott	Russo
Gammage	Lujan	Santini
Gibbons	McClory	Sarasin
Goldwater	McDonald	Satterfield
Gonzalez	McEwen	Sawyer
Gradison	McKinney	Schulze
Grassley	Madigan	Sebellius
Gudger	Mahon	Sharp
Guyser	Mann	Shuster
Hagedorn	Marlenee	Sikes
Hall	Marriott	Skelton
Hamilton	Martin	Skubitz
Hammer-	Michel	Smith, Nebr.
schmidt	Millford	Snyder
Hansen	Miller, Ohio	Spence
Hefner	Mitchell, N. Y.	Stangeland
Hightower	Montgomery	Stanton
Hillis	Moore	Steiger
Hollenbeck	Moorhead,	Stump
Huckaby	Calif.	Symms
Hughes	Murphy, Ill.	Taylor
Hyde	Myers, John	Thone
Ichord	Nichols	Thornton
Ireland	Nowak	Treen
Jacobs	O'Brien	Trible
Jeffords	Panetta	Vander Jagt
Jenkins	Pettis	Volkmmer
Jenrette	Pickle	Waggonner
Johnson, Colo.	Pike	Walker
Jones, N.C.	Poage	Walsh
Jones, Okla.	Pressler	Wampler
Kasten	Pritchard	White
Kazen	Quayle	Whitehurst
Kelly	Quie	Whitley
Kemp	Quillen	Whitten
Ketchum	Railsback	Wiggins
Kindness	Regula	Wilson, Tex.
LaFalce	Rhodes	Winn
Lagomarsino	Roberts	Wyder
Latta	Robinson	Wylie
Leach	Rogers	Yatron
Lent	Rousselot	Young, Alaska
Livingston	Rudd	Young, Fla.
Lloyd, Ter. n.	Runnels	Young, Tex.
Long, La.	Ruppe	

NOES—221

Addabbo	Dodd	Lehman
Akaka	Downey	Levitas
Allen	Drinan	Lloyd, Calif.
Ambro	Duncan, Oreg.	Long, Md.
Ammerman	Early	Luken
Anderson,	Eckhardt	Lundine
Calif.	Edgar	McCloskey
Annunzio	Edwards, Calif.	McCormack
Applegate	Elberg	McDade
Aspin	English	McFall
Badillo	Ertel	McKay
Baldus	Evans, Colo.	Maguire
Barnard	Evans, Ga.	Markey
Baucus	Fary	Marks
Beard, R.I.	Fascell	Mathis
Bedall	Fenwick	Mattox
Bellenson	Fisher	Mazzoli
Benjamin	Fithian	Meeds
Bevill	Filippo	Metcalfe
Biaggi	Flood	Meyner
Bingham	Florio	Mikulski
Blanchard	Foley	Mikva
Blouin	Ford, Mich.	Miller, Calif.
Boland	Ford, Tenn.	Mineta
Bonior	Fowler	Minish
Brademas	Gaydos	Mitchell, Md.
Brinkley	Gephardt	Moakley
Brodhead	Gialmo	Moffett
Brooks	Gillman	Mollohan
Brown, Calif.	Ginn	Moorhead, Pa.
Buchanan	Glickman	Moss
Burke, Calif.	Gore	Mottl
Burke, Mass.	Hanley	Murphy, N.Y.
Burleson, Mo.	HannaFord	Murphy, Pa.
Burton, John	Harkin	Murtha
Burton, Phillip	Harrington	Myers, Gary
Carney	Harris	Myers, Michael
Carr	Haraha	Natcher
Carter	Hawkins	Neal
Cavanaugh	Hefel	Nedzi
Chisboim	Holland	Nix
Clay	Holtzman	Nolan
Collins, Ill.	Horton	Oakar
Conte	Howard	Oberstar
Conyers	Hubbard	Obey
Corman	Johnson, Calif.	Ottinger
Cornell	Jones, Tenn.	Patten
Cornwell	Jordan	Patterson
D'Amours	Kastenmeier	Pattison
Danielson	Keys	Pease
Delaney	Kildee	Pepper
Dellums	Kostmayer	Preyer
Dent	Krebs	Price
Derwinski	Krueger	Pursell
Dicks	Le Pante	Rahall
Diggs	Lederer	Rangel
Dingell	Leggett	Reuss

Richmond	Sisk	Udall
Rinaldo	Slack	Ullman
Risenhoover	Smith Iowa	Van Deerin
Rodino	Solarz	Vank
Roe	Spellman	Vento
Roncalio	St German	Walgren
Rooney	Staggers	Watkins
Rose	Stark	Waxman
Rosenthal	Steed	Weaver
Rostenkowski	Steers	Weiss
Roybal	Stokes	Wilson, C. H.
Ryan	Stratton	Wirth
Scheuer	Studds	Wolf
Schroeder	Thompson	Yates
Schreiberling	Traxler	Young, Mo.
Shipley	Tsongas	Zablocki
Simon	Tucker	Zerfetti

NOT VOTING—17

Ashley	Gooding	Stockman
Bolling	Heckler	Teague
Clawson, De	Holt	Whalen
Dickinson	Koch	Wilson, Bob
Erlenborn	McHugh	Wright
Fraser	Perkins	

The Clerk announced the following pairs:

Mr. Teague for, with Mr. Fraser against.
Mr. Del Clawson for, with Mr. McHugh against.
Mr. Dickinson for, with Mr. Ashley against.
Ms. Holt for, with Mr. Whalen against.

Mr. DAVIS changed his vote from "no" to "aye."

So the amendment was rejected.
The result of the vote was announced as above recorded.

AMENDMENT OFFERED BY MR. CORMAN
Mr. CORMAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CORMAN: Page 133, strike out "may be less" in line 13 and all that follows down through page 134, line 2, and insert in lieu thereof the following: "may be less than an amount equal to \$11.50 multiplied by the individual's years of coverage in excess of 10, or the increased amount determined for purposes of this clause under subsection (1)".

Page 134, line 3, strike out "clause (1) (II)" and insert in lieu thereof "clause (1)".
Page 137, line 13, strike out "subparagraph (C) (1) (II)" and insert in lieu thereof "subparagraphs (C) (1)".

Page 138, lines 1 and 2, strike out "subparagraph (C) (1) (II)" and insert in lieu thereof "subparagraph (C) (1)".

Page 139, line 6, strike out "and (II)" and insert in lieu thereof the following: ", (II) there shall be no statutory minimum primary insurance amount as otherwise set forth on the first line of column IV of that table, and for purposes of determining primary insurance amounts below the amount so set forth the Secretary shall extend columns II, III, IV, and V of the table backward to zero by the insertion of additional figures on lines ahead of the first line therein, and (III)".

Page 149, lines 14 and 15, strike out "section 215(a) (1) (C) (1) (II)" and insert in lieu thereof "subsection (a) (1) (C) (1)".

Page 151, line 5, strike out "subparagraph (C) (1) (II)" and insert in lieu thereof "subparagraph (C) (1)".

Page 152, line 6, strike out "subparagraph (C) (1) (II)" and insert in lieu thereof "subparagraph (C) (1)".

Page 152; lines 8 and 9, strike out "such subparagraph (C) (1) (II)" and insert in lieu thereof "such subparagraph (C) (1)".

Page 152, strike out lines 5 through 21 and insert in lieu thereof the following:

Sec. 204. (a) (1) Section 202(m) of the Social Security Act is repealed.
(2) Section 202(k) (2) (A) of such Act is amended by striking out "or subsection (m)".
(3) Section 227(b) of such Act is amended by striking out "(and section 202(m))".

Page 163, line 2, strike out "section 215(a) (1)(C) (1)(II)" and insert in lieu thereof "section 215(a) (1)(C) (1)".

Page 163, line 4, strike out "section 215(a) (1)(C) (1)(II)" and insert in lieu thereof "section 215(a) (1)(C) (1)".

Page 184, strike out lines 1 through 17 and insert in lieu thereof the following:

"(2) Any such agreement may provide that an individual who is entitled to cash benefits under this title shall, notwithstanding the provisions of section 202(t), receive such benefits while he resides in a foreign country which is a party to such agreement.

Page 120, strike out lines 2 through 4 (as previously amended), and insert in lieu thereof the following: "5.50 percent;

"(5) with respect to wages received during the calendar years 1990 through 1999, the rate shall be 6.05 percent; and

"(6) with respect to wages received after December 31, 1999, the rate shall be 6.10 percent."

Page 120, strike out lines 20 through 22 (as previously amended) and insert in lieu thereof the following: "5.50 percent;

"(5) with respect to wages paid during the calendar years 190 through 1999, the rate shall be 6.05 percent; and

"(6) with respect to wages paid after December 31, 1999, the rate shall be 6.10 percent."

Page 121, line 18, strike out the figure immediately preceding "percent" (as previously amended) and insert in lieu thereof "8.25".

Page 121, line 19, strike out "and".

Page 121, strike out lines 20 through 23 (as previously amended) and insert in lieu thereof the following:

"(5) In the case of any taxable year beginning after December 31, 1989, and before January 1, 2000, the tax shall be equal to 9.05 percent of the amount of the self-employment income for such taxable year, and

"(6) in the case of any taxable year beginning after December 31, 1999, the tax shall be equal to 9.15 percent of the amount of the self-employment income for such taxable year."

Mr. CORMAN (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the Record.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

The CHAIRMAN. Under the rule, the gentleman from California (Mr. CORMAN) will be recognized for 15 minutes in support of his amendment, and the gentleman from Oregon (Mr. ULLMAN) will be recognized for 15 minutes in opposition to the amendment.

The Chair recognizes the gentleman from California (Mr. CORMAN).

Mr. CORMAN. Mr. Chairman, I rise in support of this amendment and urge its adoption because of the deletion of universal coverage from this bill.

The amendment repeals the minimum social security cash benefits for new beneficiaries after 1978.

This amendment will save the social security program about \$2.3 billion in 6 years, 1979 to 1984, and will permit a reduction in social security payroll tax of 0.05 percent for the worker and 0.05 percent for the employer for a 15-year period from 1985 to 1999.

More than the dollar savings involved, this amendment restores a measure of the social insurance principle of relating benefits to contributions.

Under present law, a worker with an

average monthly wage of \$76 or less receives a minimum benefit of \$114.30. This benefit amount ranges from about 150 percent for a worker with an average monthly wage of \$76 to 2,850 percent for the lowest average monthly earnings possible. In other words, the minimum benefits guarantees a beneficiary with very low social security contributions to receive a monthly cash benefit far in excess of his or her average monthly wage.

This benefit is related to the issue of universal coverage because of the opportunity for public employees, who remain outside the social security system, to double-dip into social security for this windfall benefit on top of their public pension.

As of December 1975, 45 percent of civil service annuitants were also receiving social security benefits with more than a quarter of whom were receiving the windfall minimum benefit. This does not include State and local government employees who are receiving the minimum under dual retirement benefits. In addition, the social security minimum benefit goes to public employees and their dependents under disability and survivors coverage.

The minimum benefit is increasingly criticized as a welfare provision which was needed previously in the absence of alternative income maintenance benefits. Since social security began, a wide variety of income maintenance programs have been established to address these needs and further improvements will be forthcoming. A reappraisal is needed of the minimum benefit in the changed world.

The minimum benefit is categorized by some as a welfare benefit because it is paid to people with marginal labor-force attachment. More than 75 percent of all workers who became entitled to the minimum in 1970 had 9 years or less in covered employment since 1950, and only about 20 percent had earned over \$1,800 in any year since 1950.

This amendment will not affect low-paid workers who have regularly contributed to social security. For example, a worker retiring this year after having only earned the prevailing Federal minimum wage each year under social security would receive a benefit of \$233.50, more than twice the social security minimum benefit.

Furthermore, this amendment does not affect the special minimum benefit which is paid to workers who have long time social security coverage but at low wages. The special minimum compensates these workers by providing an alternative method of computing benefits based on the number of years of their covered employment.

H.R. 9346, as reported, inadequately addresses the need to eliminate the minimum benefit by freezing it at its June 1978 amount of about \$120.60. This amendment reflects serious concern about prolonging the minimum benefit.

Under the amendment, new social security beneficiaries after 1978 would have their benefits computed on the basis of their covered wages with no minimum benefit amount. This amendment would

not affect people entitled to a social security minimum benefit before 1979. Of course, all beneficiaries—present and future—would receive the full benefit of future social security cost-of-living increases.

One of the major advances of H.R. 9346 is to "decouple" future social security benefits. For the first 10 years under decoupling—1979 to 1988—there is a transitional period during which a new beneficiary would have his or her benefit computed under either the new "decoupled" formula or the June 1978 benefit table. The effect of this transitional program and the committee's recommended freeze of the minimum benefit is that the minimum benefit of about \$120.60 would continue to be paid unless a beneficiary had a higher benefit computation under the "decoupled" formula. After 1988, new beneficiaries would have their benefits computed under the "decoupled" formula with \$120.60 still as the minimum.

The amendment would repeal the minimum benefit by entitling new beneficiaries to the higher of that benefit based on an expanded June 1978 benefit table or the "decoupled" formula. The 1978 benefit table would be expanded by applying the ratio of benefits to wages for all average monthly wage amounts of \$76 or less. After the 10-year transition, benefits would be based solely on the "decoupled" formula.

To illustrate the mechanics of this expanded benefit table, it is necessary to explain that the first step of the social security benefit computations is a percentage of the first \$110 in average monthly wages with a minimum benefit floor. For example, after the cost-of-living increase expected in June 1978, the first step of the social security formula will be more than 150 percent of the first \$110 in average monthly wages with the minimum of \$120.60. Thus, if the first step of the June 1978 benefit formula was actually 150 percent of the first \$110, the benefit table would be expanded to show a worker with an average monthly wage of \$110 would be eligible for a benefit of \$165, a worker with a lower covered wage of \$70 could receive a proportional, but smaller benefit of \$105, and a \$50-a-month worker at \$75.

Again the worker could receive a higher benefit on the basis of the "decoupled" formula during the transition period.

Mr. JACOBS. Mr. Chairman, will the gentleman yield?

Mr. CORMAN. I yield to the gentleman from Indiana.

Mr. JACOBS. Mr. Chairman, I wish to commend the gentleman for offering this amendment.

Actually if we believe in anything in this country, we ought to believe that we should be against unjust enrichment. What we have here is an opportunity to correct a problem in which a lot of people in effect rob the poor box and get benefits that were never intended.

Mr. Chairman, the gentleman from California (Mr. CORMAN) is right on target in offering his amendment, and I hope it is agreed to.

Mr. ULLMAN. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, it is my hope that we can dispose of the debate on this amendment very rapidly. This will be the final amendment offered this evening. After we consider this amendment, we will go over until tomorrow morning.

Let us make sure, Mr. Chairman, of what we are doing here. What we are doing is taking that \$114 floor and denying it to certain individuals. It might be an agricultural worker; it might be a domestic. It is somebody who has worked in and out of the work force for a number of years; it could very well be someone who relies completely on this for a living. We are saying that that person, in place of getting \$114, would get the actuarial rate, which may be \$15, it may be \$40, it may be \$50. That is very harsh treatment.

Let me say to the Members of the Committee that we have frozen that minimum. It will be phased out over a period of 10 years or so. That is the right way to approach the problem.

We faced up to the problem in the committee bill, but to adopt the Corman amendment and eliminate that minimum would be harsh treatment of many, many hundred of thousands of Americans who have gotten into the social security system because they have been in and out of the work force. We are talking about agricultural workers, domestic workers, and a lot of fringe people who need that minimum.

Mr. Chairman, I urge the Members to oppose this amendment.

Mr. CONABLE. Mr. Chairman, will the gentleman yield?

Mr. CORMAN. I yield to the gentleman from New York.

Mr. CONABLE. Mr. Chairman, in fact, these people who participate in the minimum because they have paid in only a small amount are poor people. They should be supported by all taxpayers, not just those taxpayers who work. They should be supported through a welfare system such as the SSI system, consonant with their dignities as human beings.

This should be handled as SSI has been handled during recent years. It is a bad idea to put the load on social security and provide a welfare payment of this sort.

Mr. Chairman, I commend the gentleman from California (Mr. CORMAN) for offering this amendment. The payment of SSI should help the social security system. The gentleman's amendment will make this help effective, because it will mean that we no longer are paying substantially above the actuarial base for those who have paid in only a slight amount, and at the same time we are protecting those people who are in fact poor.

Mr. KETCHUM. Mr. Chairman, will the gentleman yield?

Mr. CORMAN. I yield to the gentleman from California.

(Mr. KETCHUM asked and was given permission to revise and extend his remarks.)

Mr. KETCHUM. Mr. Chairman, I thank the gentleman for yielding.

I rise in support of the amendment offered by the gentleman from California (Mr. CORMAN).

I think we have to bear in mind that we are not talking about the minimum special benefit which was set aside for individuals who have very low earnings over a long period of time. What the gentleman from California is addressing now is the ripoff that we were talking about prior to our acceptance of the Fisher amendment. This amendment will absolutely knock out that nonsense.

As the gentleman from New York (Mr. CONABLE) has correctly pointed out, this is not going to hurt the individual who is "in and out of the system," because we have over the years devised benefits through the supplemental security income system which takes care of those people, and rightly so.

Mr. Chairman, I urge the Members to adopt the Corman amendment. This puts the plug in on these individuals who are riding a gravy train. They should be called welfare recipients, because that is what they are.

Mr. BURKE of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. CORMAN. I yield to the chairman of the subcommittee.

Mr. BURKE of Massachusetts. Mr. Chairman, I am sorry that I must rise in opposition to the amendment offered by my good friend, the gentleman from California (Mr. CORMAN). The trouble with this amendment is that the gentleman is trying to throw the baby out with the bath water. He is trying to correct a situation that should be corrected. But the situation should not be corrected in this way, because the gentleman is trying to take care of those people who are double-dipping but not to take care of those people who would be hurt by this amendment.

There are thousands of other people who depend upon these checks and who have too much respect to apply for welfare. The only income they have is that minimum check, and they would rather starve to death than go down to the welfare office and apply for welfare.

They are people who have worked all through their lifetimes, but they have just not earned enough to gain enough payment benefits to survive.

I say to the gentleman that I think he should withdraw this amendment, because eventually the situation is going to take care of itself anyway. It is going to work itself out every year, because more people get eliminated by it every year. To do it in this way would put a hardship on the American people who have worked all during their lifetimes but did not earn enough to qualify for the proper payments.

Mr. CORMAN. Mr. Chairman, I will only point out that this amendment does not affect anybody who qualifies with 10 years of employment. It does not affect anybody who needs the money.

Mr. Chairman, I urge an aye vote, and I yield back the balance of my time.

Mr. ULLMAN. Mr. Chairman, I yield 3 minutes to the gentleman from Illinois (Mr. MIKVA).

Mr. MIKVA. Mr. Chairman and members of the committee, I reluctantly oppose this amendment. We did not discuss it in subcommittee. There were no hearings on it, but I will bet that no Members got any letters from anybody

against this amendment. I will bet that no Members got any letters at all about the problem that is involved here because the agricultural workers do not write lots of letters. The domestic workers do not write lots of letters. The people who are on that borderline, for whom this minimum benefit was first put into the law, are not the kind we are going to hear from. This is a free vote. We could vote for this amendment, and we will not catch any heat back home.

However, we ought to think about the people whom my colleague, the gentleman from Massachusetts (Mr. BURKE), talked about, people who think they have earned that social security check and who will not go into a welfare office to collect the same money. If they do go in, then there is no saving here. We have not saved any money on this, but what we have done is that we have said that we were going to clean up the system.

Mr. Chairman, there are hundreds of thousands of people in the pipeline, some of them within a quarter of eligibility. We are telling them right now, "Forget about the minimum benefit. That is the end of it. Get welfare."

Mr. Chairman, that is wrong. I want to get the double-dippers. That is why I stood with 36 other Members, so we could get the double-dippers. We should, but this does not get at the double-dippers unless we are talking about some domestic worker or some agricultural worker who has never earned enough under the minimum benefit which we provided in the law. If that person is a double-dipper, then vote for the amendment. Otherwise, even though there is not any lobbying at this time, we ought to vote "no."

Mr. GEPHARDT. Mr. Chairman, will the gentleman yield?

Mr. MIKVA. I yield to the gentleman from Missouri.

Mr. GEPHARDT. Mr. Chairman, may I ask the gentleman this question: This amendment would be better if it were included in a welfare reform bill so that we could look at the whole picture, have hearings, and understand what we are doing; is that correct?

Mr. MIKVA. Absolutely. We know there are a lot of people whom my good friend, the gentleman from California (Mr. CORMAN), does not want to hurt, but I think they will be hurt by this amendment.

Mr. PICKLE. Mr. Chairman, will the gentleman yield?

Mr. MIKVA. I yield to the gentleman from Texas.

Mr. PICKLE. Mr. Chairman, this is a problem which we ought to recognize, but I think the committee took the responsible approach by freezing the minimum and then phasing it out over a period of time. We may have to come to the point the gentleman from California is trying to get to because the intent of his amendment is good, but I really think it may be too harsh an approach.

The committee has tried to deal responsibly by freezing it and then gradually phasing it out.

Mr. ULLMAN. Mr. Chairman, I urge a vote against the amendment and yield back the balance of my time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California (Mr. CORMAN).

The question was taken; and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. KETCHUM. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 131, noes 271, not voting 32, as follows:

[Roll No. 701]

AYES—131

- | | | |
|----------------|----------------|----------------|
| Addabbo | Fenwick | Millford |
| Ammerman | Fish | Miller, Calif. |
| Anderson, Ill. | Fisher | Miller, Ohio |
| Archer | Foraythe | Moore |
| Armstrong | Frenzel | Moorhead, |
| Ashbrook | Gibbons | Calif. |
| Aspin | Glickman | Murtha |
| AuCoin | Gradison | Nolan |
| Badham | Grassley | Fanetta |
| Bafalis | Hagedorn | Pease |
| Baucus | Hall | Pike |
| Bauman | Hamilton | Poage |
| Beard, Tenn. | Hammer- | Pritchard |
| Bellenson | schmidt | Quile |
| Bennett | Hollenbeck | Regula |
| Blaggi | Ichord | Rhodes |
| Blanchard | Ireland | Robinson |
| Bonior | Jacobs | Rosenthal |
| Bowen | Jeffords | Rousselot |
| Breaux | Johnson, Colo. | Rudd |
| Brodhead | Jones, Okla. | Satterfield |
| Brown, Mich. | Kelly | Sawyer |
| Burgener | Kemp | Sharp |
| Burke, Calif. | Ketchum | Shuster |
| Burleson, Tex. | Keys | Slak |
| Carr | Kindness | Smith, Nebr. |
| Cleveland | Krueger | Snyder |
| Coleman | LaFalce | Stangeland |
| Collins, Tex. | Lent | Stump |
| Conable | Livingston | Taylor |
| Conyers | Lloyd, Calif. | Thone |
| Corrooran | Long, Md. | Treen |
| Corman | Lott | Tribie |
| Crane | Luken | Van Deerlin |
| Cunningham | McCloskey | Volkmer |
| D'Amours | McDade | Waggonner |
| Daniel, Dan | McDonald | Walker |
| Daniel, R. W. | McEwen | Waxman |
| Devine | McKay | Weaver |
| Dornan | Marriott | Wiggins |
| Duncan, Oreg. | Martin | Yatron |
| Early | Mattox | Young, Fla. |
| Edwards, Ala. | Meeds | Zeferetti |
| Edwards, Okla. | Meyner | |
| Ertel | Michel | |

NOES—271

- | | | |
|---------------|-----------------|-------------|
| Abdnor | Carney | Evans, Del. |
| Akaka | Carter | Evans, Ga. |
| Alexander | Cavanaugh | Evans, Ind. |
| Allen | Cederberg | Fary |
| Ambro | Chappell | Fascell |
| Anderson, | Chisholm | Findley |
| Calif. | Clausen, | Fithian |
| Andrews, N.C. | Don H. | Flippo |
| Andrews, | Clay | Flood |
| N. Dak. | Cochran | Florio |
| Annunzio | Cohen | Flowers |
| Applegate | Collins, Ill. | Flynt |
| Baldus | Conte | Foley |
| Barnard | Cornell | Ford, Mich. |
| Beard, R.I. | Cornwell | Fountain |
| Bedell | Cotter | Fowler |
| Benjamin | Coughlin | Frey |
| Bevill | Danielson | Fuqua |
| Bingham | Davis | Gammage |
| Blouin | de la Garza | Gaydos |
| Boggs | Delaney | Gephardt |
| Boland | Dellums | Gilman |
| Brademas | Derrick | Ginn |
| Breckinridge | Derwinski | Goldwater |
| Brinkley | Dicks | Gonzalez |
| Brooks | Dingell | Gore |
| Brown, Calif. | Dodd | Gudger |
| Brown, Ohio | Downey | Guyer |
| Broyhill | Drinan | Hanley |
| Buchanan | Duncan, Tenn. | Hannaford |
| Burke, Fla. | Eckhardt | Harkin |
| Burke, Mass. | Edgar | Harrington |
| Burleson, Mo. | Edwards, Calif. | Harris |
| Burton, John | Ellberg | Harsha |
| Butler | Emery | Hawkins |
| Byron | English | Hefner |
| Caputo | Evans, Colo. | Heftel |

- | | | |
|-----------------|----------------|---------------|
| Hightower | Moffett | Schroeder |
| Hillis | Mollohan | Schulze |
| Holland | Montgomery | Sebelius |
| Holtzman | Moorhead, Pa. | Selbering |
| Horton | Mottl | Shipley |
| Howard | Murphy, Ill. | Sikes |
| Hubbard | Murphy, N.Y. | Simon |
| Huckaby | Murphy, Pa. | Skelton |
| Hughes | Myers, Gary | Skubitz |
| Hyde | Myers, John | Slack |
| Jenkins | Myers, Michael | Smith, Iowa |
| Jenrette | Natcher | Solarz |
| Johnson, Calif. | Neal | Spellman |
| Jones, N.C. | Nedzi | Spence |
| Jones, Tenn. | Nichols | St Germain |
| Jordan | Nowak | Staggers |
| Kasten | O'Brien | Stanton |
| Kastenmeyer | Oakar | Stark |
| Kazen | Oberstar | Steed |
| Kildee | Obey | Steers |
| Kostmayer | Ottinger | Steiger |
| Krebs | Patten | Stokes |
| Legomarsino | Patterson | Stratton |
| Latta | Pattison | Studds |
| Le Pante | Pepper | Thompson |
| Leach | Pettis | Thornton |
| Lederer | Pickle | Traxler |
| Leggett | Pressler | Tsongas |
| Lehman | Preyer | Tucker |
| Levitaa | Price | Udall |
| Lloyd, Tenn. | Pursell | Ullman |
| Long, La. | Quayle | Vander Jagt |
| Lujan | Quillen | Vanik |
| Lundine | Rahall | Vento |
| McClory | Rallsback | Walgren |
| McCormack | Rangel | Walsh |
| McFall | Reuss | Wampler |
| McKinney | Richmond | Watkins |
| Madigan | Rinaldo | Weiss |
| Maguire | Risenhoover | White |
| Mahon | Roberts | Whitehurst |
| Mann | Rodino | Whitley |
| Markey | Roe | Whitten |
| Marks | Rogers | Wilson, C. H. |
| Marlenee | Roncallo | Wilson, Tex. |
| Mathis | Rooney | Winn |
| Mazzoli | Rose | Wirth |
| Metcalfe | Rostenkowski | Wolf |
| Mikulski | Roybal | Wylie |
| Mikva | Runnels | Yates |
| Mineta | Ruppe | Young, Mo. |
| Minish | Russo | Young, Tex. |
| Mitchell, Md. | Santini | Zablocki |
| Mitchell, N.Y. | Sarasin | |
| Moakley | Scheuer | |

NOT VOTING—32

- | | | |
|-----------------|-------------|---------------|
| Ashley | Ford, Tenn. | Perkins |
| Badillo | Fraser | Ryan |
| Bolling | Glaime | Stockman |
| Bonker | Goodling | Symms |
| Broomfield | Hansen | Teague |
| Burton, Phillip | Heckler | Whalen |
| Clawson, Del | Holt | Wilson, Bob |
| Dent | Koch | Wright |
| Dickinson | McHugh | Wydlar |
| Diggs | Moss | Young, Alaska |
| Eriensborn | Nix | |

The Clerk announced the following pairs:

On this vote:

- Mr. Fraser for, with Mr. Ashley against.
- Mr. Teague for, with Mr. Nix against.

So the amendment was rejected.

The result of the vote was announced as above recorded.

Mr. ULLMAN. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. EVANS of Colorado, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide coverage under the system for officers and employees of the United States, of the State and local governments, and of nonprofit organi-

zations, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes, had come to no resolution thereon.

GENERAL LEAVE

Mr. ULLMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on each of the amendments to the bill just considered.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

There was no objection.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. FRENZEL. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 405, nays 3, not voting 26, as follows:

[Roll No. 703]

YEAS—405

Abdnor	Corcoran	Hamilton
Addabbo	Corman	Hammer-
Akaka	Cornell	schmidt
Alexander	Cornwell	Hanley
Allen	Cotter	Harrington
Ambro	Coughlin	Harris
Ammerman	Crane	Harsha
Anderson,	Cunningham	Hawkins
Calif.	D'Amours	Hefner
Anderson, Ill.	Daniel, Dan	Heftel
Andrews, N.C.	Daniel, R. W.	Hightower
Andrews,	Danielson	Hillis
N. Dak.	Davis	Holland
Annunzio	de la Garza	Hollenbeck
Applegate	Delaney	Holt
Archer	Dellums	Holtzman
Armstrong	Dent	Horton
Ashbrook	Derrick	Howard
Ashley	Derwinski	Hubbard
Aspin	Devine	Huckaby
Badham	Dickinson	Hughes
Bafalis	Dicks	Hyde
Baldus	Diggs	Ichord
Barnard	Dingell	Jacobs
Baucus	Dornan	Jeffords
Bauman	Downey	Jenkins
Beard, R.I.	Drinan	Jenrette
Beard, Tenn.	Duncan, Oreg.	Johnson, Calif.
Bellenson	Early	Johnson, Colo.
Benjamin	Edgar	Jones, N.C.
Bennett	Edwards, Ala.	Jones, Okla.
Bevill	Edwards, Calif.	Jones, Tenn.
Biaggi	Edwards, Okla.	Jordan
Bingham	Ellberg	Kasten
Bianchard	Emery	Kastenmeter
Blouin	English	Kazen
Boggs	Erlenborn	Kelly
Boland	Ertel	Kemp
Bonior	Evans, Colo.	Ketchum
Bonker	Evans, Del.	Keys
Bowen	Evans, Ga.	Kildee
Brademas	Evans, Ind.	Kindness
Breaux	Fary	Kostmayer
Breckinridge	Fascell	Krebs
Brinkley	Fenwick	LaFalce
Brodhead	Findley	Lagomarsino
Brooks	Fish	Latta
Broomfield	Fisher	Le Fante
Brown, Calif.	Fithian	Leach
Brown, Mich.	Flippo	Lederer
Brown, Ohio	Flood	Leggett
Broyhill	Florio	Lehman
Buchanan	Flynt	Lent
Burgener	Foley	Levitas
Burke, Calif.	Ford, Mich.	Livingston
Burke, Fla.	Ford, Tenn.	Lloyd, Tenn.
Burke, Mass.	Forsythe	Long, La.
Burleson, Tex.	Fountain	Long, Md.
Burlison, Mo.	Fowler	Lott
Burton, Phillip	Fraser	Lujan
Butler	Frenzel	Luken
Byron	Frey	Lundine
Caputo	Fuqua	McCloy
Cerney	Gammage	McCoskey
Carr	Gaydos	McCormack
Carter	Gephardt	McDade
Cavanaugh	Gleimo	McDonald
Cederberg	Gibbons	McEwen
Chappell	Gilman	McFall
Chisholm	Ginn	McKay
Clausen,	Glickman	McKinney
Don H.	Goldwater	Maguire
Clay	Gonzalez	Mahon
Cleveland	Goodling	Mann
Cochran	Gore	Markey
Cohen	Gradison	Marks
Coleman	Grassley	Marlenee
Collins, Ill.	Gudger	Marriott
Collins, Tex.	Guyer	Martin
Conable	Hagedorn	Mathis
Conte	Hall	Mattox

Mazzoli	Pursell	Stanton
Meeds	Quayle	Stark
Metcalfe	Quie	Steed
Meyner	Quillen	Steers
Michel	Rahall	Steiger
Mikulski	Rallsback	Stokes
Mikva	Rangel	Stratton
Millford	Regula	Studds
Miller, Calif.	Reuss	Stump
Miller, Ohio	Rhodes	Symms
Mineta	Richmond	Taylor
Minish	Rinaldo	Thompson
Mitchell, N.Y.	Risenhoover	Thone
Moakley	Robinson	Thornton
Moffett	Rodino	Traxler
Molohan	Roe	Treen
Moore	Rogers	Trible
Moorhead,	Roncaglio	Tsongas
Calif.	Rooney	Tucker
Moorhead, Pa.	Rose	Udall
Moss	Rosenthal	Ullman
Mottl	Rostenkowski	Van Deerin
Murphy, Ill.	Rouselot	Vanik
Murphy, N.Y.	Roybal	Vento
Murphy, Pa.	Rudd	Volkmer
Murtha	Runnels	Waggoner
Myers, Gary	Ruppe	Walgren
Myers, John	Russo	Walker
Myers, Michael	Ryan	Walsh
Natcher	Santini	Wampler
Neal	Sarasin	Watkins
Nedzi	Satterfield	Waxman
Nichols	Sawyer	Weaver
Nix	Scheuer	Weiss
Nolan	Schroeder	White
Nowak	Schulze	Whitehurst
O'Brien	Sebelius	Whitley
Oaker	Seiberling	Whitten
Oberstar	Sharp	Wiggins
Obey	Shipley	Wilson, C. H.
Ottinger	Shuster	Wilson, Tex.
Panetta	Sikes	Winn
Patten	Simon	Wirth
Patterson	Sisk	Wolf
Pattison	Skelton	Wright
Pease	Skubitz	Wyder
Pepper	Slack	Wyllie
Perkins	Smith, Iowa	Yates
Pettis	Smith, Nebr.	Yatron
Pickle	Snyder	Young, Alaska
Pike	Solarz	Young, Fla.
Poage	Spellman	Young, Mo.
Pressler	St Germain	Young, Tex.
Preyer	Staggers	Zablocki
Price	Stangeland	Zerferetti
Pritchard		

NAYS—3

Lloyd, Calif. Mitchell, Md. Wilson, Bob

NOT VOTING—26

AuCoin	Eckhardt	McHugh
Badillo	Flowers	Madigan
Bedell	Hannaford	Montgomery
Bolling	Hansen	Roberts
Burton, John	Harkin	Stockman
Clawson, Del	Heckler	Teague
Conyers	Ireland	Vander Jagt
Dodd	Koch	Whalen
Duncan, Tenn.	Krueger	

So the motion was agreed to.

The result of the vote was announced as above recorded.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H.R. 9346, with Mr. EVANS of Colorado in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee of the Whole rose on Wednesday, October 26, 1977, all time for general debate had expired. The first four amendments made in order pursuant to House Resolution 839 had been disposed of.

The Chair recognizes the gentleman from Wisconsin (Mr. STEIGER).

Mr. STEIGER. Mr. Chairman, under the rule an amendment to be offered by myself was made in order. With the adoption of the Fisher amendment, however, it is necessary for me to ask unanimous consent at this point to offer

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

Mr. ULLMAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide coverage under the system for officers and employees of the United States, of the State and local governments, and of nonprofit organizations, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from Oregon (Mr. ULLMAN).

a revised amendment to reflect the adoption of the Fisher amendment.

Mr. Chairman, I ask unanimous consent to do so.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

Mr. BAUMAN. Mr. Chairman, reserving the right to object, yesterday when this rule was debated the gentleman from Maryland opposed it, as did a number of other Members of the House. I think, as a matter of fact, 153 Members voted against it, a rather large number to vote against a rule.

I would like to quote from the rule:

No amendments to the bill or to the committee amendment in the nature of a substitute shall be in order except . . .

Then there are eight exceptions, which in the view of the gentleman from Maryland grants to eight Members of the House a greater privilege of debate and offering amendments than it does to the remainder of the House.

The rule says nothing about additional amendments to correct mistakes resulting from the amendments made in order by the rule.

If we live by the rule, it seems to me we also have to die by the rule. I do not support closed rules at any time, even when they are to my advantage. I regret that I must object.

Mr. STEIGER. Mr. Chairman, will the gentleman yield?

Mr. BAUMAN. I yield to the gentleman from Wisconsin.

Mr. STEIGER. Mr. Chairman, I appreciate my colleague from Maryland yielding.

This is not an easy position for any of us to find ourselves in. I must admit that were we to go back down this road again, I would not accept the rule that was offered by the Committee on Ways and Means, because of the fact it did not allow flexibility.

The problem, may I say to my colleague from Maryland and to the committee, is that as a result of the adoption of the Fisher amendment yesterday, in order to maintain my commitment to the Committee on Ways and Means to offer amendments that are balanced, as balanced as the committee bill, I am required to raise the rate under the proposal in order to recognize the adoption of the Fisher amendment.

I would under this amendment, for example, have to raise it from the Fisher amendment from 5.15 to 5.40 percent in 1981 to 1984; 5.55 to 5.75, 1985 to 1989; 6.10 to 6.15, 1990 to 2010; and 6.15 to 6.20 in 2011 and thereafter.

Those increases in rates are required to maintain the same kind of integrity to the social security system, as the committee bill as modified by FISHER.

It is for that reason that I have asked unanimous consent to modify my amendment.

Under the rule, as the gentleman from Maryland knows, I can offer my amendment, and perhaps I will do so if for no other reason than to give the House a chance to debate this issue and then simply ask unanimous consent to with-

draw the amendment, and I hope I will be given that opportunity.

Mr. BAUMAN. Mr. Chairman, further reserving the right to object, I would say that the gentleman from Wisconsin has just admitted rather candidly that the rule is wrong. It is a rule that allows consideration of this legislation in a manner that would not permit the protection of the integrity of the social security system. In other words, the Committee on Rules wrote a rule that allowed a bill of this major importance to come to the floor with only limited amendments to be offered, in such a manner that it could destroy the social security system. That, I think, is the responsibility of the leadership of this House and the Committee on Rules and those that seek to gag Members.

Mr. Chairman, I do object.

The CHAIRMAN. Objection is heard.

AMENDMENT OFFERED BY MR. STEIGER

Mr. STEIGER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. STEIGER: Page 226, strike out lines 3 through 7 and insert in lieu thereof the following:

"(i) shall be \$333.33½ for each month of any taxable year ending after 1978 and before 1980.

"(ii) shall be \$375 for each month of any taxable year ending after 1979 and before 1981.

"(iii) shall be \$416.66½ for each month of any taxable year ending after 1980 and before 1982.

"(iv) shall be \$458.33½ for each month of any taxable year ending after 1981 and before 1983.

"(v) shall be \$500 for each month of any taxable year ending after 1982 and before 1984, and

Page 226, line 8, strike out "(iii)" and insert in lieu thereof "(vi)".

Page 226, line 10, strike out "1979" and insert in lieu thereof "1983".

Page 226, strike out "in 1977 or 1978" in line 18 and all that follows down through the end of line 24 and insert in lieu thereof "in 1978, 1979, 1980, 1981, or 1982."

Page 227, line 6, strike out "1977" and insert in lieu thereof "1978".

Page 126, strike out lines 22 through 25 and insert in lieu thereof the following:

"(A) in 1978 shall be \$19,200,

"(B) in 1979 shall be \$22,200,

"(C) in 1980 shall be \$25,000,

"(D) in 1981 shall be \$26,000,

"(E) in 1982 shall be \$27,000,

"(F) in 1983 shall be \$28,700,

"(G) in 1984 shall be \$30,300, and

"(H) in 1985 shall be \$31,800.

Page 126, line 3, strike out "1982" and insert in lieu thereof "1986".

Page 119, line 18, strike out "5.15" and insert in lieu thereof "5.40".

Page 120, strike out lines 2 through 4 and insert in lieu thereof the following:

5.75 percent;

"(5) with respect to wages received during the calendar years 1990 through 2010, the rate shall be 6.15 percent; and

"(6) with respect to wages received after December 31, 2010, the rate shall be 6.20 percent."

Page 120, line 16, strike out "5.15" and insert in lieu thereof "5.40".

Page 120, strike out lines 20 through 22 and insert in lieu thereof the following:

5.75 percent;

"(6) with respect to wages paid after December 31, 2010, the rate shall be 6.20 percent."

Page 121, line 14, strike out "7.70" and insert in lieu thereof "8.10".

Page 121, line 18, strike out "8.20" and insert in lieu thereof "8.60".

Page 121, line 19, strike out "and".

Page 121, strike out lines 20 through 23 and insert in lieu thereof the following:

"(5) in the case of any taxable year beginning after December 31, 1989, and before January 1, 2011, the tax shall be equal to 9.20 percent of the amount of the self-employment income for such taxable year; and

"(6) in the case of any taxable year beginning after December 31, 2010, the tax shall be equal to 9.30 percent of the amount of the self-employment income for such taxable year."

Page 122, line 9, strike out "1.00" and insert in lieu thereof "0.90".

Page 122, line 23, strike out "1.00" and insert in lieu thereof "0.90".

Page 123, line 16, strike out "1.00" and insert in lieu thereof "0.90".

Mr. STEIGER (during the reading). Mr. Chairman, I ask unanimous consent that further reading of the amendment be dispensed with and that it be printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

Mr. ROUSSELOT. Mr. Chairman, I object.

The CHAIRMAN. Objection is heard. The Clerk will read.

The Clerk continued the reading of the amendment.

Mr. STEIGER (during the reading). Mr. Chairman, I ask unanimous consent that further reading of the amendment be dispensed with and that it be printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

There was no objection. The CHAIRMAN. The gentleman from Wisconsin (Mr. STEIGER) will be recognized for 15 minutes, and the gentleman from Oregon (Mr. ULLMAN) will be recognized for 15 minutes.

The Chair recognizes the gentleman from Wisconsin (Mr. STEIGER).

(Mr. STEIGER asked an was given permission to revise and extend his remarks.)

Mr. STEIGER. Mr. Chairman, the dilemma that is posed by the rule and also by the position in which I find myself is a difficult one. The amendment that is now before us is one that was designed to deal with two specific aspects of the committee-reported bill, about which I have problems.

Mr. Chairman, the first of those is the earnings limit. As the Members know, under the committee bill the earnings limit is raised only to \$4,000 in 1978 and to \$4,500 in 1979. This amendment proposes to raise the earnings limit. As the Members know, the earnings limit is how much can one earn before there is a penalty on their social security benefits. My amendment would raise it in 1979 to \$4,000; then to \$5,000 in 1981; and then to \$6,000 in 1983. It would be a statutory raise in the outside earnings test, and it is one which I think is fair, safer and surer than that which is proposed in the committee bill. Interestingly enough,

the committee bill gets us fairly close to that same level by 1983, if one assumes there continues to be a rate of inflation and wages go up at the same rate as they are at the present time.

But the other aspect of the committee bill was the aspect of the base. The base, as the Members know, under the bill that was reported to us by the Committee on Ways and Means, begins in 1978 to jump from where it would be under present law at \$17,700 to \$19,900, and it ends up in 1987 at \$39,600. That is substantially above that which even the President of the United States proposed. He would have brought it to \$33,900.

The proposal which I have before the committee now is one which raises the base in 1978 to \$19,200, and then far more gradually brings it up to a level of only \$35,400 in 1987. Thus, there is about a \$4,000 difference between the Steiger proposal and the committee bill, and it is one which attempts to ameliorate what I believe is an otherwise precipitous increase in the base. Thus, this amendment was designed, when it was talked about in the Committee on Ways and Means and when I had it before the Members in the CONGRESSIONAL RECORD and when the Committee on Rules granted the rule, to deal with both prongs of the problem, that is, outside earnings limit rising above the committee bill, while at the same time lowering the base.

I also proposed, as part of the amendment, a 0.1 percent increase in tax in 1981, which would be across-the-board, of course, for all.

What has happened is that we yesterday adopted the Fisher amendment, and when we did that, then the Steiger proposal is not as well balanced as I believe it should be and, frankly, as I think the House ought to face the issues. It would be necessary to raise the tax rate in the 1981-84 period under this proposal to give exactly the same income flow to the trust fund.

This does not, may I say to my colleague, the gentleman from Maryland, break the fund, but it would be necessary to define the amendment to more clearly reflect the agreement which was reached in the Committee on Ways and Means. With the objections to the modified amendment and because of the constraint of the rule, I must say that I find myself in a position where I am not at all sure that it makes any sense for us to vote on the Steiger proposal.

As I indicated to the gentleman from Maryland under his reservation, were we to do this again, I would not accept the kind of rule that we received, if in fact we were not then given the opportunity to take cognizance of an action taken in the Committee of the Whole. I think it is important in the future for both the Committee on Ways and Means and for the Committee on Rules to recognize that the kind of rule under which we are operating makes it impossible for the committee to have a full and adequate discussion of the issues.

Mr. FRENZEL. Mr. Chairman, will the gentleman yield?

Mr. STEIGER. I will be delighted to yield to the gentleman from Minnesota.

(Mr. FRENZEL asked and was given permission to revise and extend his remarks.)

Mr. FRENZEL. Mr. Chairman, I thank the gentleman for yielding.

I appreciate the particular dilemma in which the gentleman finds himself. I did not rush precipitously to vote for what was obviously going to be a bad rule. It has proved to be a bad rule.

The fact that the amendment offered by the gentleman from Wisconsin (Mr. STEIGER) is now not in conformance with the agreement reached earlier in our committee is only one example. The amendment which was offered yesterday by the gentleman from Virginia (Mr. FISHER), and which was adopted, is another amendment which is out of balance because of some actuarial errors.

So we are operating under a rule that, instead of protecting us, has actually handcuffed us in our efforts to produce a good bill in this Committee. The gentleman from Wisconsin (Mr. STEIGER) really finds himself between Scylla and Charybdis, and he is probably going to have to withdraw his amendment.

Not only, in that case, do all Members of this Committee who cannot offer amendments find themselves being muffled today by this outrageous closed rule, but even the Members that the rule was designed to help are being forced to withdraw their amendments because they do not work under this rule.

If there ever has been a time since I have been in this House that we have proved the folly of letting a very small elite legislate for all of us who are supposed to be the representatives of the people, this is the time.

I congratulate the gentleman from Wisconsin for pointing out this folly into which we have let ourselves fall. I will point out also that the gentleman has brought to our attention another problem in the bill, and that is that the earnings limitation has not increased adequately to keep up with what most Members of the House feel is a necessity in today's world.

Mr. Chairman, I am sorry the gentleman from Wisconsin (Mr. STEIGER) is in these straits, and I think it is a shame the House has let itself fall into this trap.

Mr. STEIGER. Mr. Chairman, I thank my colleague, the gentleman from Minnesota (Mr. FRENZEL) for his comments.

I will eat my crow, and I will also try to spell those two other words—"the rock and the hard place" in which I find myself.

Mr. BURKE of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. STEIGER. I yield to the gentleman from Massachusetts.

Mr. BURKE of Massachusetts. Mr. Chairman, I want to commend the gentleman from Wisconsin (Mr. STEIGER). He has worked hard on this bill and has tried to bring about a fair and equitable solution of these problems. He acted very fairly in the committee.

I understand the dilemma in which the gentleman finds himself this morning, and I want to commend him for his statement.

Mr. SISK. Mr. Chairman, will the gentleman yield?

Mr. STEIGER. I yield to the gentleman from California but before doing so I want to thank my thoughtful subcommittee chairman.

Mr. SISK. Mr. Chairman, I thank the gentleman for yielding.

Let me say in all fairness to my colleague, the gentleman from Wisconsin (Mr. STEIGER), that I am not here to toss blame around to anyone, but I am just a little bit super-sensitive today about some of the comments I have heard from some of my friends on the other side with reference to the Committee on Rules.

I sat through the hearings and heard every word that was said, as far as I know, in connection with the rule, and I would appreciate the comments of my colleague, the gentleman from Wisconsin, with regard to that. So far as I know, we gave the gentleman exactly the rule that he requested. If there is fault to be found, then I suppose we are all at fault.

Let me say in all fairness to my good friend, the gentleman from Oregon (Mr. ULLMAN)—and I have great respect for him—that I was under the impression that we had given the gentleman exactly what he requested.

I am very sorry that the situation has developed, that we come to the position we are in now, but I think in fairness, particularly after the comments just made about the Committee on Rules, that the record should be set straight.

I do not know toward whom those remarks were aimed, but all I am trying to say is that I do not think the Committee on Rules needs any defense. I know, however, that the Committee on Rules is often the whipping boy of the House, and I think it always will be.

Mr. Chairman, I appreciate the comments of the gentleman from Wisconsin (Mr. STEIGER) on the issue.

Mr. STEIGER. Mr. Chairman, may I say to my colleague, the gentleman from California (Mr. SISK), that I hope he will note that I was not really aiming at the Committee on Rules as much as I was aiming at my own committee and myself, because I agreed to the rule.

However, I do not think any of us were fully cognizant of the fact that the Fisher amendment, frankly, was not balanced in the way I thought we had agreed to a balance, nor did we take cognizance of the effect of the adoption of the Fisher amendment. I say that because obviously I could not write my amendment, assuming the Fisher amendment were adopted. I suppose I could have said, "If Fisher is adopted, I will have to have an alternative form."

I guess what I am saying is that if we are to go over this road again, the Committee on Ways and Means will have to do a better job to assure that when we have made our decision, we are fully cognizant of the implications of the decision we have made.

Mr. SISK. Mr. Chairman, I thank my colleague for his comments.

Mr. ULLMAN. Mr. Chairman, will the gentleman yield?

Mr. STEIGER. I yield to the gentleman from Oregon.

Mr. ULLMAN. Mr. Chairman, I also wish to commend the gentleman from Wisconsin (Mr. STEIGER) for his diligence.

Insofar as the rule is concerned, the committee did request a rule that would allow committee amendments, and that was not included in the rule.

I think that would have been one way out of the dilemma. If we adopted amendments that made conforming changes necessary, then at least we could have brought back a committee amendment to bring it back into proper structure; but I do concur that it is a very difficult thing.

It would be impossible under an open rule where one was making adjustments on the floor. That is the reason we had a closed rule through the years because we build a package. Once one upsets the package, then all at once every other amendment is totally out of order.

I would readily agree with the gentleman with respect to the future, and I will be happy to work with him and with the gentleman from New York (Mr. CONABLE) and our members to try to develop a procedure that would take care of this problem.

Mr. Chairman, I fully concur. I appreciate the gentleman's responsibility in suggesting that he might withdraw his amendment.

Mr. STEIGER. First, Mr. Chairman, may I say that I do appreciate the comments of my colleague, the gentleman from Oregon (Mr. ULLMAN), the distinguished chairman of the committee, on this subject.

Yes, I think we do need to work out a better procedure to see that this sort of thing does not happen. Committee amendments, I do not think, are the answer because that is a kind of after-the-fact thing.

What we tried to do in the amendment process—and I thought it was the right decision—was to say, "If you are going to lower the base, as I was proposing, you have to increase the rate."

The committee amendment comes along in such a way that, in effect, I am getting a free ride. I do not think that is what we want.

Mr. ULLMAN. Mr. Chairman, what we could do under those circumstances is make assumptions that if the Fisher amendment carried, the committee could come back and offer an amendment to the other provisions to put them in order.

Mr. STEIGER. That would be in order.

Mr. ULLMAN. I hope, at least, that we can work out some procedure along those lines to take care of the problem.

Mr. SISK. Mr. Chairman, will the gentleman yield further?

Mr. STEIGER. I yield to the gentleman from California.

Mr. SISK. Mr. Chairman, I thank the gentleman for yielding.

Let me say that I have been very much impressed with the procedure we had here yesterday. I was frankly of the opinion that we had devised what has been a unique rule.

I have had a number of people ask

me the question, "Is this not something brand new?" Basically, it is.

Unfortunately, we did not leave that escape valve which would take care of the situation, which I would hope would not cause us to revert to the closed rule again.

Mr. Chairman, I want to commend my colleague, the gentleman from Oregon (Mr. ULLMAN), for having devised what seems to me has been a very good situation, giving an ample opportunity for people to discuss the matter and yet retain some control. Unfortunately, I think we learn by our mistakes; and perhaps we can improve the situation in the future.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield?

Mr. STEIGER. Mr. Chairman, I yield briefly to the gentleman from California.

Mr. ROUSSELOT. Mr. Chairman, I appreciate my colleague's yielding.

I am very tempted to get into the discussion on the whole rule question; but since that has been batted back and forth, I will try to restrain myself, though with some difficulty.

Mr. Chairman, I would like to ask my colleague, the gentleman from Wisconsin (Mr. STEIGER), whether, if I support his effort to eliminate completely the earnings limitation in a responsible manner, it is the gentleman's position that he may have to withdraw his amendment because of problems already described by the gentleman from Wisconsin.

I hope we will have another opportunity.

Mr. STEIGER. We will.

Mr. ROUSSELOT. I hope we will have the opportunity through the Ketchum amendment, which is in order under this very strange, unusual, and different rule that is now being developed.

Mr. STEIGER. Mr. Chairman, I cannot yield to the gentleman further.

Mr. ROUSSELOT. In that case, we can support the Ketchum amendment.

Mr. STEIGER. Yes, that is right.

Mr. Chairman, I ask unanimous consent to be permitted to withdraw my amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

The CHAIRMAN. The amendment is withdrawn.

AMENDMENT OFFERED BY MR. KETCHUM

Mr. KETCHUM. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. KETCHUM: Page 224, line 17, insert "And Eventual Repeal" after "Liberalization" (and conform the table of contents on page 118).

Page 226, strike out lines 7 through 13 and insert in lieu thereof the following:

"(iii) shall be \$418.66% for each month of any taxable year ending after 1979 and before 1981, and

"(iv) shall be \$458.83 for each month of any taxable year ending after 1980 and before 1982."

Page 226, line 18, strike out "1977 or 1978" and insert in lieu thereof "1977, 1978, 1979, or 1980".

Page 227, strike out lines 5 and 6 and insert in lieu thereof the following:

(e) Subject to subsection (f), the amendments made by the preceding provisions of this section shall apply with respect to taxable years ending after December 1977.

(f) Effective with respect to taxable years ending after December 31, 1981—

(1) subsections (d)(1), (f)(1)(B), and (j) of section 203 of the Social Security Act, and subsection (c)(1) of such section 203 (as amended by section 411(i) of this Act,) are each amended by striking out "seventy-two" and inserting in lieu thereof "sixty-five";

(2) the last sentence of section 203(c) of such Act (as so amended) is amended by striking out "nor shall any deduction" and all that follows and inserting in lieu thereof "nor shall any deduction be made under this subsection from any widow's or widower's insurance benefit if the widow, surviving divorced wife, widower, or surviving divorced husband involved became entitled to such benefit prior to attaining age 60";

(3) clause (D) of section 203(f)(1) of such Act is amended to read as follows: "(D) for which such individual is entitled to widow's or widower's insurance benefits if she or he becomes so entitled prior to attaining age 60, or";

(4) section 203(f)(3) of such Act is amended by striking out "age 72" and inserting in lieu thereof "age 65";

(5) section 203(f)(5)(D) of such Act is repealed;

(6) section 203(h)(1)(A) of such Act is amended by striking out "the age of 72" and "age 72" and inserting in lieu thereof in each instance "age 65";

(7) the heading of section 203(j) of such Act is amended by striking out "Seventy-two" and inserting in lieu thereof "Sixty-five";

(8) subsections (f)(1), (f)(3), (f)(4)(B), and (h)(1)(A) of section 203 of such Act (as amended by section 501(d) of this Act) are each further amended by striking out "the applicable exempt amount" and inserting in lieu thereof "the exempt amount"; and

(9) the amendments made by subsections (a), (b), and (c)(1) of this section shall cease to be effective; and the provisions of section 203 of such Act (as otherwise amended by the provisions of this Act) shall read as they would if such subsections (a), (b), and (c)(1) had not been enacted.

Page 119, line 17, strike out "calendar years 1981 through 1984" and insert in lieu thereof "calendar year 1981".

Page 119, after line 18, insert the following new paragraph:

"(4) with respect to wages received during the calendar years 1982 through 1984, the rate shall be 5.25 percent;

Page 119, line 19, strike out "(4)" and insert in lieu thereof "(5)".

Page 120, line 2, strike out "5.45 percent" and insert in lieu thereof "5.55 percent".

Page 120, line 3, strike out "(5)" and insert in lieu thereof "(6)".

Page 120, line 4, strike out "6.00 percent" and insert in lieu thereof "6.10 percent".

Page 120, lines 15 and 16, strike out "calendar years 1981 through 1984" and insert in lieu thereof "calendar year 1981".

Page 120, after line 17, insert the following new paragraph:

"(4) with respect to wages paid during the calendar years 1982 through 1984, the rate shall be 5.25 percent; and

Page 120, line 18, strike out "(4)" and insert in lieu thereof "(5)".

Page 120, line 20, strike out "5.45 percent" and insert in lieu thereof "5.55 percent".

Page 120, line 21, strike out "(5)" and insert in lieu thereof "(6)".

Page 120, line 22, strike out "6.00 percent" and insert in lieu thereof "6.10 percent".

Page 121, line 13, strike out "1985" and insert in lieu thereof "1982".

Page 121, after line 15, insert the following new paragraph:

"(4) in the case of any taxable year beginning after December 31, 1981, and before January 1, 1985, the tax shall be equal to 7.05 percent of the amount of the self-employment income for such taxable year;

Page 121, line 18, strike out "(4)" and insert in lieu thereof "(5)".

Page 121, line 18, strike out "8.20 percent" and insert in lieu thereof "8.35 percent".

Page 121, line 20, strike out "(5)" and insert in lieu thereof "(6)".

Page 121, line 21, strike out "9.00 percent" and insert in lieu thereof "9.15 percent".

Mr. KETCHUM (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the Record.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. MARTIN. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. Obviously a quorum is not present.

The Chair announces that pursuant to clause 2, rule XXIII, he will vacate proceedings under the call when a quorum of the Committee appears. Members will record their presence by electronic device.

The call was taken by electronic device.

QUORUM CALL VACATED

The CHAIRMAN. One hundred Members have appeared. A quorum of the Committee of the Whole is present. Pursuant to rule XXIII, clause 2, further proceedings under the call shall be considered as vacated.

The Committee will resume its business.

Mr. KETCHUM (during the reading). Mr. Chairman, I ask unanimous consent that further reading of the amendment be dispensed with and that it be printed in the Record.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

Mr. ROUSSELOT. Mr. Chairman, reserving the right to object, how many pages is this amendment?

Mr. KETCHUM. Mr. Chairman, if the gentleman will yield, I cannot say. I imagine it is about four.

Mr. ROUSSELOT. The reason I ask that question is I want to be sure that the Ketchum language conforms to the rule and is "balanced" in its end result. Can the gentleman assure us that this will conform on the basis of the terrible rule that we now have to live with?

Mr. KETCHUM. Mr. Chairman, will the gentleman yield further?

Mr. ROUSSELOT. I am happy to yield.

Mr. KETCHUM. To the very best of my knowledge, it will.

Mr. ROUSSELOT. I am delighted to hear that. We actually have an amendment now being offered under that bad rule that will conform, even though the original bill has been changed.

Mr. KETCHUM. Mr. Chairman, if the gentleman will yield further, I say to the gentleman from California that that question arose earlier this morning. I discussed it with the actuaries. They in-

formed me that no change in the Ketchum amendment is necessary.

Mr. ROUSSELOT. Mr. Chairman, further reserving the right to object, is that the understanding of the chairman of the committee also?

Mr. ULLMAN. Mr. Chairman, will the gentleman yield?

Mr. ROUSSELOT. I would be delighted to yield to the gentleman from Oregon.

Mr. ULLMAN. Mr. Chairman, would the gentleman from California repeat the statement?

Mr. ROUSSELOT. The question is, does the amendment of the gentleman from California (Mr. Ketchum) comply with the balanced objectives of the current rule, in view of the fact that the original bill has been changed?

Mr. ULLMAN. Will the gentleman yield?

Mr. ROUSSELOT. I would be delighted to yield.

Mr. ULLMAN. There appears to me to be a problem. In the Fisher amendment, we increased the rate by 0.1 in 1981, and that carries on through. Now, it appears to me that if the Ketchum amendment is not revised, that the exact same increase that we put into effect in the Fisher amendment would be in effect in the Ketchum amendment. Therefore, there would be no additional taxes on top of the Fisher amendment in order to accommodate this problem.

If in fact that were the case, I would very much wish that by unanimous consent we would allow that 0.1 in 1982 to be a part of the Ketchum amendment and carry on through. If that were true, then the Ketchum amendment would be adequately financed in tandem with the Fisher amendment, but as I understand the amendment, that would be necessary in order to provide the financing for the Ketchum amendment.

Mr. ROUSSELOT. Further reserving the right to object, I am not sure I understood the answer. What is the understanding of the gentleman from California?

Mr. KETCHUM. If the gentleman will yield—

Mr. ROUSSELOT. I will be glad to yield.

Mr. KETCHUM. The 0.1 increase in this amendment as presented takes place in 1982, prior to the Fisher amendment. If the chairman of the committee is correct, and I am not positive that he is or is not, the actuarial studies that we have been living with for the last few days or few months, a 0.1 technical amendment might be necessary to follow Fisher through.

Mr. ULLMAN. Will the gentleman yield further?

Mr. ROUSSELOT. I will be glad to yield.

Mr. ULLMAN. The Ketchum amendment, if I understand this, was intended to finance the liberalization of the outside earnings exemption by a 0.1 increase in payroll taxes beginning in 1982. Is that right?

Mr. KETCHUM. That is correct.

Mr. ULLMAN. Now, if it were in order, I would like to ask unanimous consent that that tax increase in 1982 be in-

cluded as part of his amendment to adjust for the discrepancy that has been created by the addition of the Fisher amendment.

The CHAIRMAN. The Chair will state that such a request would not be in order at this time.

Mr. ROUSSELOT. That is my point.

Further reserving the right to object, the gentleman in the well, Mr. Ketchum, is convinced on the best information available to him under this very strange rule his amendment does, in fact, conform to the rule. Is that correct?

Mr. KETCHUM. To the very best I can determine.

Mr. ROUSSELOT. Mr. Chairman, I withdraw my reservation of objection.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

PARLIAMENTARY INQUIRY

Mr. BURKE of Massachusetts. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. BURKE of Massachusetts. What question did we determine by the unanimous-consent request?

The CHAIRMAN. By unanimous consent we just dispensed with reading of the amendment.

Mr. BURKE of Massachusetts. I thank the Chairman.

The CHAIRMAN. The gentleman from California (Mr. Ketchum) will be recognized for 15 minutes, and the gentleman from Oregon (Mr. Ullman) will be recognized for 15 minutes.

The Chair recognizes the gentleman from California (Mr. Ketchum).

(Mr. Ketchum asked and was given permission to revise and extend his remarks.)

Mr. KETCHUM. Mr. Chairman, this amendment really speaks for itself, so I shall take very little time. What this amendment does is to dispense with one of the most onerous provisions of the social security law as it applies to those individuals who are now retired. Due to circumstances totally beyond their control, our retired citizens are practically being taxed out of their homes. They rely on their retirement; they rely on their social security, to provide at least a part of their living in their retirement years.

Through the ravages of inflation and increased property taxation, that no longer is true. As a result, those individuals attempt to supplement their income by doing additional work. As most of the Members know, the earnings limitation presently stands at \$3,000. The committee bill raises those earnings limitations to \$4,000 in 1978, to \$4,500 in 1979, and that is it.

What this amendment seeks to do is to carry that forward and to allow a \$5,000 earnings in 1980; \$5,500 in 1981, and in 1982 to completely eliminate the earnings limitation so that all of our citizens 65 years of age and over will be subject to no other limitations than are presently in order for those individuals who are 72 years of age.

To accomplish this—and I certainly wish to be candid—there is a price tag.

There is no free lunch. Over 100 Members of this body have sponsored or cosponsored bills to bring this about.

Understandably, most of those bills have been introduced with no comments relative to financing.

Under the provisions of the agreement reached by the members of the Committee on Ways and Means with the chairman, we have attached to this a 0.1 tax increase in 1982, which will fund this amendment. I urge its adoption. I offer it, as I indicated yesterday, not on behalf of BILL KETCHUM, but on behalf of the over 100 Members who have offered this bill in this Congress.

Mr. YOUNG of Florida. Mr. Chairman, will the gentleman yield?

Mr. KETCHUM. I yield to the gentleman from Florida.

Mr. YOUNG of Florida. I thank the gentleman for yielding.

Mr. Chairman, as one of the Members who was an introducer of such a bill, I would like to join with the gentleman from California (Mr. KETCHUM) in support of this amendment. While we are talking about the fiscal aspect, many, many people on social security do not want to work and they are not going to work, and most of them are not able to work. But there are some who can and who should be permitted to work. One thing we have to remember is that those social security recipients who do continue to work and earn more, under this amendment, they will be in fact contributing to the social security trust fund and, depending on their income, will also be contributing to the general fund of the United States through their income taxes. So it is not all one sided. They are not just taking out. They will also be putting back in.

In Pinellas County, Fla., the country in which I live—and we are just a few days from when the social security checks go out—there will be 230,000 Pinellas Countians receiving social security checks. A lot of those people are able to work and should not be prohibited, through a financial penalty, from working.

Mr. Chairman, I want to give the Members this thought: Many of the persons who find themselves in the category of senior citizens today, retired, older Americans, are the very people who made such a tremendous contribution to the great advances that we have experienced in this country in medicine, in science, in industry, and they have a lot to offer. If they are permitted to be involved in the work force of this country, without being penalized from a financial standpoint, I think we would be amazed at the tremendous reservoir of knowledge and experience that these people have and could make available to us without it costing us very much at all.

Mr. Chairman, I think this is a good amendment whose time is well past due.

Mr. KETCHUM. I thank the gentleman for his contribution.

Mr. DON H. CLAUSEN. Mr. Chairman, will the gentleman yield?

Mr. KETCHUM. I yield to the gentleman from California.

(Mr. DON H. CLAUSEN asked and

was given permission to revise and extend his remarks.)

Mr. DON H. CLAUSEN. I rise in support of his amendment and would like to commend him for his leadership on the Ways and Means Committee and in the Congress in this very important effort.

I have sponsored legislation in this Congress and past Congresses to remove the earnings limitation entirely. Over 130 have joined us this year in introducing similar legislation. Our colleague from California (Mr. KETCHUM) has worked long and hard to build this support and has become the champion of our senior citizens.

It is a well known fact that Americans today are living longer lives and enjoying many more productive years. Our efforts to remove the earnings limitation imposed on their social security benefits is in recognition of this fact.

Many of our senior citizens would like to continue working past the retirement age in order to supplement their retirement incomes. I firmly believe that anyone who has the desire to continue working either part time or full time should be allowed to do so and not prevented from doing so by an arbitrary limitation placed on them.

In talking to senior citizens in my congressional district and in the many letters I receive from them, they have told me that they want the freedom to live a life of independence. They want to be able to decide for themselves whether or not to continue working. They want the freedom to adjust their lifestyles in a way consistent with their own desires. They want to live out their twilight years with a degree of independence which permits them to be recognized as individuals.

The kinds of limitations placed on their earnings by the social security law has trapped them into a position where they have become dependent on other people and dependent on Government just to get by. They are proud individuals and this dependence is extremely difficult for them to accept.

At a time when Mr. and Mrs. Middle America are struggling to keep their heads above water, it is inequitable to deny our seniors an equal opportunity to adjust to the continually rising cost of living. Despite the automatic cost-of-living increases they receive annually in their benefits, many would like to be able to provide more for their families and live their lives with more dignity.

My colleague's amendment increases the earnings limitation to \$5,000 in 1980, to \$5,500 in 1981 and removes all limitations thereafter. The distinguished chairman of the Ways and Means Committee (Mr. ULLMAN) has indicated that this amendment is actuarially in balance.

I urge my colleagues to join us in voting for this proposal.

Mr. LAGOMARSINO. Mr. Chairman, will the gentleman yield?

Mr. KETCHUM. I yield to the gentleman from California.

(Mr. LAGOMARSINO asked and was given permission to revise and extend his remarks.)

It is with a great deal of pleasure that

Mr. LAGOMARSINO. Mr. Chairman,

I rise to support my colleague (Mr. KETCHUM) in his amendment repealing the social security earnings limitation in 1982.

Although the amendment does not go as far as my own bill (H.R. 2457) repealing the limitation immediately, it does provide for a 5-year phase-out and, as such, is a compromise worthy of adoption by this house.

Mr. Chairman, it has been said that the true test of a society is the way in which it treats its senior members. I think it is fair to say that the social security earnings test has become for many a symbol of the arbitrary and condescending way we treat our seniors. The earnings test is not only unfair, it is, in my view, counterproductive.

It is unfair because it selects an arbitrary figure—at the present time less than the official poverty level—above which a 50-percent tax is applied on earnings. This 50-percent tax is in addition to Federal and State income taxes already paid on those earnings. The penalty is also arbitrary because it applies only to earned income, ignoring income from investments. And it is arbitrary because it does not relate to need.

But there is an economic argument as well as a humanitarian one for repealing the earnings limitation. The earnings test deprives our economy of the skills and productive capacity of million of older citizens who want to work, who are capable of working, and who are not now working for no other reason than to avoid having their social security checks reduced. Not only do we lose their skills and output, we also lose the taxes which they would be paying on those earnings.

All this because of an arbitrary rule which relies solely on a person's age and income level to determine their capabilities.

Mr. Chairman, this House recently acted to give senior citizens new protection against age discrimination in employment. I feel we can do no less in this area of need. To me, it makes no sense to penalize a person for working. I urge adoption of this amendment as a humane, realistic, and economically sound approach to this issue.

Mr. BURKE of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. KETCHUM. I yield to the chairman of the subcommittee.

Mr. BURKE of Massachusetts. Mr. Chairman, I would like to have the gentleman at the microphone explain how this will affect Members of Congress who have reached the age of 65 and who draw down a \$57,500 salary. Will they also be able to draw their social security benefits at the age of 65 under the gentleman's amendment?

Mr. KETCHUM. Mr. Chairman, I will say to the gentleman from Massachusetts (Mr. BURKE), who has been my dear friend from so many years ago, that under the present bill, as it is before us, neither the gentleman nor I will have one penny deducted for social security. Unfortunately, this body chose not to include all of us, so it is not going to affect us at all unless, I would say to my friend, the gentleman from Massachusetts, he and I upon our retirement from

the Congress would, either voluntarily or involuntarily, go out and qualify for social security.

Mr. BURKE of Massachusetts. Mr. Chairman, if the gentleman will yield further, I am not speaking of retired Members. I am talking about Members like myself who are over 65 years of age.

Will I be able to draw my social security checks month after month if I am in Congress in 1982, as I expect to be?

Mr. KETCHUM. Yes; I rather imagine that the gentleman from Massachusetts (Mr. BURKE) will in any event since he will be 72 in 1982 just as the gentleman from Florida (Mr. PEPPER) indicated some weeks ago when this very body recognized the fact that times have changed, conditions have changed, people are living longer and more productive lives, and, as a result, this body very wisely decided to raise the retirement age to 70.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield?

Mr. KETCHUM. I yield to the gentleman from California.

(Mr. ROUSSELOT asked and was given permission to revise and extend his remarks.)

Mr. ROUSSELOT. I thank the gentleman for yielding. Mr. Chairman, I have supported, as the gentleman knows, the elimination of the earnings limitation. I testified before the gentleman's subcommittee on this subject and strongly supported the idea of the gentleman's amendment.

As I understand the amendment, which is in order under this rule, there would be no earning's limitation after 1982; is that correct?

Mr. KETCHUM. The gentleman is correct.

Mr. ROUSSELOT. So we would move in a responsible way toward eliminating this earnings limitation over a period of several years; it would not happen all at once?

Mr. KETCHUM. That's correct.

Mr. ROUSSELOT. So we are, by voting for the gentleman's amendment, doing it in a responsible way so as not to have the impact of that earnings limitation fall entirely next year?

Mr. KETCHUM. That's precisely the reason that it is graduated.

Mr. ROUSSELOT. The gentleman's amendment includes a very responsible method of getting to that point of no limitation, to be exact by 1982.

Mr. KETCHUM. I feel that it does, and I thank the gentleman for pointing that out.

Mr. ROUSSELOT. Mr. Chairman, I appreciate the gentleman's answer. I support the gentleman's amendment.

Mr. KETCHUM. Mr. Chairman, I reserve the balance of my time.

Mr. ULLMAN. Mr. Chairman, I would like to have the attention of the gentleman from California (Mr. KETCHUM).

He has been very diligent in attempting to keep his amendment on a sound actuarial basis in accordance with the mandate of the committee.

I ask unanimous consent, Mr. Chairman, that the rates in his amendment be adjusted to conform to the impact of the Fisher amendment on the bill.

Would the gentleman have any objection to doing that? I think that is what he intends to do. What, in fact, happened is that the Fisher amendment increased the taxes by 0.1, and that is exactly what the gentleman from California (Mr. KETCHUM) would do beginning in 1982; but the gentleman from Virginia (Mr. FISHER) has already done it in 1981. Therefore, the numbers in the Ketchum amendment beginning in 1982 are exactly the same as the number in the Fisher amendment from there on; but, in fact, they ought to be 0.1 higher.

I think that is the gentleman's intent, Mr. Chairman; and I would just ask unanimous consent that the numbers be adjusted to accommodate the Fisher amendment.

The CHAIRMAN (Mr. YATES). Is there objection to the request of the gentleman from Oregon?

Mr. BURKE of Massachusetts. Reserving the right to object, Mr. Chairman, and I am very reluctant to object, I would like to ask my good friend, the gentleman from Oregon (Mr. ULLMAN), my chairman, if he would be willing to agree to a unanimous-consent request allowing me to offer my general revenue sharing bill, one-third, one-third, and one-third.

Mr. ULLMAN. Mr. Chairman, if the gentleman will yield, as my friend, the gentleman from Massachusetts (Mr. BURKE), knows, I would do almost anything for him and have through the years. However, this is a very technical problem associated with an amendment that is being offered that is out of conformity because of the previous action that has been taken.

I think everyone here would want that amendment to be adjusted so that it does what the gentleman wants it to do and is not distorted because of previous action taken here.

Mr. ROUSSELOT. I reserve the right to object, Mr. Chairman.

The CHAIRMAN pro tempore. The gentleman from Massachusetts (Mr. BURKE) had reserved the right to object.

Is the gentleman from Massachusetts finished?

Mr. BURKE of Massachusetts. Mr. Chairman, the gentleman from Oregon (Mr. ULLMAN) still has not answered my question which was whether he would agree to my unanimous-consent request.

Mr. ULLMAN. If the gentleman will yield further, Mr. Chairman, I think that would be a little beyond the authority that I might have. At some future time the gentleman and I are going to be working that problem out. He is going to be around for a long time.

Mr. ROUSSELOT. Reserving the right to object, Mr. Chairman—

The CHAIRMAN pro tempore. The Chair will inform the gentleman from California that the gentleman from Massachusetts (Mr. BURKE) still has the floor.

Mr. BURKE of Massachusetts. Mr. Chairman, I am not going to object at this time. However, I am still reserving the right until I hear the rest of the argument. I wish my good friend would agree since I want to offer my general revenue sharing bill.

Mr. ULLMAN. Mr. Chairman, I am always going to get along with my good friend, the gentleman from Massachusetts.

Mr. BURKE of Massachusetts. Mr. Chairman, I withdraw my reservation of objection.

The CHAIRMAN pro tempore. Is there objection to the request of the gentleman from Oregon (Mr. ULLMAN) that the amendment offered by the gentleman from California (Mr. KETCHUM) be modified?

There was no objection.

The CHAIRMAN pro tempore. The request is granted, and the Clerk will report the modification to the amendment.

The Clerk read as follows:

Page 119, after line 18, insert the following new paragraph:

"(4) with respect to wages received during the calendar years 1982 through 1984, the rate shall be 5.35 percent;

Page 120, line 2, strike out "5.45 percent" and insert in lieu thereof "5.65 percent".

Page 120, line 4, strike out "6.00 percent" and insert in lieu thereof "6.20 percent".

Page 120, after line 17, insert the following new paragraph:

"(4) with respect to wages paid during the calendar years 1982 through 1984, the rate shall be 5.35 percent; and

Page 120, line 20, strike out "5.45 percent" and insert in lieu thereof "5.65 percent".

Page 120, line 22, strike out "6.00 percent" and insert in lieu thereof "6.20 percent".

Page 121, after line 15; insert the following new paragraph:

"(4) in the case of any taxable year beginning after December 31, 1981, and before January 1, 1985, the tax shall be equal to 8.05 percent of the amount of the self-employment income for such taxable year;

Page 121, line 18, strike out "8.20 percent" and insert in lieu thereof "8.45 percent".

Page 121, line 21, strike out "9.00 percent" and insert in lieu thereof "9.30 percent".

The CHAIRMAN pro tempore. The Chair recognizes the gentleman from Oregon (Mr. ULLMAN).

Mr. ULLMAN. Mr. Chairman, I want to say that the gentleman from California (Mr. KETCHUM) has been diligent in attempting to meet this actuarial requirement. I am pleased that he is accepting this modification because the amendment does now conform with the requirement of the committee that the items in the amendment be adequately financed.

Mr. Chairman, I think the gentleman would agree that I did not want to argue with him on the basis that it was not financed properly. I think we want to argue on the merits and not on a technical matter.

Therefore, this puts the argument on that plane: should we totally eliminate the limitation on outside earnings for older workers, or should we not?

I think, Mr. Chairman, we would be making a very, very bad mistake if we moved now to totally eliminate the restrictions on outside earnings for any beneficiaries. We would change the program totally from a retirement program to an annuity program. That was not the original intent. What we would say is that when one got to be 65, one could continue to work at his job and draw his full social security benefits. The system

was never intended to do that. If we had no unemployment, then maybe this could be justified.

The argument was made a few minutes ago, "That fellow is still paying into social security." The real argument is if he were not on that job, there would be another job opening for a young American or for a black American, or for one of those 6 or 8 millions of Americans who do not have a job. That is why we cannot do this at this time. It would be a great disservice to the workers paying into the social security system.

In the committee bill we move in the direction the gentleman wants. We increase the outside earnings exemption to \$4,000 next year, then to \$4,500, and then we have a step-up, an automatic increase, from there on. Remember, that is not a 100-percent exclusion. All it means is that you can still have a job and have social security benefits, even though you make more than that, because for earnings in addition to that exemption, for every \$2 of earnings there is a reduction of \$1 in social security, and that works its way all the way up the ladder. A person with a high benefit can earn up to \$12,000 today and still get some social security benefits. They would be reduced benefits of course.

So I think what we have done in the bill is the responsible approach to the problem.

Organized labor, the National Council for Senior Citizens—everyone who is closely involved with this thing is just emphatically opposed to doing what the gentleman is suggesting. I know it is appealing, but I appeal to the good judgment and reason and common sense of the Members of this House to reject the amendment.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield?

Mr. ULLMAN. I yield to the gentleman from California.

Mr. ROUSSELOT. I appreciate the gentleman's yielding.

The gentleman mentioned the history of the original social security legislation as it relates to retirement benefits. The gentleman knows full well that the original intent of social security was to provide supplemental income. It was never intended to be the total income of the individual; is that not true? Is that not true?

Mr. ULLMAN. That is not true in the sense that the gentleman is suggesting. It is not supposed to be a supplemental income for somebody in the work force.

Mr. ROUSSELOT. But in retirement.

Mr. ULLMAN. It is supposed to be a supplemental retirement income.

Mr. ROUSSELOT. That is right.

Mr. ULLMAN. For those who have other retirement.

Mr. ROUSSELOT. That is right.

Mr. ULLMAN. But what the gentleman would do would make it a supplemental income for people in the work force, and that is not what was intended in any sense whatsoever.

Mr. ROUSSELOT. No. As I understand the gentleman from California's amendment—and since I support removing the earnings limitation and so testi-

fied before the subcommittee—the purpose is to provide that those who receive the social security retirement benefit have the free option to earn more than just a limited amount.

I would like to make one more point, if the gentleman would yield—and I appreciate his yielding—the only real place that the gentleman from California's amendment is different from the committee amendment is basically in the last year, 1982. The committee raises the limit to \$5,640 and leaves it there. The gentleman from California says from 1982 on there will be no limitation. Is that not correct?

Mr. ULLMAN. May I reclaim my time. The basic principle involved here is not what the gentleman suggests—how much outside earnings there are. That man or woman reaching the age of 65 says,

Shall I retire and draw social security, or shall I continue to work and pay in?

Mr. ROUSSELOT. No. It is how much money one earns.

Mr. ULLMAN. I am not yielding now to the gentleman. That is not the proper perspective of what we ought to be doing in the social security system.

It seems to me what we are doing here is saying to all of those professional people, doctors, and lawyers who can work on through later years—we are saying to them,

Just keep on working. We will pay you social security the minute you reach 65, even though you are making \$100,000, or however much. You are still going to get your social security.

That is wrong.

If we expand the limit, that is all right, but at least there is a limit. Let us keep that limit on. Let us not let that wealthy class of people, who tend to work longer, pick up that social security benefit. That is not what the system was intended to do.

Mr. Chairman, I yield 2 minutes to the chairman of the subcommittee, the gentleman from Massachusetts (Mr. BURKE).

Mr. BURKE of Massachusetts. Mr. Chairman, the gentleman from California is not correct, because in the law, after we raise these earnings ceilings during the next few years, there is an acceleration clause based on raising the wages, where the earnings limit will be raised periodically according to the rise of wages in the country.

Mr. KETCHUM. That is after 1982, if the gentleman will respond?

Mr. BURKE of Massachusetts. No.

Mr. KETCHUM. The gentleman has an accelerator after 1982? And what is it attached to, may I ask?

Mr. BURKE of Massachusetts. From 1980 on.

Mr. KETCHUM. From 1980 on there is an accelerator?

Mr. BURKE of Massachusetts. Yes.

Mr. KETCHUM. And what is it attached to? The cost of living or what?

Mr. BURKE of Massachusetts. It is attached to the wage base.

Mr. KETCHUM. The wage base which is kept by the Department of Labor?

Mr. BURKE of Massachusetts. It has been taken care of. I think the whole

trouble with the gentleman is that he is a little confused.

Mr. KETCHUM. I am not confused at all.

Mr. BURKE of Massachusetts. The gentleman is confused on the earnings ceilings because the removal of the earnings ceilings is what the high-rollers in the country are looking for. They are the high-income people. This is for the people making \$35,000 or \$50,000 a year, and it will allow some earning \$100,000 a year to draw his full social security benefits. It will destroy the whole principle of social security. I am surprised my good friend, the gentleman from California, should go this far, and also I am surprised at the other gentleman from California (Mr. KETCHUM). I know he is trying to help the little people, but it is not going to help the little people that much. It will help the big people, the fat cats, those making \$75,000 or \$100,000 a year, and they are going to be able to draw full social security benefits. It will be a drain on the system.

Mr. ULLMAN. Mr. Chairman, I yield 2 minutes to the gentleman from Missouri (Mr. GEPHARDT).

Mr. GEPHARDT. Mr. Chairman, I thank the gentleman.

I agree with my chairman and his position on this amendment. I give two reasons for it.

First, I think we have got to focus on this tax increase which this calls for. Under the bill as it stands with the Fisher amendment we are raising the tax per year of a person making \$10,000 a year by \$70 in 1982. If we add this on, we will be raising it by \$80; for a man making \$20,000, the committee bill raises the tax by \$140, but the Ketchum amendment would raise it \$160. For those making \$30,000, it would be at \$210 and he would go to \$240; for those making \$40,000, it would go to \$280, and the Ketchum amendment would carry him to \$320. The cumulative effect of adding this on to what we have already done in my book is too much and we should defeat it. We are already at the breaking point on taxes.

Mr. ULLMAN. Would the gentleman agree when we look at all these high-salaried people making this \$100,000, when they draw their benefits, they would be quite high?

Mr. GEPHARDT. We have raised the retirement test in this bill to \$6,000 by 1983. I think that is enough. We can and should look at it again in the future.

Mr. DRINAN. Mr. Chairman, early this year I introduced legislation to eliminate the earnings restriction of the social security law. I sought to repeal the provision which denies an older worker \$1 in benefits for every \$2 of earnings he or she makes over the limit which this year is \$3,000.

In my view this restriction is unfair and discriminatory. It serves to penalize those older workers who most need the income from continued employment in order to maintain a decent standard of living. Older Americans who have substantial income from investments, stocks, bonds, rents, or similar assets are not subject to any reduction in their social security benefits based on these hold-

ings. This issue has been one of my main concerns since my election to the House in 1970 and I am deeply gratified that today we have the opportunity to strike this restriction from the law.

Under this amendment the earnings limitation will rise to \$5,000 in 1980, \$5,500 in 1981, and be totally eliminated in 1982. H.R. 9346 already provides that the earnings restriction will move to \$4,000 in 1978 and \$4,500 in 1979. This progression toward removal of the cap on outside earnings will vindicate the rights of those older workers between the ages of 65 and 72 to continue working without being penalized through the loss of their social security benefits.

Proponents of retaining the earnings limitation often argue that a change in the law would deviate from the intent of the original social security program. Yet, such arguments are not supported by fact: As the program was first reported by the Committee on Ways and Means in 1935, there was no earnings limitation included. The first Advisory Council on Social Security in 1938 described the contributory program as one in which payments would be "afforded as a matter of right." When the Congress acted on the Council's report by passing the Social Security Amendments of 1939, both the Ways and Means Committee and the Finance Committee reaffirmed this concept by declaring that "by granting benefits as a matter of right it preserved individual dignity." The concept of an individual earning a right to his or her benefit was restated approvingly by the Advisory Councils of 1948, 1958, and 1965.

Time for repealing the earnings restriction is long overdue and I urge my colleagues to support this amendment.

Mr. BIAGGI. Mr. Chairman, I rise today in support of the Ketchum amendment to eliminate the outside earnings limitation on social security beneficiaries.

The earnings limitation is unfair. It amounts to nothing more than a repayment of earned benefits. Under current law, social security recipients under the age of 72 who earn more than \$3,000, in addition to paying both income and social security payroll taxes on the entire amount, must forfeit \$1 in social security benefits for every \$2 earned over and above the current \$3,000 limit.

What this provision amounts to is nothing more than a penalty on those senior citizens who wish to continue working after the age of 65.

As chairman of the Subcommittee on Federal, State, and Community Services of the House Select Committee on Aging, I have been involved with the issue of senior citizen employment and the recent passage of legislation to curtail mandatory retirement. During committee and subcommittee hearings on this issue I heard witnesses testify on the effects of retirement on persons capable of and willing to work. The American Medical Association, a traditionally conservative group, testified that retirement adversely affects the well-being and life expectancy of those who wish to continue employment.

I see a parallel between mandatory retirement and the social security earnings

limitation. Both discriminate against our senior citizens who wish to continue as members of the labor force. With the imminent passage of legislation to curtail mandatory retirement, I believe it is only logical and appropriate that the 95th Congress act today to eliminate the earnings limitation.

H.R. 9346, the Social Security Financing Amendments of 1977, as approved by the House Ways and Means Committee would increase the earnings limitation to \$4,000 in 1978 and \$4,500 in 1979. The Ketchum amendment would continue to raise the exemption to \$5,000 in 1980 and \$5,500 in 1981, and completely eliminate the retirement test for those individuals over age 65 in 1982.

The cost of the Ketchum amendment to the social security system would be minimal. The exempt amounts proposed during the phase-in periods of 1980 and 1981 would only slightly exceed what is already provided for under the automatic adjustment provisions of the Social Security Act. Consequently, no additional financing is needed for these years.

Compensation for the cost of the complete elimination of the earnings limitation in 1982 would be provided for through the imposition of a minimum payroll tax of 0.1 percent on employers and employees. This is certainly a small price to pay for an equitable social security system.

In each of the past three Congresses, I have sponsored legislation to eliminate the earnings limitation. It is gratifying to hear this proposal being discussed today. Passage of this legislation, with the Ketchum amendment, will insure the financial integrity of the social security system and insure our social security recipients of those benefits for which they contributed and to which they are entitled. I urge immediate approval of this amendment.

Mr. ALEXANDER. Mr. Chairman, I rise in support of the Ketchum amendment to phase out the outside income limitation for social security recipients.

I have been a sponsor of legislation to increase the outside earning income limitation to \$10,000 in every session of the Congress since 1973. I have done so because of the number of retirees in my State who have written and talked to me about their need to continue working after retirement just to make ends meet. The Ketchum proposal will once and for all eliminate this repressive provision of the law that has virtually told the Nation's senior member of the labor force that he cannot retire and at the same time continue to work to the extent he wishes after age 65.

Under current law, a social security beneficiary who earns more than \$3,000 during the year is penalized \$1 for every \$2 over that amount earned.

The Ketchum amendment would continue limitations in 1978 at \$4,000 in 1979 at \$4,500, in 1980 at \$5,000 and in 1981 at \$5,500. Beginning in 1982, the outside earnings limitations would be completely eliminated for those citizens over age 65. To offset the increased payments in 1982, the amendment provides for an increase in both the employer and employee tax rate of 0.1 percent each.

Mr. Chairman, many Americans of retirement age are capable of working, want to work, and are still valuable members of the work force. This Congress is working toward wiping away a gross inequity to the Nation's elderly with passage of legislation earlier this year to end mandatory retirement for most of the Nation's senior workers. We should eliminate this inequity as well for those who want to retire, continue working on a part-time basis and still retain the full measure of social security benefits that are rightfully theirs.

Mr. STANGELAND. Mr. Chairman, I rise in support of my colleague's amendment which would remove the earnings limitation on recipients of social security benefits. I have always thought that it was unfair to impose a limitation on the amount of money which a retired person receiving social security benefits could earn. These workers have earned their benefits and should receive them while still being allowed to lead full, active, and productive lives. This ceiling on earnings discourages our older citizens from continuing to contribute to our economic well-being and limits the jobs available to those who choose to work.

The earnings of these workers continue to be subject to social security taxes, so there is no great loss to the overall system. In addition, both Houses of Congress have recently voted to raise the mandatory retirement age in private industry to 70. Previously workers were forced to retire at age 65 although many had no desire to do so. Hopefully this change in the age discrimination law would allow millions of workers to continue their employment. This, of course, would eliminate some of the financial burden on the social security system and would solve the problem for many who do not choose to retire. But what about those who have already been forced into retirement? This amendment will assure their equality under the law and rectify what I consider to be an injustice.

Mr. ASHBROOK. Mr. Chairman, I rise in strong support of the Ketchum amendment. This amendment provides for a gradual phaseout of the earnings limitation on social security.

The current law allows up to \$3,000 in annual earnings. Every \$2 earned by a social security recipient beyond that amount results in a \$1 loss in benefits.

The bill before us today does improve the situation. It would raise the limitation to \$4,000 in 1978 and to \$4,500 in 1979. This is a step forward but I do not believe it goes far enough. In fact, I am sponsoring a bill that would immediately increase to \$5,000 the amount of outside earnings permitted each year without deductions from benefits.

The high rate of inflation has been especially difficult for older Americans. They should not be penalized for working and trying to better their economic status. After years of paying into the social security system they are entitled to full benefits, benefits that are rightfully theirs.

I urge Congress to give a financial break to our Nation's older Americans. I urge the complete phaseout of the social security earnings limitation.

Mr. ULLMAN. Mr. Chairman, I have no further requests for time, and I ask for a vote.

(Mr. KETCHUM asked and was given permission to revise and extend his remarks.)

Mr. KETCHUM. Mr. Chairman, I would like to close this debate with a remark or two, and pending that let me state to the body that I shall, when we return to the House, ask unanimous consent that all Members may have 5 legislative days in which to enter their remarks on this amendment.

I think what we have got to face up to is that we are living in changing times. The social security system in 1935 addressed a totally different problem than the social security system addresses in 1977. As my friend, the gentleman from Massachusetts knows, 35 years ago we stormed the beaches of Guam. Things have changed since then. Attitudes have changed. People are living longer and more productive lives. In that process of change, while many of us are enjoying the fruits of all those changes, those individuals who are retired have not been able to share in all those benefits.

It is one thing to stand here and talk about wealthy doctors and wealthy lawyers, but I say to my colleagues, do not talk to the elderly rich in your districts, talk to those people that this very Congress discovered were eating dog food because they could not afford anything else.

Certainly, there are going to be individuals who benefit from this amendment that I wish would not benefit, but that is the way things are. We cannot draw a bill which addresses one segment of society in a program such as this.

What we are attempting to do is address the changing times. In 1935 we were going through a Great Depression and the object then of forcing individuals, if you will, to retire at the age of 65 was to remove them from the workforce to make room for others. In those days, everyone on the street wanted to work.

I submit to my colleagues, you can pick up the Washington Post or the Washington Star and look at job after job that is open and available and no one to fill them. These are jobs that these senior citizens would like to fill. These are the people whose productive capacity is still there. They have so much to offer the United States, so much in expertise, so much richness of experience, that it is a crime to deny them. To say on the one hand that 65 is a magic age, but at age 72 it is OK, earn anything you want; rich doctor, rich lawyer, keep right on practicing, because you can draw your social security, but not if you are age 65, that is a magic, magic age.

I ask you, I implore you, this amendment is balanced. There is a price for this amendment which we must pay and which we must ask every working man and woman in America to help pay.

I beg of you, pass this amendment. It is long overdue.

Mr. ULLMAN. Mr. Chairman, let me just conclude by saying, what we would be doing here would be getting into massive double dipping in the social security

system. It was never intended to do that. I urge that we vote down this amendment.

The CHAIRMAN. The question is on the amendment, as modified, offered by the gentleman from California (Mr. KETCHUM).

The question was taken; and the Chairman being in doubt, the Committee divided, and there were—ayes 25, noes 33.

RECORDED VOTE

Mr. KETCHUM. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 268, noes 149, not voting 17, as follows:

[Roll No. 704]

AYES—268

Abdnor	Emery	Lott
Alexander	English	Lujan
Allen	Erlenborn	Luken
Ambro	Evans, Del.	McClory
Anderson,	Evans, Ga.	McDade
Calif.	Evans, Ind.	McDonald
Anderson, Ill.	Fascell	McEwen
Andrews, N.C.	Fenwick	McKay
Andrews,	Findley	McKinney
N. Dak.	Fish	Madigan
Applegate	Fithian	Markey
Archer	Flippo	Marks
Armstrong	Flynt	Marlenee
Ashbrook	Ford, Tenn.	Marriott
Badham	Forsythe	Martin
Badillo	Fountain	Mathis
Bafalis	Fowler	Mattox
Barnard	Frenzel	Michel
Baucus	Frey	Mikulski
Bauman	Fuqua	Miller, Ohio
Beard, R.I.	Ganmange	Mitchell, N.Y.
Beard, Tenn.	Gibbons	Moakley
Bennett	Gilman	Mollohan
Bevill	Ginn	Moore
Blaggi	Glickman	Moorhead,
Blanchard	Goldwater	Calif.
Blouin	Gooding	Mottl
Boggs	Gore	Murphy, N.Y.
Bowen	Gradson	Murtha
Breaux	Grassley	Myers, John
Breckinridge	Guyer	Myers, Michael
Brinkley	Hagedorn	Natcher
Broomfield	Hall	Neal
Brown, Mich.	Hammer-	Nichols
Brown, Ohio	schmidt	Oakar
Broyhill	Hanley	Ottinger
Buchanan	Hannaford	Panetta
Burgener	Hansen	Pepper
Burke, Fla.	Harkin	Perkins
Burleson, Tex.	Harrington	Pettis
Burton, John	Harris	Pike
Butler	Harsha	Fressler
Byron	Heckler	Fritchard
Caputo	Hefner	Fursell
Cederberg	Hightower	Quayle
Clausen,	Hillis	Quie
Don E.	Hollenbeck	Quillen
Cleveland	Holt	Rahall
Cochran	Horton	Rallsback
Cohen	Hubbard	Rangel
Coleman	Huckaby	Regula
Collins, Tex.	Hyde	Rhodes
Conable	Ichord	Rinaldo
Conte	Ireland	Risenhoover
Corcoran	Jeffords	Roberts
Cornwell	Jenrette	Robinson
Coughlin	Johnson, Colo.	Roe
Crane	Jones, N.C.	Rogers
Cunningham	Jones, Tenn.	Roncallo
D'Amours	Kasten	Rooney
Daniel, Dan	Kazen	Rose
Daniel, R. W.	Kelly	Rousselot
Davis	Kemp	Rudd
de la Garza	Ketchum	Runnels
Delaney	Kindness	Ruppe
Derrick	Krueger	Russo
Derwinski	Lagomarsino	Santini
Devine	Latta	Sarasin
Dickinson	Leach	Satterfield
Dicks	Lehman	Sawyer
Dornan	Lent	Schroeder
Drinan	Levitas	Schulze
Duncan, Tenn.	Livingston	Sebelius
Early	Lloyd, Calif.	Shipley
Edwards, Ala.	Lloyd, Tenn.	Shuster
Edwards, Okla.	Long, Md.	Sikes

Simon
Skelton
Skubitz
Smith, Nebr.
Snyder
Solarz
Spence
St Germain
Staggers
Stangeland
Stanton
Steers
Steiger
Studds
Stump

Symms
Taylor
Thone
Traxler
Treen
Trible
Tsongas
Vander Jagt
Waggonner
Walgren
Walker
Walsh
Wampler
Watkins
Weiss

White
Whitehurst
Whitley
Whitten
Wiggins
Wilson, Bob
Wilson, C. H.
Wilson, Tex.
Winn
Wolf
Wydler
Wylie
Yatron
Young, Alaska
Young, Fla.

NOES—149

Addabbo
Akaka
Ammerman
Annunzio
Ashley
Aspin
Baldus
Bedell
Bellenson
Benjamin
Bingham
Boland
Bonior
Bonker
Brademas
Brodhead
Brooks
Brown, Calif.
Burke, Calif.
Burke, Mass.
Burlison, Mo.
Burton, Phillip
Carney
Carr
Cavanaugh
Chisholm
Clay
Collins, Ill.
Conyers
Corman
Cornell
Cotter
Danielson
Dent
Diggs
Dingell
Downey
Duncan, Ore.
Eckhardt
Edgar
Edwards, Calif.
Ellberg
Evans, Colo.
Fary
Fisher
Flood
Florio
Foley
Ford, Mich.
Fraser

Gaydos
Gephardt
Gialmo
Gonzalez
Gudger
Hamilton
Hawkins
Hertel
Holland
Holtzman
Howard
Hughes
Jacobs
Jenkins
Johnson, Calif.
Jones, Okla.
Jordan
Kastenmeier
Keys
Kildee
Kostmayer
Krebs
LaFalce
Le Fante
Lederer
Leggett
Long, La.
Lundine
McCormack
McFall
Maguire
Mahon
Mann
Mazzoli
Meeds
Metcalfe
Meyner
Mikva
Milford
Miller, Calif.
Mineta
Minish
Mitchell, Md.
Mofoett
Moorhead, Pa.
Moss
Murphy, Ill.
Murphy, Pa.
Myers, Gary
Nedzi

Nix
Nolan
Nowak
Oberstar
Obey
Patten
Patterson
Pattison
Pease
Pickle
Poage
Pryer
Price
Reuss
Richmond
Rodino
Rosenthal
Rostenkowski
Roybal
Ryan
Scheuer
Selberling
Sharp
Slak
Slack
Smith, Iowa
Spellman
Stark
Steed
Stokes
Stratton
Thompson
Thornton
Tucker
Udall
Ullman
Van Deerlin
Vanik
Vento
Volkmer
Waxman
Weaver
Wirth
Wright
Yates
Young, Mo.
Young, Tex.
Zablocki
Zerferetti

NOT VOTING—17

AuCoin
Bolling
Carter
Chappell
Clawson, Del
Dellums

Dodd
Ertel
Flowers
Koch
McCloskey
McHugh

Montgomery
O'Brien
Stockman
Teague
Whalen

The Clerk announced the following pairs:

On this vote:
Mr. Teague for, with Mr. AuCoin against.
Mr. Montgomery for, with Mr. McHugh against.
Mr. Carter for, with Mr. Dellums against.

Messrs. BARNARD, ROSE, FLIPPO, OTTINGER, EMERY, JEFFORDS, MURTHA, BAUCUS, LUKEN, MOAKLEY, STUDDS, and MARKEY changed their vote from "no" to "aye."

Ms. HOLTZMAN and Mr. POAGE changed their vote from "aye" to "no." So the amendment, as modified, was agreed to.

The result of the vote was announced as above recorded.

AMENDMENT OFFERED BY MR. JENKINS
The CHAIRMAN. Under the rule, the Chair recognizes the gentleman from Georgia (Mr. JENKINS).

Mr. JENKINS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. JENKINS:

Add to the table of contents the following new title:

TITLE VIII—NATIONAL COMMISSION ON SOCIAL SECURITY

Sec. 801. Establish a National Commission on Social Security.

Add the following new title and section after title VII:

TITLE VIII—NATIONAL COMMISSION ON SOCIAL SECURITY

Sec. 801. (a) (1) There is hereby established a commission to be known as the National Commission on Social Security (hereinafter referred to as the "Commission").

(2) (A) The Commission shall consist of—
(i) five members to be appointed by the President, by and with the advice and consent of the Senate, one of whom shall, at the time of appointment, be designated as Chairman of the Commission;

(ii) two members to be appointed by the Speaker of the House of Representatives; and

(iii) two members to be appointed by the President pro tempore of the Senate.

(B) At no time shall more than three of the members appointed by the President, one of the members appointed by the Speaker of the House of Representatives, or one of the members appointed by the President pro tempore of the Senate be members of the same political party.

(C) The membership of the Commission shall consist of individuals who are of recognized standing and distinction and who possess the demonstrated capacity to discharge the duties imposed on the Commission, and shall include representatives of the private insurance industry and of recipients and potential recipients of benefits under the programs involved as well as individuals whose capacity is based on a special knowledge or expertise in those programs. No individual who is otherwise an officer or full-time employee of the United States shall serve as a member of the Commission.

(D) The Chairman of the Commission shall designate a member of the Commission to act as Vice Chairman of the Commission.

(E) A majority of the members of the Commission shall constitute a quorum, but a lesser number may conduct hearings.

(F) Members of the Commission shall be appointed for a term of two years.

(G) A vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as that herein provided for the appointment of the member first appointed to the vacant position.

(3) Members of the Commission shall receive \$138 per diem while engaged in the actual performance of the duties vested in the Commission, plus reimbursement for travel, subsistence, and other necessary expenses incurred in the performance of such duties.

(4) The Commission shall meet at the call of the Chairman, or at the call of a majority of the members of the Commission; but meetings of the Commission shall be held not less frequently than once in each calendar month which begins after a majority of the authorized membership of the Commission has first been appointed.

(b) (1) It shall be the duty and function of the Commission to conduct a continuing study, investigation, and review of—

(A) the Federal old-age, survivors, and disability insurance program established by title II of the Social Security Act; and

(B) the health insurance programs established by title XVIII of such Act.

(2) Such study, investigation, and review of such programs shall include (but not be limited to)—

(A) the fiscal status of the trust funds established for the financing of such programs and the adequacy of such trust funds to meet the immediate and long-range financing needs of such programs;

(B) the scope of coverage, the adequacy of benefits including the measurement of an adequate retirement income, and the conditions of qualification for benefits provided by such programs including the application of the retirement income test to unearned as well as earned income;

(C) the impact of such programs on, and their relation to, public assistance programs, nongovernmental retirement and annuity programs, medical service delivery systems, and national employment practices;

(D) any inequities (whether attributable to provisions of law relating to the establishment and operation of such programs, to rules and regulations promulgated in connection with the administration of such programs, or to administrative practices and procedures employed in the carrying out of such programs) which affect substantial numbers of individuals who are insured or otherwise eligible for benefits under such programs, including inequities and inequalities arising out of marital status, sex, or similar classifications or categories;

(E) possible alternatives to the current Federal programs or particular aspects thereof, including but not limited to (i) a phasing out of the payroll tax with the financing of such programs being accomplished in some other manner (including general revenue funding and the retirement bond), (ii) the establishment of a system providing for mandatory participation in any or all of the Federal programs, (iii) the integration of such current Federal programs with private retirement programs, and (iv) the establishment of a system permitting covered individuals a choice of public or private programs or both; and

(F) methods for effectively implementing the recommendations of the Commission.

(3) In order to provide an effective opportunity for the general public to participate fully in the study, investigation, and review under this section, the Commission, in conducting such study, investigation, and review, shall hold public hearings in as many different geographical areas of the country as possible. The residents of each area where such a hearing is to be held shall be given reasonable advance notice of the hearing and an adequate opportunity to appear and express their views on the matters under consideration.

(c) (1) No later than four months after the date on which a majority of the authorized membership of the Commission is initially appointed, the Commission shall submit to the President and the Congress a special report describing the Commission's plans for conducting the study, investigation, and review under subsection (b), with particular reference to the scope of such study, investigation, and review and the methods proposed to be used in conducting it.

(2) At or before the close of each of the first two years after the date on which a majority of the authorized membership of the Commission shall submit to the President and the Congress an annual report on the study, investigation, and review under subsection (b), together with its recommendations with respect to the programs involved. The second such report shall constitute the final report of the Commission on such study, investigation, and review, and shall include its final recommendations; and upon the submission of such final report the Commission shall cease to exist.

(d) (1) The Commission shall appoint an Executive Director of the Commission who

shall be compensated at a rate fixed by the Commission, but which shall not exceed the rate established for level V of the Executive Schedule by title 5, United States Code.

(2) In addition to the Executive Director, the Commission shall have the power to appoint and fix the compensation of such personnel as it deems advisable, in accordance with the provisions of title 5, United States Code, governing appointments to the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule pay rates.

(e) In carrying out its duties under this section, the Commission, or any duly authorized committee thereof, is authorized to hold such hearings sit and act at such times and places, and take such testimony, with respect to matters with respect to which it has a responsibility under this section, as the Commission or such committee may deem advisable. The Chairman of the Commission or any member authorized by him may administer oaths or affirmations to witnesses appearing before the Commission or before any committee thereof.

(f) The Commission may secure directly from any department or agency of the United States such data and information as may be necessary to enable it to carry out its duties under this section. Upon request of the Chairman of the Commission, any such department or agency shall furnish any such data or information to the Commission.

(g) The General Services Administration shall provide to the Commission, on a reimbursable basis, such administrative support services as the Commission may request.

(h) There are hereby authorized to be appropriated such sums as may be necessary to carry out this section.

(i) It shall be the duty of the Health Insurance Benefits Advisory Council (established by section 1887 of the Social Security Act) to provide timely notice to the Commission of any meeting thereof, and the Chairman of the Commission (or his delegate) shall be entitled to attend any such meeting.

Mr. JENKINS (during the reading). Mr. Chairman, I ask unanimous consent to dispense with further reading of the amendment and that it be printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

The CHAIRMAN. The gentleman from Georgia (Mr. JENKINS) will be recognized for 15 minutes, and the gentleman from Oregon (Mr. ULLMAN) will be recognized for 15 minutes.

The Chair recognizes the gentleman from Georgia (Mr. JENKINS).

Mr. JENKINS. Mr. Chairman, I yield 4 minutes to myself and ask permission to revise and extend my remarks.

During the consideration of H.R. 9346 by the Ways and Means Committee on which I serve, I proposed this amendment to create a National Commission on Social Security. It failed there on a 17-to-17 tie vote. However, fellow members, both Democratic and Republican, have urged me to offer this amendment. I believe it will have the support of a great majority in this Chamber.

The reason that I introduced the amendment was the paucity of information on the various proposals for the long-term financing of our social security programs. There is little doubt that H.R. 9346 addresses only the short-term

financial needs of these programs. I believe that the Congress must soon find solutions to the long-term problems. Indeed, if this Congress raises the taxes on American citizens, as this bill proposes, to finance the programs between 1978 and 1985, I think it is equally important to assure our taxpayers that we intend to maintain a viable system through long-term solutions.

I have come to the Congress without much confidence in study and advisory councils. Too often they serve little use. However, as a member of the committee which has debated the intricate and complex issues in social security, I am convinced that a high level, nonpartisan, independent Commission with the mandate to work quickly and report to the Congress would well serve the Nation. In its entire history the system has never been studied by an independent group. Previous studies have been entirely by the administration without a broad scope or outlook for innovative financing methods.

In my judgment the study is necessary if the Congress is going to enact necessary long-term solutions to retirement, survivorship, disability, and health insurance programs. I urge your support.

Let me add that creation of this Commission is not an original idea. It is the composite idea of many Members of Congress. Mr. LEVITAS, my friend and senior colleague from Georgia, introduced a similar measure in the last Congress and earlier in this session. Our friend, Mr. STEIGER of Wisconsin, has introduced similar legislation and urged its enactment.

The Commission is a basic first step in our providing assurance of the long-term existence of social security.

Mr. ULLMAN. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to my distinguished chairman, the gentleman from Oregon.

Mr. ULLMAN. Mr. Chairman, I want to commend the gentleman from Georgia for all the work he has done on this, and I know the gentleman from Wisconsin (Mr. STEIGER) on the other side has worked hard as the gentleman from Georgia has.

The committee did not vote to include this matter in the bill. I have no strong feelings about it. If properly constituted, the Commission might work out very well. I hope maybe we could limit debate on this and get to a quick vote.

Mr. JENKINS. Mr. Chairman, I thank the chairman for his support.

Mr. LEVITAS. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield 4 minutes to the gentleman from Georgia (Mr. LEVITAS).

(Mr. LEVITAS asked and was given permission to revise and extend his remarks.)

Mr. LEVITAS. Mr. Chairman, I thank my colleague, the gentleman from Georgia (Mr. JENKINS), for yielding.

Mr. Chairman, taking the admonition of the chairman of the Ways and Means Committee, I will not prolong the discussion of this matter, but I think a few comments are in order because this is an

extremely important amendment that my colleague, the gentleman from Georgia (Mr. JENKINS), has offered. Several weeks ago I asked my colleague from Georgia, who serves on the Ways and Means Committee, if he would offer the National Commission amendment during the committee proceedings. It was a concept I had been working on for 2 years and I felt with his assistance we could get the job done. He agreed and diligently pursued the cause until we are now about to make this important decision.

Mr. Chairman, I do not see how we as responsible Members of Congress could consider passing another social security tax increase, another Band-Aid-and-Mercurochrome approach to shore up the system, without at the same time giving the American people some hope or some opportunity or some means by which to believe that a fundamental, long-term comprehensive consideration for change in the entire social security system will be forthcoming for the future.

We simply cannot continue to deal with the problem of finances of social security from 1 year to another. We simply cannot try to take care of universal coverage on the one hand or earnings limitation on the other on a piece-by-piece approach. There are more fundamental questions about social security that must be asked and must be asked by people who will not just sit in the social security offices in Baltimore and contemplate, but who will go out across America and talk to the retired people, and to the widows, and other beneficiaries and find out what is wrong with that system as far as their benefits are concerned, and, by the same token, talk with and listen to the wage earners, self-employed people, and to the businessmen employers who are contributing to this present system and find out from them what its problems are and what it means when we get to the point where over 8 percent of a person's earnings matched by employer payments are going into this system with all of its existing inequities.

I think the time has finally come—and today we reach an extremely important milestone—for the first time a blue ribbon, bipartisan National Commission, independent of HEW, will come into existence, appointed by the President of the United States, the Speaker of the House, and the President pro tempore of the Senate to ask those fundamental questions and make bold, innovative recommendations for the new future of survivorship, retirement, and disability programs.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield?

Mr. LEVITAS. I yield to the gentleman from California.

Mr. ROUSSELOT. I appreciate the gentleman's yielding. I know that the gentleman from Georgia who is now speaking has been a strong advocate of keeping the number of commissions to a minimum, and I, too, have tried to follow that general rule. But we need a blue ribbon commission to study alternatives to the present social security sys-

tem. I think the structure of this commission suggested by our other colleague, the gentleman from Georgia (Mr. JENKINS) is a good one. It assures that this commission must produce a product within 2 years; that the members of the commission are to be appointed by the House of Representatives, the Speaker, the President pro tempore of the Senate, the executive branch; that it include the private insurance industry as well as potential beneficiaries; that it is to be independent of the bureaucracy downtown and not fully dependent on the social security system itself; and that there are built into this amendment clear guidelines, rules and regulations, and recommendations, to report back to the House of Representatives and the Senate. I, too, agree with the gentleman from Georgia (Mr. JENKINS) the gentleman from Wisconsin (Mr. STEIGER), and the members of the committee—that we need a strong and independent commission to do positive and constructive work in many areas.

Let me explain: We are only beginning to get a glimpse today of some of the drastic effects social security has brought about on our lifestyle—on savings, capital formation, jobs, and economic growth. Many of these effects were never anticipated by the authors of social security and they are imperfectly understood today. Any government action which impinges on our freedom of choice and creates inefficiency ought to be reexamined. Let me give the House just a few examples.

When social security was enacted in 1935 half of the male population over age 65 was in the labor force. Today the figure is only 1 in 5 or 20 percent. The social security program, however, was not designed to discourage or penalize older working Americans. It was supposed to provide a modest supplement to the income of retired workers in commerce and industry. Professor Boskin of Stanford estimates that approximately two-thirds of the decline in the over-65 work force—one-third of those over 65—can be attributed to the benefit structure and earnings test of social security. This is wrong. We should not be biased against work. We should not discriminate against the aged. We should leave individuals alone to choose to work or not to work—unimpeded by Government. The national Social Security Commission will investigate how to make retirement a simple matter of individual choice.

Another example: Social security has replaced private savings and thereby decreased investment, capital formation, and economic growth. According to Dr. Feldstein of Harvard, the working population of this country makes its decision on how much to save and how much to consume on the basis of its expectations of future income. Citizens prepare for their own retirement by setting aside a part of their earnings. Private savings are invested, they earn a rate of return, and the holder of the investment eventually lives off the principal and the interest. The average wage earner today treats his social security taxes as a pension investment and reduces his private savings accordingly.

Unfortunately, social security does not invest what it collects but spends its receipts on present benefits. The resulting reduction in total investment in the American economy causes capital formation to be less than it would otherwise be. Less capital per worker leads to lower productivity, lower wages, and higher unemployment—less of everything for everyone. We have created a bias against the traditional American virtue of thrift and against our historical emphasis on economic growth. The national Social Security Commission will study how to make savings once more a matter of individual choice.

Yet another example: social security has combined social insurance with social welfare and has created capricious transfers in income. As Joseph Pechman of the Brookings Institution has pointed out, this results in an inequitable distribution of the tax burden. Social security taxes the young in order to distribute benefits to the aged, irrespective of need. The aged are not automatically poor, and welfare should only go to the poor. So, too, a social insurance system should be tied directly to contributions, and each should receive benefits according to his share of the fund. Using funds from an insurance fund to pay for welfare results in a regressive tax scheme.

Furthermore, the current insurance aspects of our social security system are not tied directly to an individual's contributions at all. Social security is like a generational chain letter, with each generation paying for the preceding generation's benefits. Because of demographic changes, some generations are going to have to pay higher taxes than others. Contrary to the intent of the law, social security capriciously transfers income from the young to the old, from lower and middle income taxpayers to poor and rich beneficiaries, and from less populous to more populous succeeding generations. The National Social Security Commission will study how the insurance aspects of social security may be fully funded, and how the welfare and insurance components may be separated. We need to give our citizens the opportunity to freely determine their own welfare without depending on the future tax dollars of future taxpayers.

We need to study how the social security system may become voluntary for those in the labor force. We need to study how social security may return the decision to save and consume to the individual. We need to study the effects of social security on attitudes toward work, retirement, and the family, and how we can make those attitudes a matter of free choice. We need to study how the insurance aspects of social security may be fully funded, and how the welfare and insurance components of the system may be separated. In essence, we need to give our citizens the opportunity to freely determine their own welfare, and the National Commission on Social Security should tell us how to do it.

Mr. JOHN L. BURTON. Mr. Chairman, will the gentleman yield?

Mr. LEVITAS. I yield to the gentleman from California.

Mr. JOHN L. BURTON. I thank the gentleman for yielding.

Is there anything in this amendment that says after the Commission makes its reports that Congress is going to do anything except look at it and say, "We did not do that; it is politically not feasible?"

Mr. LEVITAS. No. The National Commission cannot legislate, but what the National Commission can do is for the first time have the mandate and tools to fully and thoroughly examine the entire social security system, and in making its recommendations go into those issues that we have feared to go into for so long. We need to ask questions about general revenue funding, about the rule of private insurance programs and private sector operation, among other such questions that people have feared to ask about the social security sacred cow. I believe that when the American public realizes that there is some hope that we will make some fundamental changes, then the American public will demand that the Congress must act, and when the public speaks loudly, the Congress jumps.

Mr. JOHN L. BURTON. If the gentleman will yield further, the social security system is really only one part of the whole pension system in the country. Now that the President is going to appoint a Commission to study the entire pension system, we will go for this Commission, which probably we should have done 4 years ago because of all of the tax increases that are going to be in this one. But is there going to be some kind of coordination?

Mr. LEVITAS. Yes.

Mr. JOHN L. BURTON. Because if we were afraid to even go into the issue, I can imagine how well we are going to do when they come back with the solution.

Mr. LEVITAS. Let me respond. The gentleman from California makes a good point. Two and a half years ago when I first introduced legislation to create this National Commission and again this year I introduced the bill again with over 65 other Members of this body who are strongly in support of this proposal, I said that then—2 years ago—was the time to do this job and we did not need to come up to this point of financial crisis in order to create a National Commission; but we did not do it then. We seem to require a crisis to prompt us to act.

As part of this particular National Commission provision, the National Commission is mandated to look at other retirement programs and how they relate to social security and to the Commission which the President is going to appoint on all other retirement matters and there can be a perfect interface with this National Commission on Social Security.

Mr. JOHN L. BURTON. Has it been checked out due to the unique nature of this Commission, that is, appointments by the Congress, the Speaker, the President pro tempore, and the President; are we going to run into any problems under the Buckley against Valeo case, as we did on the Election Commission?

Mr. LEVITAS. I do not think so. That dealt with actual rulemaking and regu-

latory powers. The National Commission does not have rulemaking or regulatory powers.

Mr. JOHN L. BURTON. The type of power they have is such that would not be an issue?

Mr. LEVITAS. No, it would not. I urge support for this amendment.

Mr. WATKINS. Mr. Chairman, will the gentleman from Georgia yield, so I can ask the author of the amendment a question?

Mr. JENKINS. I yield to the gentleman from Oklahoma.

Mr. WATKINS. Mr. Chairman, does this Commission request also take into consideration a study of the Social Security Office?

The CHAIRMAN. The time of the gentleman from Georgia (Mr. JENKINS) has expired.

Mr. JENKINS. Mr. Chairman, I yield myself 2 additional minutes.

I yield to the gentleman from Oklahoma (Mr. WATKINS).

Mr. WATKINS. Mr. Chairman, did the gentleman get the question?

Mr. JENKINS. Would the gentleman repeat the question?

Mr. WATKINS. Will this Commission take into consideration the delivery system or the problems of social security offices in trying to provide these services?

Mr. JENKINS. Yes. There will be an in-depth study of the entire social security system.

Mr. Chairman, I yield 2 minutes to the gentleman from Wisconsin (Mr. STEIGER).

Mr. STEIGER. Mr. Chairman, I am not much for commissions, either, but I must say as I looked at this problem and dealt with it for some time, the very points that the gentleman in the well, the gentleman from California, somewhat earlier was making and also made by the gentleman from Georgia (Mr. LEVITAS), it seems to me a very real reason why the Commission is a good idea. Most importantly, because it is mandated to go beyond the social security advisory committee that does exist under the law, although the one that is supposed to be appointed has not been appointed; but while they have looked at the social security system they have been rather myopic. That is all they have looked at from the standpoint of how do you do the best job for the system.

Retirement is not isolated to social security. It affects IRA's, Keogh's, and private employer systems and it is that which the Commission should address itself to. What is the relationship between all these various pension systems that we have; what is the relationship in terms of where we go in this country, in terms of retirement policies?

Mr. Chairman, I commend the gentleman from Georgia for the gentleman's leadership and for the gentleman's very active pursuit of this concept. I think the Commission is worth the price and it is worth establishing. I am delighted to support it.

Mr. JENKINS. Mr. Chairman, I reserve the balance of my time.

Mr. ULLMAN. Mr. Chairman, I am not going to take a great deal of time. As has been indicated, as far as I am

personally concerned, the amendment makes some sense. If it is properly handled, it can be a very productive operation.

There has been some comment that somewhere along the line the Social Security Subcommittee and the Committee on Ways and Means has not lived up to its responsibilities. I think that is not the level where the studies ought to be made. There are many factors wholly beyond our control. There are great demographic changes taking place in this country and we need to look at them. I think that is where the focus ought to be. There are changes in our whole concept of retirement that we need to look at.

As the gentleman from Wisconsin said, the interrelationship between all of the pension programs, private and public pension programs, and the programs of social security need to be looked at. The study will obviously also include whether every American ought to be paying into the program or not.

So, I think that by broadening the dimensions of this study it can be very helpful to us. I would hope that if we adopt it, the commission is able to organize and get to work quickly on a subject that is terribly important for every American.

Mr. CONABLE. Mr. Chairman, will the gentleman yield?

Mr. ULLMAN. I yield to the gentleman from New York.

Mr. CONABLE. I am unenthusiastic, Mr. Chairman, about another study, but if the study does have the effect of going beyond the normal subject matter of the Advisory Council on Social Security, which has studied this subject in a narrow sense often, and frequently made recommendations that this Congress has ignored, I also must conclude that such a study would not do a great deal of harm. I am cheerful about any decision made by this body. I think I probably will vote for the study, but I wanted the Members to know that there has been a great deal of study of this subject already.

Mr. ULLMAN. Let me say that in accepting this study, I think it is of extreme importance that it be properly constituted, with the best staff available in this country; that we take the problems seriously. I have served on commissions. Ordinarily it takes a year or 18 months even to get organized. I hope that is not the case here. I hope we can move expeditiously get the proper staffing, and have this commission do what we all expect it to do; that is, look at the whole gamut of retirement and make, in fact, recommendations that will insure that we can move toward a future social security system into the next century.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield?

Mr. ULLMAN. I yield to the gentleman from California.

(Mr. ROUSSELOT asked and was given permission to revise and extend his remarks.)

(Mr. ROUSSELOT addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks.)

Mr. ULLMAN. Mr. Chairman, I yield back the balance of my time.

(Mr. JENKINS asked and was given permission to revise and extend his remarks.)

Mr. JENKINS. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia (Mr. JENKINS).

The amendment was agreed to.

Mr. FUQUA. Mr. Chairman, I reluctantly rise in opposition to H.R. 9346. I say "reluctantly" because I am fully cognizant of the massive problems confronting our social security system and the great need for action if we are to protect the integrity of social security.

This bill, however, takes a "band-aid" approach to the problem and will not, in the long-run, solve the problems. I oppose it even as a stop-gap measure because I recognize that if this bill passes many people will assume that the problems have been solved and this is simply not the case.

We cannot continue to raise taxes on employers and employees in an effort to keep social security afloat. The working man and woman is hard pressed as it is without having additional amounts deducted from his or her paycheck and employers will be left with no recourse but to raise the price of goods and services and this would be counterproductive to our drive to stimulate the economy.

It is my belief that the committee's work on this legislation was rushed and I do not feel that adequate consideration has been given to other proposals as to how best assure the solvency of social security. One approach I favor is the removal of disability payments from the social security system.

For many years social security worked well and it was only when additional burdens were added that the problems began. As a matter of fact, experts in the field tell me that the removal of disability would, by itself, place social security back on its feet again.

Disability payments must be recognized as a national problem which we, as a society, must solve and I propose that disability payments be made from general revenue rather than tapping the very limited resources of the social security trust fund.

Additionally, we should consider the possibility of a short-term infusion of funds from general revenue to make up for the losses already incurred from administration of disability.

This proposal deserves the most serious consideration by the House Ways and Means Committee and I believe it would be in the best interest of the Nation if we return this bill to the committee for their further consideration.

Mr. ASHBROOK. Mr. Chairman, I am deeply concerned by the committee's recommendation of mandatory social security coverage for Federal, State, and local government employees. This is a bad idea and it should be rejected.

The issue of mandatory coverage has great significance for millions of Americans. Approximately 2.6 million Federal employees and 4 million State and local government workers would be affected by this legislation. I do not believe that the proposed change is fair to these people.

Enactment of the Ways and Means Committee proposal would add an element of uncertainty. Could the social security system and the other government retirement systems be integrated in an equitable manner? Would people in the other retirement systems lose some of the benefits they have been promised? What rules would apply?

There are, of course, no answers to these important questions. Nevertheless we are urged to plunge head first into uncharted territory. Again, this is not fair to the local, State and Federal government employees who have such a great stake in this matter.

I also want to point out that since 1950 State and local governments have had the opportunity to bring their employees under social security. About 70 percent have availed themselves of that opportunity. The other State and local governments decided that it was not in their best interest to come under the plan. It is wrong for Congress to now override these local decisions and impose universal coverage, especially without a thorough study of the ramifications. This is one more example of unnecessary Federal intrusion into State and local affairs.

What we really have here is an attempted temporary bailout of the social security system. That system does face some difficult financial times ahead. Mandatory social security coverage of all Federal, State, and local government employees, however, is not the right way of solving the problem. It is merely a band-aid approach to a serious situation.

Let us be honest. One of the key problems is that social security has been turned into something it was never intended to be. Too many have tried to make a welfare plan out of it rather than carrying out its original purpose. And now we are being urged to bail out the social security system with other people's retirement plans. We are being urged to tamper with the pensions of local, State, and Federal workers rather than make hard decisions regarding the social security system.

People who have paid into their own retirement systems deserve to receive the benefits they have been counting on. They should not have to risk these benefits because of unwise governmental actions. They should be allowed to get the benefits for which they have worked.

I strongly urge the defeat of the mandatory social security coverage provision. It is a simple matter of fairness.

Mr. OTTINGER. Mr. Chairman, today we are considering H.R. 9346, a bill designed to restore the short-range and long-range financial soundness of the social security system and make other improvements in the system. Since public support for the program depends on confidence in its solvency, we must act now to restore financial integrity to the program and assure people that their social security protection is secure. This bill is very complex but it does assure the solvency of the programs of the social security system. Therefore, while I have some very strong objections to certain provisions of H.R. 9346, I will vote for final passage of this bill.

My overriding concern is the increase in the payroll tax. In testimony before

the Social Security Subcommittee in July, I stressed my strong desire to avoid increasing the payroll tax which already places a staggering burden on low- and middle-income workers—the backbone of this country. These workers pay the majority of our taxes, a disproportionate share, yet receive none of the benefits of the programs for which they pay. They are the most disillusioned of our voters. Placing further burdens on them is a travesty.

We have gone too far already in taxing low- and middle-income workers for social security. In 1937, the social security tax rate was 1 percent on a maximum base of \$3,000, resulting in an annual tax of \$30 or less. In 1977, at the rate of 5.85 percent, on the maximum base of \$16,500, the tax is \$965.25—a 3,000 percent increase. In fact, half the workers in the United States pay more in social security tax than they do in income tax.

Unfortunately, under the committee bill social security taxes are increased beyond those rates scheduled in existing law. An individual earning \$15,000 annually now pays a social security tax of \$877.50. Under this bill, the tax on \$15,000 will be increased to \$987.50 in 1981, and \$1,012.50 in 1985. When you consider a typical person earning \$300 per week has total payroll deductions—social security and Federal income tax—of approximately \$68 per week, with a total take home pay of only \$231 per week the injustice of further payroll deductions is apparent. Under this bill the deductions would increase and it is easy to see the reasons for distress.

Mr. Chairman, I would far prefer to use general revenues to finance part of the social security system. These revenues are generated by personal and corporate incomes taxes which are progressive in nature and therefore the low- and middle-income workers are not forced to carry such a disproportionate share of the load. H.R. 9346 allows standby authority for automatic loans from the general revenues to the trust fund whenever assets at the end of the year drop below 25 percent of annual outgo. However, if this borrowing authority is used, payroll tax rates will be temporarily increased to repay the loans. There is therefore really no resort to general revenues in this financing scheme. I will vote for this measure because of the urgency involved, but I am very dissatisfied with the financing route chosen by the Ways and Means Committee.

I have the same conflict with the earnings limitations provisions. I strongly support the increase in the earnings limitation for social security beneficiaries. This is long overdue. However, the limits are still too low—they should be eliminated altogether—and the cost of this very modest increase should not be tied to an increase in the payroll tax.

Finally, the most controversial provision of this bill—future universal social security coverage—has caused much concern, especially among the Federal Government workers affected. I think this is due largely to the fact that the details

of universal coverage have not been worked out.

There has been a lot of misinformation about what this bill does and does not do regarding the present civil service retirement program. H.R. 9346 does not require that the Federal civil service retirement system be merged with social security or authorize the transfer of any funds from the Federal program to social security as widely stated; nor does it change any of the rights or benefits earned by employees under Federal, State, local or private retirement plans.

In fact, a provision of the bill requires that any plan for coordinating Federal retirement with social security shall insure that Federal employees would not be worse off in respect to coverage protection or the amount of contribution required of them. This protection is essential. Employees certainly are entitled to receive the benefits they were promised at the time they were hired as well as any improvements made in benefits during their working careers.

Clearly, if universal social security coverage were to be mandated, at some future time Congress would have to adjust the Federal civil service retirement program to take account of the new social security coverage in order to eliminate duplicative contribution requirements—5.85 percent of salary for social security and 7 percent for civil service retirement. Therefore the bill requires the Department of Health, Education, and Welfare, in conjunction with the Civil Service Commission, to put together a plan by January 1, 1980, on how the social security system can be coordinated with the civil service retirement system—in other words, how the federal system can be converted into a supplementary retirement program, as private pension plans are now.

Coordinating these two systems—social security and civil service retirement—would require a great deal of careful attention. Indeed it would be a very complex task. But these adjustments have been made in hundreds of companies where private pension plans are coordinated with social security payments. For Government workers, as for millions of other workers, social security can provide broader coverage than Federal employees now receive plus full retirement benefits.

I believe universal social security coverage is fair and right and will result in added benefits for Government and voluntary agency workers. However, I will support the Fisher amendment, only because the risks and benefits of coordination have not been spelled out and I don't believe it is fair to ask Federal workers to buy a plan the details of which are not available.

Congressman FISHER's amendment eliminates the 1982 mandated coverage of Federal, State, and local government employees. It requires that a plan for coordinating the systems be developed before Congress sets a date for extending coverage to all workers. Representative FISHER is not opposed to universal coverage some time in the future; his amendment merely requires, quite properly,

that a plan should be worked out before a decision is made.

In conclusion, Mr. Chairman, I am voting for H.R. 9346 to assure the financial soundness of the social security program, but very reluctantly because of the harsh effects of the payroll tax on middle-income Americans.

Mr. DRINAN. Mr. Chairman, if social security coverage is to be required of all Federal employees as well as State and local government employees and those employees of nonprofit organizations not presently participating in the system, logic and commonsense would seem to require that careful study of such mergers be made before we mandate universal coverage. H.R. 9346 calls for universal coverage by 1982 but does not say how these retirement plans will be restructured under a merger with the social security program. Millions of workers would be affected and they have many questions which not even Members of Congress can answer at this time.

The Fisher amendment which would remove the requirement that universal coverage be accomplished by 1982 puts us back in the responsible position of legislating on the basis of careful study and discussion and not in a vacuum. Bringing Federal employees including Members of Congress into the social security system may or may not be a good idea; hopefully the study which will be due in 1980 will provide the information needed before a decision of this significance can be made.

The inclusion of State and local government employees raises a number of constitutional issues which must be addressed particularly in view of the 1976 Supreme Court decision in National League of Cities against Usery. In that decision the Court held that the Constitution did not delegate to Congress the authority to regulate the employer-employee relationships of State governments and their subdivisions.

The many problems and possible obstacles in bringing about universal coverage merit careful and responsible deliberation. By adopting the Fisher amendment we will dispel the alarm felt by the millions of workers whose retirement systems might be affected.

Mrs. LLOYD of Tennessee. Mr. Chairman, although the action taken by the House today in approving amendments to the Social Security Act recognizes the need to address both the long- and short-term weaknesses in the financing of the trust fund, I cannot accept the position taken by the majority that the only solution to this financial instability is to increase the taxes paid into the fund by both individuals and employers. Rather than attempt to patch over the problems of the social security fund, the Congress must examine the underlying objectives which the social security system was designed to meet, and the ever expanding array of social welfare programs which have been appended to those basic objectives. Because we have not given sufficient attention to the underlying causes of the weakness in the trust fund, I felt compelled to oppose this measure today. I am hopeful that

with the opportunity to work from a base constructed by the House, the Senate will be able to fashion a bill which more adequately meets the present needs of the social security system.

As originally conceived in 1935, the social security system was intended to be an insurance program for the elderly. Today, the system provides a wide range of benefits, including survivors', disability, and hospital payments, to 33 million people. While it is apparent that the current structure of the social security system can adequately support the income security programs for the retired and survivors' benefits, it is equally clear that the fund cannot continue to support the nonretirement programs which now overburden the social security system. I do not deny the fact that the benefits provided through these programs are essential and should be supported by Government funding. However, the legislation passed today fails to separate the nonretirement programs from the traditional benefits of the social security system. By funding these additional programs out of general revenues, where they properly belong, the Congress could protect both the fiscal stability of the social security trust fund, and avoid excessive increases in the social security tax rate and wage base.

This bill will raise the marginal tax rates of all Americans; not only the middle class, but also the low-income and wealthy Americans on top of the heavy burden of taxes already being paid. In its present form, this bill will result in a drain of \$55 billion from consumers to tax revenues. In addition, employers will be required to pay an even larger share of the taxes than employees. This will only force a limit to the growth in employment which would further reduce tax revenues for the system and increase the demand for benefits to meet the nonretirement programs.

A particularly undesirable provision of this bill permits General Treasury funds to be borrowed to eliminate deficits in the social security system. Elimination of this provision, which I supported, would have maintained the insurance status of the social security system and prevented the growth in welfare programs thereby reinforcing the original purpose of the system. The standby authority in the bill appears to be a reasonable and practical approach, although I do support a review on a yearly basis of the need to transfer funds from general revenues to eliminate annual deficits. I feel the approach in this bill represents a trigger mechanism which can only provide a permanent backdoor method of financing the social security system through general revenue funds.

The original bill provided for some increase in the income earnings limitation and I strongly supported the successful attempt on the floor today to provide for a phasing-out of the limitation by the year 1982. Senior citizens are now prohibited from earning more than \$3,000 per year if they wish to avoid forfeiting a portion of their social security benefits. The elimination of the retirement income ban will allow our elderly citizens to help themselves through increased earnings

while protecting their eligibility to receive social security benefits. Furthermore, the tax revenues generated by their continued participation in our economy will provide support both to the social security system and our economy in general. The mandatory retirement legislation, passed by the House and Senate and in conference at this time, would allow people to continue to work until the age of 70. This legislation will also lend a substantial degree of stability to the system by allowing those people who choose to work to continue to contribute to the system while eventually collecting benefits from the system for a shorter period of time.

The irony of these shortsighted solutions is that the American people will be led to believe that the problems of the social security system have been solved and that is simply not the case. This legislation fails to provide the assurance that senior citizens in the future will receive the benefits they desperately need and obviously deserve. I suggest that H.R. 9346 does not go far enough or in the right direction toward providing for the long-range, comprehensive reforms that are needed to restore overall soundness to the social security system.

Mr. STOKES. Mr. Chairman, I rise in support of H.R. 9346, the Social Security Financing Amendments of 1977, as amended.

The principal or major purpose of the Social Security Act of 1935, as stated in its preamble, was: "To provide for the general welfare by establishing a system of Federal old-age benefits * * *"

In recent years, an increasing number of senior citizens have come to depend upon social security in their golden years. However, the program is fraught with financial difficulties and as a result, many older Americans are trapped in a system which guarantees but subsistence living standards.

I feel this bill is intended to restore the soundness to the social security system which has been losing money as benefit payments outpace tax receipts.

Mr. Chairman, I would specifically like to address my position on several amendments to the bill.

I voted against the Jenkins amendment, which sought to extend the increase in the wage base over a greater number of years, because though the maximum wage base has increased steadily, the disheartening fact remains that the elderly poor pay a greater percentage of their incomes than persons making more than the maximum wage base. The only equitable solution would be the requirement that the higher income earners make contributions in greater proportion to their income. This increase must be imminent and cannot be delayed for additional years.

I supported the Fisher amendment, which struck the provisions in the bill requiring mandatory social security coverage of Federal, State, and local employees, and employees of nonprofit organizations effective in 1982. A merger of the social security system and Federal retirement system—which were established for two different objectives—would

mandate some workers to contribute and to collect—double dip—from both systems, which is just not equitable.

This amendment additionally requires the Department of Health, Education, and Welfare and the Civil Service Commission to conduct a feasibility study of universal coverage and report to the Congress by January 1, 1980, on proposals for integrating social security coverage for Government employees with Civil Service retirement benefits. I believe this is only fair since not enough information exists from which to conclude that universal coverage is prudent at this time. Coordination of these two systems, which affect so many Americans, will take a great deal of thoughtful, careful analysis and should not be done hastily.

Mr. Chairman, the Corman amendment also deserves attention. I voted against this amendment which sought to eliminate the minimum benefit from the social security program. It would have been totally unfair for Congress to cut off a level of benefits which beneficiaries had expected and counted on.

In conclusion, Mr. Chairman, I feel this bill is a giant step in addressing the financial problems of the social security system. Those of us who have been closest to the needs of the elderly realize they have a right to share in a social security program based upon a realistic appraisal of their contributions and needs.

I urge my colleagues to support this bill as amended.

Mr. CLEVELAND. Mr. Chairman, I intend to vote against final passage the social security financing bill. Before getting into my reasons for doing so, I would like to point out that this legislation does contain some needed improvements in the social security system which I support. Notable among these is the decoupling provision which eliminates the present double adjustment of benefit increases by indexing benefit levels to increases in wages only.

Other provisions which I endorse are the elimination of a variety of sex discriminatory practices and provisions to improve the treatment of women under the system—although the latter do not go as far toward that end as the Republican substitute which would provide compensation for the added contribution of working wives. I also support the freeze of the minimum primary benefit which I am sorry to say has been taken advantage of by those for whom it was not specifically intended.

In addition, we have at last succeeded in removing the earnings limitation which deprives senior citizens of their entitlement to social security benefits which they have earned if they choose to continue leading productive working lives beyond the age of 65. This is a much-needed improvement and one which I have been supporting for many years.

In the final analysis, however, this bill leaves unresolved the long-range deficit of the social security trust fund; a deficit which will equal \$800 billion over 75 years.

UNFAIR TO MIDDLE-INCOME PEOPLE

Yet, in spite of this enormous and unresolved deficit, the legislation before us mandates a rapid increase in the wage base that will be unfairly punitive to middle-income Americans and will certainly have a depressing effect on the economy. While I realize fully that increases in the wage base as well as the tax rate are necessary, I feel that the committee's approach is neither sound nor fair.

UNIVERSAL COVERAGE

With regard to perhaps the most controversial provision of the bill; namely, universal coverage, I am disappointed at the House's approval of the Fisher amendment which struck this requirement. Universal coverage as provided for in the committee bill would have extended mandatory coverage, effective in 1982, to the three major groups not under social security: First, Federal civilian employees; second, State and local government employees, and third, employees of nonprofit organizations. This provision would have brought some 6 million additional workers into the system thereby extending social security coverage to 97 percent of the work force.

In spite of the fact that Federal employees and their organizations have mounted a vigorous opposition to this provision, I am convinced that it is unfair to the other working people of this country to continue the present system. Under the present law, many Federal workers have taken advantage of early retirement provided for in their pension system and then worked just enough years to obtain the minimum social security benefit to supplement their retirement income. As the gentleman from Florida pointed out in earlier debate, this means that a worker who has contributed as little as \$111 in his lifetime to the social security trust fund can draw monthly benefits of \$114 when he retires from social security in addition to whatever pension he is getting from other plans. This is demonstrably unfair to those who have worked a lifetime under social security and contributed far more in order to gain their benefits.

Furthermore, I believe if public employees would closely examine the universal coverage provisions, they would find it less objectionable than it may seem at first glance. In addition, with respect to State and local governments, it is important to point out that 70 percent of those employees already are covered by the social security system.

In conclusion, Mr. Chairman, while I feel very strongly that the House has a responsibility to act to remedy the financial situation of the social security trust and restore its integrity, I feel equally as strongly that such action must be responsible and responsive to the needs of our citizens. This legislation, in my opinion, does not meet those tests.

The CHAIRMAN. Under the rule, the Chair recognizes the gentleman from New York (Mr. CONABLE).

Mr. CONABLE. Mr. Chairman, I do not seek recognition.

The CHAIRMAN. The question is on the committee amendment in the nature of a substitute, as amended.

The committee amendment in the nature of a substitute, as amended, was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. EVANS of Colorado, Chairman of the Whole House on the State of the Union, reported that that committee, having had under consideration the bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide coverage under the system for officers and employees of the United States, of the State and local governments, and of nonprofit organizations, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes, pursuant to House Resolution 839, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment to the committee amendment in the nature of a substitute adopted by the Committee of the Whole? If not, the question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. CONABLE

Mr. CONABLE. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. CONABLE. I am, Mr. Speaker, in its present form.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. CONABLE moves to recommit the bill H.R. 9346 to the Committee on Ways and Means with instructions to report back the same forthwith with the following amendments:

Strike out section 104 (beginning on page 127, line 16, and ending on page 131, immediately before line 4).

Page 131, line 5, strike out "105" and insert in lieu thereof "104".

Page 131, strike out the sentence beginning in line 7.

Conform the table of contents on page 117.

Page 169, strike out lines 1 through 5 and insert in lieu thereof the following: "of 1954 (the Federal Insurance Contributions Act) is amended by redesignating sections 3125 and 3126 as sections 3126 and 3127, respectively, and by inserting after section 3124 the following new section:"

Page 169, line 6, strike out "3126" and insert in lieu thereof "3125".

Page 169, in the matter following line 22, strike out "3126", "3127", and "3128" and in-

sert in lieu thereof "3125", "3126", and "3127", respectively.

Page 170, line 4, strike out "3127" and insert in lieu thereof "3126".

Page 170, line 15, strike out "3126" and insert in lieu thereof "3125".

Page 170, line 19, strike out "3127" and insert in lieu thereof "3126".

Page 171, line 5, strike out "3126", and insert in lieu thereof "3125".

Page 171, line 17, strike out "3126" and insert in lieu thereof "3125".

Page 171, lines 21 and 22, strike out "3127 (a)", "3127(b)", and "3127(c)" and insert in lieu thereof "3126(a)", "3126(b)", and "3126(c)", respectively.

Page 171, line 25, strike out "3127".

Strike out section 301 (as added by the amendment) and insert in lieu thereof the following:

COVERAGE OF FEDERAL EMPLOYEES

SEC. 301. (a) (1) Section 210(a) of the Social Security Act is amended by striking out paragraphs (5) and (6).

(2) (A) Section 210(l)(1) of such Act is amended to read as follows:

"(1) Except as provided in paragraph (4), the term 'employment' shall include service (other than service performed while on leave without pay) which is performed by an individual as a member of a uniformed service on active duty after December 1956."

(B) Section 210(o) of such Act is amended by striking out ", notwithstanding the provisions of subsection (a).",

(C) Section 229(a) of such Act is amended by striking out "service as a member of a uniformed service (as defined in section 210(m)) which was included in the term 'employment' as defined in section 210(a) as a result of the provisions of section 210(l)" and inserting in lieu thereof "service, as a member of a uniformed service, to which the provisions of section 210(l)(1) are applicable".

(b) (1) Section 3121(b) of the Internal Revenue Code of 1954 (relating to definition of employment) is amended by striking out paragraphs (5) and (6).

(2) (A) Section 3121(m)(1) of such Code (relating to service in the uniformed services) is amended to read as follows:

"(1) INCLUSION OF SERVICE.—The term 'employment' shall include service (other than service performed while on leave without pay) which is performed by an individual as a member of a uniformed service on active duty after December 1956."

(B) Section 3121(p) of such Code (relating to Peace Corps volunteer service) is amended by striking out ", notwithstanding the provisions of subsection (b) of this section.",

(c) The amendments made by this section shall be effective with respect to service performed after December 1981.

(d) (1) As soon as possible after the enactment of this Act, the Secretary of Health, Education, and Welfare in consultation with the Civil Service Commission shall undertake and carry out a detailed study of how best to coordinate the benefits of the civil service retirement system and the benefits of the old-age, survivors, and disability insurance system, with the objective of developing for Federal employees a combined program of retirement, disability, and related benefits which will assure that such employees are no worse off, comparing their benefits under the combined program with the benefits they would receive under the Federal staff retirement systems then in effect, upon their coverage under the old-age, survivors, and disability insurance system pursuant to the amendments made by this section.

(2) Upon the completion of the study under paragraph (1) and in any event no later than January 1, 1980, the Secretary shall submit to the Congress a full and complete report on the results of such study together with a specific and detailed plan for coordinating the benefits of the civil service

retirement system and the benefits of the old-age, survivors, and disability insurance system (along with such comments or recommendations as may be appropriate with respect to other staff retirement systems covering Federal employees). The plan so submitted shall include such financing and benefit provisions and other features as may be necessary to assure that the employees involved will not be placed at a disadvantage by the coordination of the benefits of the systems as compared with their treatment under the Federal staff retirement systems in effect prior to such coordination.

(e) In addition to and along with the study provided for under subsection (d), the Secretary shall carry out a study of how best to coordinate the Medicare program and the program established by the Federal Employees Health Benefits Act, with the objective of developing for Federal employees a combined program of health insurance benefits to accompany the retirement and disability program developed under subsection (d). Such combined program shall include the features necessary to assure that Federal employees are no worse under that program, in terms of benefits, than they were under the Federal Employees Health Benefits Act as theretofore in effect. The study under this subsection shall in general take into account the same aspects of the two health insurance programs and their coordination as those taken into account (with respect to the two retirement and disability systems) under subsection (d); and the report submitted under subsection (d) (2) shall include or be accompanied by a full and complete report on the results of the study under this subsection.

Conform the table of contents (on page 117).

Page 119, line 18, strike out "5.25 percent" and insert in lieu thereof "5.23 percent."

Page 120, line 2, strike out "5.55 percent" and insert in lieu thereof "5.53 percent."

Page 120, line 4, strike out "6.10 percent" and insert in lieu thereof "6.08 percent."

Page 120, lines 16 and 17, strike out "5.25 percent" and insert in lieu thereof "5.23 percent."

Page 120, line 20, strike out "5.55 percent" and insert in lieu thereof "5.53 percent."

Page 120, line 22, strike out "6.10 percent" and insert in lieu thereof "6.08 percent."

Page 121, line 14, strike out "7.90 percent" and insert in lieu thereof "7.87 percent."

Page 121, line 18, strike out "8.30 percent" and insert in lieu thereof "8.27 percent."

Page 121, line 21, strike out "9.15 percent" and insert in lieu thereof "9.12 percent."

Page 125, line 25, strike out "\$29,700" and insert in lieu thereof "\$27,900".

Beginning on page 125, strike out section 103.

On page 119, line 11, strike out "1977" and insert in lieu thereof "1978".

On page 119, strike out lines 13 to 15 and insert in lieu thereof "(2) with respect to wages received during the calendar year 1979, the rate shall be 5.225 percent and with respect to wages received during the calendar year 1980, the rate shall be 5.50 percent".

On page 119, line 17, strike out "1984" and insert in lieu thereof "1985".

On page 119, line 18, strike out "5.15" and insert in lieu thereof "5.825".

On page 120, line 1, strike out "1985 through 1989" and insert in lieu thereof "1986 through 2010".

On page 120, line 2, strike out "5.45" and insert in lieu thereof "5.70".

On page 120, line 4, strike out "1989" and "6.00" and insert in lieu thereof "2010" and "6.70", respectively.

On page 120, line 10, strike out "1977" and insert in lieu thereof "1978".

On page 120, strike out lines 12 to 14 and insert in lieu thereof "(2) with respect to wages received during the calendar year 1979,

the rate shall be 5.225 percent and with respect to wages received during the calendar year 1980, the rate shall be 5.50 percent."

On page 120, line 16, strike out "1984" and insert in lieu thereof "1985".

On page 120, line 16, strike out "5.15" and insert in lieu thereof "5.825".

On page 120, line 19, strike out "1985 through 1989" and insert in lieu thereof "1986 through 2010".

On page 120, line 20, strike out "5.45" and insert in lieu thereof "5.70".

On page 120, line 22, strike out "1989" and "6.00" and insert in lieu thereof "2010" and "6.70", respectively.

On page 121, line 5, strike out "1978" and insert in lieu thereof "1979".

On page 121, strike out lines 8 to 11, and insert in lieu thereof "in the case of any taxable year beginning after December 31, 1978 and before January 1, 1980, the tax shall be equal to 7.30 percent of the amount of the self-employment income for such taxable year and in the case of any taxable year beginning after December 31, 1979 and before January 1, 1981, the tax shall be equal to 7.55 percent of the amount of self-employment income for such taxable year."

On page 121, line 13, strike out "1985" and insert in lieu thereof "1986".

On page 121, line 14, strike out "7.70" and insert in lieu thereof "8.10".

On page 121, line 17, strike out "1984, and before January 1, 1990," and insert in lieu thereof "1985, and before January 1, 2011".

Page 121, line 21, strike out "1989" and insert in lieu thereof "2010".

Page 124, line 7, strike out "1.50" and insert in lieu thereof "1.55".

Page 124, line 9, strike out "1.60" and insert in lieu thereof "1.70".

Page 124, line 11, strike out "1.80" and insert in lieu thereof "1.90".

Page 124, line 14, strike out "2.20" and insert in lieu thereof "2.30".

Section 1817(a) of the Social Security Act is amended as follows:

(1) In paragraph (1), by inserting "and before January 1, 1979" after "1965" and by inserting ", and 133 1/2 per centum of such taxes on wages reported in calendar year 1979 and 200 per centum of such taxes on wages reported for calendar years after 1979" before the semicolon.

(2) In paragraph (2), by inserting "for taxable years ending before January 1, 1979" after "income" the first time that it occurs and by inserting ", and 133 per centum of such taxes on self-employment income reported for taxable years ending in calendar year 1979 and 200 per centum of such taxes on self-employment income reported for taxable years ending after calendar year 1979" before the period.

Page 122, line 14, strike out "1.45" and insert in lieu thereof "1978".

Page 122, strike out lines 7 to 9 and insert in lieu thereof "(2) with respect to wages received during calendar year 1979, the rate shall be .725 percent, and with respect to wages received during calendar year 1980, the rate shall be .55 percent".

Page 122, line 12, strike out "1.30" and insert in lieu thereof ".675".

Page 122, line 14, strike out "1.45" and insert in lieu thereof ".75".

Page 122, line 20, strike out "1977" and insert in lieu thereof "1978".

Page 122, strike out lines 22 to 24 and insert in lieu thereof "(2) with respect to wages received during calendar year 1979, the rate shall be .725 percent, and with respect to wages received during calendar year 1980, the rate shall be .55 percent."

Page 123, line 1, strike out "1.30" and insert in lieu thereof ".675".

Page 123, line 4, strike out "1.45" and insert in lieu thereof ".75".

Page 123, line 10, strike out "1978" and insert in lieu thereof "1979".

Page 123, strike out lines 13 to 16 and insert in lieu thereof "(2) in the case of any taxable year beginning after December 31, 1978, and before January 1, 1980, the tax shall be equal to .725 percent of the amount of the self-employment income for such taxable year, and in the case of any taxable year beginning after December 31, 1979, and before January 1, 1981, the tax shall be equal to .55 percent of the amount of the self-employment income for such taxable year".

Page 123, line 19, strike out "1.30" and insert in lieu thereof ".675".

Page 123, line 22, strike out "1.45" and insert in lieu thereof ".75".

Mr. CONABLE (during the reading). Mr. Speaker, I ask unanimous consent that the motion to recommit be considered as read and printed in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

The SPEAKER. The gentleman from New York (Mr. CONABLE) is recognized for 5 minutes in support of his motion to recommit.

Mr. RHODES. Mr. Speaker, will the gentleman yield?

Mr. CONABLE. I yield to the gentleman from Arizona (Mr. RHODES), the distinguished minority leader.

(Mr. RHODES asked and was given permission to revise and extend his remarks.)

Mr. RHODES. Mr. Speaker, I rise to support the motion to recommit the bill, H.R. 9346, offered by the gentleman from New York (Mr. CONABLE).

Some months ago I joined with my Republican colleagues in offering a 15-point plan to restore the fiscal integrity of the social security system. The intent of our plan was to restore the system to a sound financial footing, to remove discrimination, to eliminate the limitation on income and to keep these payroll taxes paid by American wage earners as low as possible.

Today we are faced with H.R. 9346, a bill supported by the Democratic majority which will result in a tripling of the social security taxes paid by American wage earners and employers. This motion to recommit is our last chance to preserve the integrity of the social security system without placing such an onerous tax burden on the people of this country.

The motion to recommit is not always the easiest way to amend legislation. There are severe limitations placed on what the minority can do under the motion to recommit and the merits are often overlooked on the basis of partisan politics. I appeal to my colleagues, especially on the majority side, to put aside partisan politics and to consider this motion to recommit on its merits.

The motion to recommit would not place State and local employees under the social security system. There is adequate provision in existing law for these employees to join social security on a voluntary basis. I oppose any mandatory inclusion of State and local employees under the social security system.

I urge all my colleagues to support the motion to recommit.

Mr. CONABLE. Mr. Speaker, we have had a rapid march of events here on the floor. I think it is important for the

Members to understand what is being offered by the minority in this motion to recommit. It is, I think, something the Members will want to consider very seriously.

There are three major proposals in the motion to recommit.

First, we do bring Federal civilian employees under social security coverage by January 1, 1982, following a study to assure affected employees they will be at least as well off under the changes as under existing law. We do not bring in State and local employees.

Second, we reallocate taxes from the hospital insurance or medicare trust fund to old-age survivor and disability trust fund, as follows:

In 1979, we reallocate 25 percent of the hospital insurance taxes to OASDI. In 1980, we reallocate 50 percent of the hospital insurance taxes to OASDI. Thereafter, the hospital insurance trust fund would be reimbursed for reallocated revenues from the general funds of the Treasury.

Mr. Speaker, I say to my friends who may be concerned about this that this was the original proposal of one of our distinguished former colleagues, John Byrnes. The hospital insurance trust fund is not an actuarially constituted trust fund. People qualify for medicare on the basis of their coverage, no matter how much they have paid into the system. So I much prefer this type of general treasury contribution to the trust funds over the generalized loaning that is permitted under the committee bill and which our friend, the gentleman from Texas (Mr. PICKLE), tried to strike out yesterday.

This motion to recommit also removes authority from the committee bill for trust funds to borrow generally from the general funds of the Treasury; in other words, the General Treasury will contribute only the reallocated portion of the hospital insurance fund.

Let me give the Members some idea as to what this accomplishes for us in this bill. As we watched this bill proceed in its consideration on the floor of the House, I think many Members have become greatly concerned about the tremendous tax increases that are involved for the working people of this country and for the employers.

This bill, through the transfer to OASDI, would take funds out of the hospital insurance fund. Under this motion to recommit, we would in 1979 transfer \$5.6 billion, in 1980 \$12.3 billion, in 1981 \$16.1 billion, and so forth.

The result of this, may I say to my colleagues who are concerned about the size of the tax increase, is that we will be able to stay with existing law as to both the base and the rate. Existing law involves some increase in both the base and the rate, but what the committee bill does is to go far beyond that.

It seems to me, given the state of unemployment in this country, we would be far better off to avoid increasing the taxes on labor. Reallocation of the hospital insurance taxes will, in short, save

us a staggering load on the backs of American labor.

Mr. STEIGER. Mr. Speaker, will the gentleman yield?

Mr. CONABLE. I yield to my friend, the gentleman from Wisconsin.

Mr. STEIGER. Mr. Speaker, I thank my colleague for yielding.

May I say to the House that this motion to recommit is, I think, exceedingly thoughtful in the approach that it takes. Let us recognize that the bill that is before us, as reported by the committee and as amended on the floor, imposes staggering tax burdens upon the American people. It does so because the Committee on Ways and Means was unwilling to deal with the issue of how to handle the hospital trust fund.

So the motion to recommit, by the combination of general revenues put in only that trust fund, gives us a chance to have a balanced, sound, stable social security system, one that does not impose this kind of additional taxes and one which provides far greater equity.

Mr. Speaker, it is a significant improvement upon the bill which comes from the Committee on Ways and Means, and I urge its adoption.

Mr. CONABLE. Mr. Speaker, I call the attention of my colleagues to the summary of this motion to recommit, which is available at the minority desk if anyone wishes to see it.

Mr. ROUSSELOT. Mr. Speaker, will the gentleman yield?

Mr. CONABLE. I yield to the gentleman from California.

Mr. ROUSSELOT. I thank my colleague for yielding. Mr. Speaker, one major point of this motion to recommit is that the social security taxes imposed are less than those in the committee bill because both the rates and wage base schedules are lower?

Mr. CONABLE. Yes, that is the whole idea.

The SPEAKER. The gentleman from Oregon (Mr. ULLMAN) is recognized for 5 minutes in opposition to the motion to recommit.

Mr. ULLMAN. Mr. Speaker, what the minority has done here is to reinstitute the coverage of Federal employees. We had a vote of 386 to 38, by which the Members of this body decided that they did not want the Federal employees covered.

Mr. RHODES. Mr. Speaker, will the gentleman yield?

Mr. ULLMAN. I yield to the minority leader.

Mr. RHODES. Mr. Speaker, I have asked the gentleman to yield at this point so I may make a correction.

The vote was not just on Federal employees; it was on State and local employees as well.

Mr. ULLMAN. Mr. Speaker, it is true that we did not have a vote just on Federal employees, but I venture to say that was the basis for most of the opposition to the committee bill.

The other thing that the minority has done is this: It has phased the hospital insurance fund out of social security and has gone to general revenue funding for

the hospital insurance fund. Well, at some point we are going to have to face up to the health insurance problems in this country, possibly in the next Congress, but now is not the time to commit ourselves to general revenue funding of health costs under medicare.

Therefore, they have done two things: They have eliminated the bulk of the medicare program from the social security financing, and they have included Federal employees. By doing those two things, they are able to adjust the rates in a more favorable manner; but I think all of us here have already agreed that we did not want to solve the problems of the social security system through the inclusion of Federal employees at this time.

Some time in the future I am going to support that proposition, and also at some time in the future, if we solve the health problem overall, we may be able to move toward a separate kind of financing, but not through general revenues.

When we move health costs out of social security, we are going to have to adopt a new revenue component and not dump that cost on the income taxpayers of the country.

Mr. CONABLE. Mr. Speaker, will the gentleman yield for a question?

Mr. ULLMAN. I yield to the gentleman from New York.

Mr. CONABLE. Mr. Speaker, we are not eliminating the payroll tax for health insurance. We are simply diverting half of it.

The Committee on Ways and Means would still have jurisdiction.

Mr. ULLMAN. Mr. Speaker, I am glad for the correction.

I did not get the recommittal motion until a minute before it was offered. Consequently, I have not had a chance to study it. However, what we are doing is taking 50 percent of the current costs and putting them under general revenues.

Mr. Speaker, this has been a fine debate on the problems of social security. I think that the bill which we have to vote on is a sound one.

Mr. Speaker, I strongly urge the Members to vote down the recommittal motion. We have already, I think, made our determination with respect to coverage of Federal employees. Under the motion to recommit they would try to reimpose that coverage.

Mr. Speaker, let us vote down the recommittal motion, and let us have a good, strong vote for final passage of this very important social security bill.

The SPEAKER. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER. The question is on the motion to recommit.

Mr. CONABLE. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 57, nays 363, not voting 14, as follows:

[Roll No. 706]

YEAS—57

Anderson, Ill.
Badham
Bafalis
Beard, Tenn.
Bonior
Brown, Mich.
Burgener
Clausen,
Don H.
Cleveland
Cochran
Cohen
Conable
Crane
D'Amours
Dornan
Duncan, Tenn.
Erlenborn
Evans, Colo.
Evans, Ind.

Fenwick
Fithian
Frenzel
Gibbons
Gonzales
Gradison
Hagedorn
Hansen
Jeffords
Johnson, Colo.
Kelly
Kemp
Ketchum
Keys
Lent
Levitas
McDonald
McEwen
Marks
Martin

Michel
Pettis
Pritchard
Rhodes
Robinson
Schulze
Stange and
Stanton
Steiger
Studds
Symms
Treen
Vander Jagt
Weiss
Wiggins
Wilson, Bob
Wirth
Wylder

NAYS—363

Abdnor
Addabbo
Akaka
Alexander
Allen
Ambro
Ammerman
Anderson,
Calif.
Andrews, N.C.
Andrews,
N. Dak.
Annunzio
Applegate
Archer
Armstrong
Ashbrook
Ashley
Aspin
Badillo
Baldus
Bernard
Baucus
Bauman
Beard, R.I.
Bedell
Bellenson
Benjamin
Bennett
Bevill
Biaggi
Bingham
Blanchard
Blouin
Boggs
Boland
Bonker
Bowen
Brademas
Breaux
Breckinridge
Brinkley
Brookhead
Brooks
Broomfield
Brown, Calif.
Brown, Ohio
Broyhill
Buchanan
Burke, Calif.
Burke, Fla.
Burleson, Tex.
Burlison, Mo.
Burton, John
Burton, Phillip
Butler
Byron
Caputo
Carney
Carr
Cavanaugh
Cederberg
Chappell
Chisholm
Clay
Coleman
Collins, Ill.
Collins, Tex.
Conte
Conyers
Corcoran
Corman
Cornell
Cornwell
Cotter
Coughlin
Cunningham

Daniel, Dan
Daniel, R. W.
Danielson
Davis
de la Garza
DeLaney
Dellums
Dent
Derrick
Derwinski
Devine
Dickinson
Dicks
Diggs
Dingell
Downey
Drinan
Duncan, Oreg.
Early
Eckhardt
Edgar
Edwards, Ala.
Edwards, Calif.
Edwards, Okla.
Eilberg
Emery
English
Ertel
Evans, Del.
Evans, Ga.
Fary
Fascell
Findley
Fisher
Fisher
Flippo
Flood
Florio
Flynt
Foley
Ford, Mich.
Ford, Tenn.
Forsythe
Fountain
Fowler
Fraser
Frey
Fuqua
Gammage
Gaydos
Gephardt
Gizmo
Glman
Ginn
Glickman
Goldwater
Goodling
Gore
Grassley
Gudger
Guyer
Hall
Hamilton
Hammer
Schmidt
Hanley
Hannaford
Harkin
Harrington
Harris
Harsha
Hawkins
Heckler
Heffner
Hefel
Hightower
Hillis
Holland

Hollenbeck
Holt
Holtzman
Horton
Howard
Hubbard
Huckaby
Hughes
Hyde
Ichord
Ireland
Jacobs
Jenkins
Jenrette
Johnson, Calif.
Jones, N.C.
Jones, Okla.
Jones, Tenn.
Jordan
Kasten
Kastenmeier
Kazen
Kildeen
Kindness
Kostmayer
Krebs
Krueger
LaFalce
Lagomarsino
Latta
Le Fante
Leach
Lederer
Leggett
Lehman
Livingston
Lloyd, Calif.
Lloyd, Tenn.
Long, La.
Long, Md.
Lott
Lujan
Luken
Lundine
McCleary
McCormack
McDade
McFall
McKay
McKinney
Madigan
Maguire
Mahon
Mann
Markey
Marienée
Marriott
Mathis
Mattox
Mazzoli
Meeds
Metcalfe
Meyner
Mikulski
Milford
Miller, Calif.
Miller, Ohio
Mineta
Mitchell, Md.
Mitchell, N.Y.
Moakley
Moffett
Mollohan
Moore
Moorhead,
Calif.

Moorhead, Pa.
Moss
Mottl
Murphy, Ill.
Murphy, N.Y.
Murphy, Pa.
Murtha
Myers, Gary
Myers, John
Myers, Michael
Natcher
Neal
Nedzi
Nichols
Nix
Nolan
Nowak
O'Brien
Oskar
Oberstar
Obey
Ottinger
Pannetta
Patten
Patterson
Pease
Pepper
Perkins
Pickle
Pike
Poage
Preasler
Freyer
Price
Pursell
Quayle
Quie
Quillen
Rehall
Rallsback
Rangel
Regula
Reuss
Richmond

Rinaldo
Risenhoover
Roberts
Rodino
Roe
Rogers
Roncallo
Rooney
Rose
Rosenthal
Rostenkowski
Roussetot
Roybal
Rudd
Runnels
Ruppe
Russo
Ryan
Santini
Sarasin
Satterfield
Sawyer
Scheuer
Schroeder
Sebellus
Seiberling
Sharp
Shipley
Shuster
Sikes
Simon
Slak
Skelton
Skubitz
Slack
Smith, Iowa
Smith, Nebr.
Snyder
Solarz
Spellman
Spence
St Germain
Stagers
Stark
Steed

Steers
Stokes
Stratton
Stump
Taylor
Thompson
Thone
Thornton
Traxler
Trible
Teongas
Udall
Ullman
Van Deerlin
Vanik
Vento
Volkmmer
Waggonner
Walgren
Walker
Walsh
Wampler
Watkins
Waxman
Weaver
White
Whitehurst
Whitley
Whitten
Wilson, C. H.
Winn
Wolf
Wright
Wylie
Yates
Yatron
Young, Alaska
Young, Fla.
Young, Mo.
Young, Tex.
Zablocki
Zeferetti

Biaggi
Bingham
Blanchard
Blouin
Boggs
Boland
Bonker
Brademas
Breckinridge
Brinkley
Brooks
Brown, Calif.
Brown, Mich.
Broyhill
Burke, Calif.
Burke, Mass.
Burlison, Mo.
Burton, Phillip
Butler
Byron
Carney
Cavanaugh
Cederberg
Chisholm
Clausen,
Don H.
Clay
Collins, Ill.
Conyers
Corman
Cornell
Cornwell
Cotter
D'Amours
Daniel, R. W.
Danielson
Davis
de la Garza
DeLaney
Dellums
Dent
Derrick
Dicks
Diggs
Dingell
Downey
Drinan
Duncan, Oreg.
Early
Eckhardt
Edgar
Edwards, Ala.
Edwards, Calif.
Eilberg
Emery
Ertel
Evans, Colo.
Fary
Fascell
Findley
Fisher
Flippo
Flood
Florio
Flynt
Foley
Ford, Mich.
Ford, Tenn.
Forsythe
Fountain
Fowler
Fraser
Frey
Gammage
Gaydos
Gephardt
Gizmo
Glman
Ginn
Glickman
Gudger
Hall
Hamilton
Hanley
Hannaford

Harkin
Harrington
Harris
Hawkins
Heckler
Heffner
Hefel
Hightower
Hillis
Hollenbeck
Holtzman
Howard
Hubbard
Hughes
Ireland
Jenkins
Jenrette
Johnson, Calif.
Jones, N.C.
Jones, Tenn.
Jordan
Kastenmeier
Kelly
Keys
Kildee
Kostmayer
Krebs
Krueger
LaFalce
Latta
Le Fante
Lederer
Leggett
Levitas
Lloyd, Calif.
Long, La.
Long, Md.
Luken
McClary
McCloskey
McCormack
Dent
Derrick
Dicks
Diggs
Dingell
Downey
Drinan
Duncan, Oreg.
Early
Eckhardt
Edgar
Edwards, Ala.
Edwards, Calif.
Eilberg
Emery
Ertel
Evans, Colo.
Fary
Fascell
Findley
Fisher
Flippo
Flood
Florio
Flynt
Foley
Mollohan
Moorhead, Pa.
Moss
Murphy, Ill.
Murphy, N.Y.
Murphy, Pa.
Murtha
Myers, Michael
Natcher
Neal
Nedzi
Nichols
Nix
Nolan
Nowak
Oskar
Oberstar
Obey
Ottinger
Patten

Patterson
Pattison
Pease
Pepper
Perkins
Preasler
Freyer
Price
Rahall
Rangel
Richmond
Rinaldo
Risenhoover
Roberts
Robinson
Rodino
Roe
Rogers
Roncallo
Rooney
Rose
Rosenthal
Rostenkowski
Royal
Ruppe
Russo
Santini
Scheuer
Seiberling
Sharp
Shipley
Shuster
Sikes
Simon
Slak
Skelton
Skubitz
Slack
Smith, Iowa
Smith, Nebr.
Snyder
Solarz
Spellman
Spence
St Germain
Stagers
Stark
Steed
Stokes
Stratton
Studds
Thompson
Thornton
Traxler
Trible
Teongas
Tucker
Udall
Ullman
Van Deerlin
Vanik
Vento
Waggonner
Walgren
Walsh
Wampler
Watkins
Waxman
Weaver
Weiss
White
Whitehurst
Whitley
Wilson, Bob
Wilson, C. H.
Wilson, Tex.
Wolf
Wright
Wylie
Yates
Yatron
Young, Fla.
Young, Mo.
Zablocki
Zeferetti

NOT VOTING—14

AuCoin
Bolling
Carter
Clawson, Del.
Dodd
Flowers
Koch
McCloskey
McHugh
Montgomery
Stockman
Teague
Whalen
Wilson, Tex.

The Clerk announced the following pairs:

Mr. McHugh with Mr. Stockman.
Mr. Montgomery with Mr. Carter.
Mr. Dodd with Mr. Del Clawson.
Mr. AuCoin with Mr. McCloskey.
Mr. Koch with Mr. Flowers.
Mr. Teague with Mr. Charles Wilson of Texas.

Messrs. HEFNER, RUPPE, MOORE, EVANS of Georgia, GUYER, COLLINS of Texas, HUCKABY, FINDLEY, SATTERFIELD, GOODLING, GLICKMAN, ROUSSELOT, and MOORHEAD of California changed their vote from "yea" to "nay."

So the motion to recommit was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. WRIGHT). The question is on the passage of the bill.

The question was taken.
Mr. ULLMAN. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.
The vote was taken by electronic device, and there were—yeas 275, nays 146, not voting 13, as follows:

[Roll No. 706]

YEAS—275

Addabbo
Akaka
Alexander
Allen
Ambro
Ammerman
Anderson,
Calif.
Anderson, Ill.
Andrews, N.C.
Annunzio
Applegate
Asley
Aspin
Badillo
Bafalis
Baldus
Barnard
Baucus
Beard, R.I.
Bedell
Bellenson
Benjamin
Bevill

NAYS—146

Abdnor
Andrews,
N. Dak.
Archer
Armstrong
Ashbrook
Badham
Bauman
Beard, Tenn.
Bennett
Bonior
Bowen
Breaux
Brookhead
Broomfield
Brown, Ohio
Buchanan
Burdener
Burke, Fla.
Burleson, Tex.
Burton, John
Caputo
Chappell
Cleave and
Cochran
Cohen
Coleman
Collins, Tex.
Conable
Conte
Corcoran
Coughlin
Crane
Cunningham
Daniel, Dan
Derwinski
Devine
Dickinson
Duncan, Tenn.
Edwards, Okla.
English
Erlenborn
Evans, Del.
Evans, Ga.
Evans, Ind.
Findley
Fish

Fithian	Lent	Reuss
Frenzel	Livingston	Rhodes
Fuqua	Lloyd, Tenn.	Rousselot
Gibbons	Lott	Rudd
Goldwater	Lujan	Runnels
Gonzales	Lundine	Ryan
Goodling	McDade	Sarasin
Gore	McDonald	Satterfield
Gradison	McEwen	Sawyer
Grassley	McKinney	Schroeder
Guyer	Madigan	Schulze
Hagedorn	Mahon	Sebellus
Hammer-	Michel	Shuster
schmidt	Miller, Calif.	Smith, Nebr.
Hansen	Miller, Ohio	Spence
Harsha	Moore	Stansel and
Holland	Moorhead,	Stanton
Holt	Calif.	Steiger
Horton	Mottl	Stump
Huckaby	Myers, Gary	Symms
Hyde	Myers, John	Taylor
Ichord	O'Brien	Teague
Jacobs	Panetta	Thone
Jeffords	Pettis	Treen
Johnson, Colo.	Pickle	Vander Jagt
Jones, Okla.	Pike	Volkmer
Kasten	Poage	Walker
Kazen	Pritchard	Whitten
Kemp	Pursell	Winn
Ketchum	Quayle	Wirth
Kindness	Quile	Wyder
Lagomarsino	Quillen	Young, Alaska
Leach	Rallsback	Young, Tex.
Lehman	Regula	

NOT VOTING—13

AuCoin	Dornan	Stockman
Bolling	Flowers	Whalen
Carter	Koch	Wiggins
Clawson, Del	McHugh	
Dodd	Montgomery	

The Clerk announced the following pairs:

On this vote:

Mr. Dodd for, with Mr. Del Clawson against.
Mr. Carter for, with Mr. Dornan against.

Until further notice:

Mr. AuCoin with Mr. Flowers.
Mr. Montgomery with Mr. Stockman.
Mr. McHugh with Mr. Whalen.
Mr. Koch with Mr. Wiggins.

Mrs. FENWICK and Mr. RUSSO changed their vote from "nay" to "yea." So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

TITLE AMENDMENT TO H.R. 9346

Mr. ULLMAN. Mr. Speaker, I ask unanimous consent that the title of the bill, H.R. 9346, be amended to read as follows: "A bill to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes."

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Oregon?

Mr. ROUSSELOT. Mr. Speaker, reserving the right to object, will the gentleman explain to us why all of this is necessary?

Mr. ULLMAN. If the gentleman will yield, this is merely an amendment to the title to take into account the amendments that have been made to the bill.

Mr. ROUSSELOT. The gentleman can assure us that it in no way changes the substance of the bill from what we have passed?

Mr. ULLMAN. That is absolutely correct.

Mr. ROUSSELOT. I appreciate the gentleman's clarification, Mr. Speaker, and I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Oregon?

There was no objection.

GENERAL LEAVE

Mr. ULLMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on each of the amendments and on the bill just passed, H.R. 9346.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Oregon?

There was no objection.

H. R. 9346

IN THE SENATE OF THE UNITED STATES

OCTOBER 28 (legislative day, OCTOBER 21), 1977

Read twice and ordered to be placed on the calendar

AN ACT

To amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act, with the following table of contents, may be
4 cited as the "Social Security Financing Amendments of
5 1977".

TABLE OF CONTENTS

**TITLE I—PROVISIONS TO IMPROVE THE FINANCING OF
THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM**

- Sec. 101. Adjustments in tax rates.
- Sec. 102. Allocations to disability insurance trust fund.
- Sec. 103. Increases in earnings base.
- Sec. 104. Standby guarantee of trust fund levels.
- Sec. 105. Effective date.

**TITLE II—STABILIZATION OF REPLACEMENT RATES IN
THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM**

- Sec. 201. Computation of primary insurance amount.
- Sec. 202. Maximum benefits.
- Sec. 203. Increase in old-age benefit amounts for delayed retirement.
- Sec. 204. Conforming amendments.
- Sec. 205. Effective date.

**TITLE III—COVERAGE UNDER THE OLD-AGE, SURVIVORS,
AND DISABILITY INSURANCE PROGRAM**

- Sec. 301. Study concerning mandatory coverage of Federal employees.
- Sec. 302. Study concerning mandatory coverage of State and local employees.
- Sec. 303. Exclusion from coverage of certain limited partnership income.
- Sec. 304. Tax on employers of individuals who receive income from tips.
- Sec. 305. Revocation of exemption from coverage by clergymen.
- Sec. 306. International agreements with respect to social security benefits.
- Sec. 307. Validation of past social security coverage for certain Illinois policemen and firemen.
- Sec. 308. Coverage for policemen and firemen in Mississippi.
- Sec. 309. Coverage under divided retirement system for State and local employees in New Jersey.
- Sec. 310. Coverage of service under Wisconsin retirement system.

TITLE IV—ELIMINATION OF GENDER-BASED DISTINCTIONS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM**PART A—EQUALIZATION OF TREATMENT OF MEN AND WOMEN UNDER THE PROGRAM**

- Sec. 401. Divorced husbands.
- Sec. 402. Remarriage of surviving spouse before age 60.
- Sec. 403. Illegitimate children.
- Sec. 404. Transitional insured status.
- Sec. 405. Equalization of benefits under section 228.
- Sec. 406. Father's insurance benefits.
- Sec. 407. Effect of marriage on childhood disability beneficiary.
- Sec. 408. Effect of marriage on other dependents' or dependent survivors' benefits.

TABLE OF CONTENTS—Continued

TITLE IV—ELIMINATION OF GENDER-BASED DISTINCTIONS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM—Continued

PART A—EQUALIZATION OF TREATMENT OF MEN AND WOMEN UNDER THE PROGRAM—Continued

- Sec. 409. Treatment of self-employment income in community property States.
- Sec. 410. Credit for certain military service.
- Sec. 411. Conforming amendments.
- Sec. 412. Effective date.

PART B—EFFECT OF MARRIAGE, REMARRIAGE, AND DIVORCE ON BENEFIT ELIGIBILITY

- Sec. 415. Elimination of marriage or remarriage as factor terminating or reducing benefits.
- Sec. 416. Duration-of-marriage requirement for divorced spouses and surviving divorced spouses.
- Sec. 417. Effective date.

PART C—STUDY

- Sec. 421. Study of proposals to eliminate dependency and sex discrimination under the social security program.

TITLE V—CHANGES IN EARNINGS TEST UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

- Sec. 501. Liberalization and eventual repeal of earnings test for individuals age 65 and over.
- Sec. 502. Elimination of monthly earnings test.
- Sec. 503. Liberalization of test for determining deductions on account of noncovered work outside the United States.

TITLE VI—COMBINED SOCIAL SECURITY AND INCOME TAX ANNUAL REPORTING

PART A—AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT

- Sec. 601. Annual crediting of quarters of coverage.
- Sec. 602. Adjustment in amount required for a quarter of coverage.
- Sec. 603. Technical and conforming amendments.

PART B—AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1954

- Sec. 611. Deduction of tax from wages.
- Sec. 612. Technical and conforming amendments.

PART C—CONFORMING AMENDMENT TO THE RAILROAD RETIREMENT ACT OF 1974

- Sec. 621. Computation of employee annuities.

TABLE OF CONTENTS—Continued

TITLE VII—MISCELLANEOUS PROVISIONS

- Sec. 701. Actuarial reduction of benefit increases to be applied as of time of original entitlement.
- Sec. 702. Elimination of certain optional payment procedures under the old-age, survivors, and disability insurance program.
- Sec. 703. Early mailing of benefit checks where regularly scheduled delivery day falls on Saturday, Sunday, or legal holiday.
- Sec. 704. Definition.

TITLE VIII—NATIONAL COMMISSION ON SOCIAL SECURITY

- Sec. 801. Establish a National Commission on Social Security.

1 TITLE I—PROVISIONS TO IMPROVE THE FI-
 2 NANCING OF THE OLD-AGE, SURVIVORS,
 3 AND DISABILITY INSURANCE PROGRAM

4 ADJUSTMENTS IN TAX RATES

- 5 SEC. 101. (a) (1) Section 3101 (a) of the Internal
 6 Revenue Code of 1954 (relating to rate of tax on employees
 7 for purposes of old-age, survivors, and disability insurance)
 8 is amended by striking out paragraphs (1) and (2) and
 9 inserting in lieu thereof the following:

10 “(1) with respect to wages received during the
 11 calendar years 1974 through 1977, the rate shall be
 12 4.95 percent;

13 “(2) with respect to wages received during the
 14 calendar years 1978 through 1980, the rate shall be
 15 5.05 percent;

16 “(3) with respect to wages received during the
 17 calendar year 1981, the rate shall be 5.25 percent;

18 “(4) with respect to wages received during the

1 calendar years 1982 through 1984, the rate shall be
2 5.35 percent;

3 “(5) with respect to wages received during the
4 calendar years 1985 through 1989, the rate shall be
5 5.65 percent; and

6 “(6) with respect to wages received after Decem-
7 ber 31, 1989, the rate shall be 6.20 percent.”.

8 (2) Section 3111(a) of such Code (relating to rate
9 of tax on employers for purposes of old-age, survivors, and
10 disability insurance) is amended by striking out paragraphs
11 (1) and (2) and inserting in lieu thereof the following:

12 “(1) with respect to wages paid during the cal-
13 endar years 1974 through 1977, the rate shall be 4.95
14 percent;

15 “(2) with respect to wages paid during the cal-
16 endar years 1978 through 1980, the rate shall be 5.05
17 percent;

18 “(3) with respect to wages paid during the calen-
19 dar year 1981, the rate shall be 5.25 percent;

20 “(4) with respect to wages paid during the cal-
21 endar years 1982 through 1984, the rate shall be 5.35
22 percent;

23 “(5) with respect to wages received during the
24 calendar years 1985 through 1989, the rate shall be
25 5.65 percent; and

1 “(6) with respect to wages paid after December 31,
2 1989, the rate shall be 6.20 percent.”.

3 (3) Section 1401 (a) of such Code (relating to rate of
4 tax on self-employment income for purposes of old-age,
5 survivors, and disability insurance) is amended by striking
6 out “a tax” and all that follows and inserting in lieu thereof
7 the following: “a tax as follows:

8 “(1) in the case of any taxable year beginning
9 before January 1, 1978, the tax shall be equal to 7.0
10 percent of the amount of the self-employment income
11 for such taxable year;

12 “(2) in the case of any taxable year beginning
13 after December 31, 1977, and before January 1, 1981,
14 the tax shall be equal to 7.10 percent of the amount of
15 the self-employment income for such taxable year;

16 “(3) in the case of any taxable year beginning
17 after December 31, 1980, and before January 1, 1982,
18 the tax shall be equal to 7.90 percent of the amount of
19 the self-employment income for such taxable year;

20 “(4) in the case of any taxable year beginning after
21 December 31, 1981, and before January 1, 1985, the
22 tax shall be equal to 8.05 percent of the amount of the
23 self-employment income for such taxable year;

24 “(5) in the case of any taxable year beginning after
25 December 31, 1984, and before January 1, 1990, the

1 tax shall be equal to 8.45 percent of the amount of the
2 self-employment income for such taxable year; and

3 “(6) in the case of any taxable year beginning
4 after December 31, 1989, the tax shall be equal to 9.30
5 percent of the amount of the self-employment income
6 for such taxable year.”.

7 (b) (1) Section 3101 (b) of such Code (relating to rate
8 of tax on employees for purposes of hospital insurance) is
9 amended by striking out paragraphs (1) through (4) and
10 inserting in lieu thereof the following:

11 “(1) with respect to wages received during the
12 calendar years 1974 through 1977, the rate shall be
13 0.90 percent;

14 “(2) with respect to wages received during the
15 calendar years 1978 through 1980, the rate shall be
16 1.00 percent;

17 “(3) with respect to wages received during the
18 calendar years 1981 through 1985, the rate shall be
19 1.30 percent; and

20 “(4) with respect to wages received after Decem-
21 ber 31, 1985, the rate shall be 1.45 percent.”.

22 (2) Section 3111 (b) of such Code (relating to rate of
23 tax on employers for purposes of hospital insurance) is
24 amended by striking out paragraphs (1) through (4) and
25 inserting in lieu thereof the following:

1 “(1) with respect to wages paid during the cal-
2 endar years 1974 through 1977, the rate shall be 0.90
3 percent;

4 “(2) with respect to wages paid during the cal-
5 endar years 1978 through 1980, the rate shall be 1.00
6 percent;

7 “(3) with respect to wages paid during the cal-
8 endar years 1981 through 1985, the rate shall be 1.30
9 percent; and

10 “(4) with respect to wages paid after December 31,
11 1985, the rate shall be 1.45 percent.”.

12 (3) Section 1401 (b) of such Code (relating to tax on
13 self-employment income for purposes of hospital insurance)
14 is amended by striking out paragraphs (1) through (4) and
15 inserting in lieu thereof the following:

16 “(1) in the case of any taxable year beginning
17 after December 31, 1973, and before January 1, 1978,
18 the tax shall be equal to 0.90 percent of the amount of
19 the self-employment income for such taxable year;

20 “(2) in the case of any taxable year beginning after
21 December 31, 1977, and before January 1, 1981, the
22 tax shall be equal to 1.00 percent of the amount of the
23 self-employment income for such taxable year;

24 “(3) in the case of any taxable year beginning after
25 December 31, 1980, and before January 1, 1986, the

1 tax shall be equal to 1.30 percent of the amount of the
2 self-employment income for such taxable year; and

3 “(4) in the case of any taxable year beginning after
4 December 31, 1985, the tax shall be equal to 1.45 per-
5 cent of the amount of the self-employment income for
6 such taxable year.”.

7 ALLOCATIONS TO DISABILITY INSURANCE TRUST FUND

8 SEC. 102. (a) (1) Section 201 (b) (1) of the Social
9 Security Act is amended by striking out clauses (G)
10 through (J) and inserting in lieu thereof the following:
11 “(G) 1.55 per centum of the wages (as so defined) paid
12 after December 31, 1977, and before January 1, 1979, and
13 so reported, (H) 1.50 per centum of the wages (as so
14 defined) paid after December 31, 1978, and before Janu-
15 ary 1, 1981, and so reported, (I) 1.60 per centum of the
16 wages (as so defined) paid after December 31, 1980, and
17 before January 1, 1985, and so reported, (J) 1.80 per
18 centum of the wages (as so defined) paid after Decem-
19 ber 31, 1984, and before January 1, 1990, and so reported,
20 and (K) 2.20 per centum of the wages (as so defined)
21 paid after December 31, 1989, and so reported,”.

22 (2) Section 201 (b) (2) of such Act is amended by
23 striking out clauses (G) through (J) and inserting in lieu
24 thereof the following: “(G) 1.090 per centum of the amount
25 of self-employment income (as so defined) so reported for any

1 taxable year beginning after December 31, 1977, and before
2 January 1, 1979, (H) 1.055 per centum of the amount of
3 self-employment income (as so defined) so reported for any
4 taxable year beginning after December 31, 1978, and before
5 January 1, 1981, (I) 1.200 per centum of the amount of
6 self-employment income (as so defined) so reported for any
7 taxable year beginning after December 31, 1980, and before
8 January 1, 1985, (J) 1.350 per centum of the amount of
9 self-employment income (as so defined) so reported for any
10 taxable year beginning after December 31, 1984, and before
11 January 1, 1990, and (K) 1.650 per centum of the amount
12 of self-employment income (as so defined) so reported for
13 any taxable year beginning after December 31, 1989.”

14

INCREASES IN EARNINGS BASE

15 SEC. 103. (a) (1) Section 230 (a) of the Social Security
16 Act is amended by inserting “or (c)” after “determined
17 under subsection (b)”.

18 (2) Section 230 (b) of such Act is amended by striking
19 out “shall be” in the matter preceding paragraph (1) and
20 inserting in lieu thereof “shall (subject to subsection (c))
21 be”.

22 (b) Section 230 (c) of such Act is amended—

23 (1) by inserting “(1)” immediately before “the
24 ‘contribution and benefit base’”; and

1 (2) by striking out “section.” and inserting in lieu
2 thereof the following:

3 “section, and (2) the ‘contribution and benefit base’ with
4 respect to remuneration paid (and taxable years begin-
5 ning) —

6 “(A) in 1978 shall be \$19,900,

7 “(B) in 1979 shall be \$22,900,

8 “(C) in 1980 shall be \$25,900, and

9 “(D) in 1981 shall be \$29,700.

10 For purposes of determining under subsection (b) the ‘con-
11 tribution and benefit base’ with respect to remuneration paid
12 (and taxable years beginning) in 1982 and subsequent years,
13 the dollar amounts specified in clause (2) of the preceding
14 sentence shall be considered to have resulted from the applica-
15 tion of such subsection (b) and to be the amount determined
16 (with respect to the years involved) under that subsection.
17 For purposes of determining employer tax liability under
18 section 3221 (a) of the Internal Revenue Code of 1954 and
19 for purposes of computing average monthly compensation
20 under section 3 (j) of the Railroad Retirement Act of 1974,
21 except with respect to annuity amounts determined under
22 section 3 (a) or 3 (f) (3) of such Act, clause (2) and the
23 preceding sentence of this subsection shall be disregarded.”.

1 (c) (1) Section 230 of such Act is further amended by
2 adding at the end thereof the following new subsection:

3 “(d) Notwithstanding any other provision of law, the
4 contribution and benefit base determined under this section
5 for any calendar year after 1976 for purposes of section
6 4022 (b) (3) (B) of Public Law 93-406, with respect to any
7 plan, shall be the contribution and benefit base that would
8 have been determined for such year if this section as in effect
9 immediately prior to the enactment of the Social Security
10 Financing Amendments of 1977 had remained in effect
11 without change.”.

12 (2) The amendment made by paragraph (1) shall
13 apply with respect to plan terminations occurring after the
14 date of the enactment of this Act.

15 (d) (1) The second sentence of section 215 (i) (2) (D)
16 (v) of such Act is amended by striking out “is equal to
17 one-twelfth of the new contribution and benefit base” and
18 inserting in lieu thereof “is equal to, or exceeds by less than
19 \$5, one-twelfth of the new contribution and benefit base”.

20 (2) The third sentence of section 215 (i) (2) (D) (v)
21 of such Act is amended by striking out all that follows
22 “clause (iv)” and inserting in lieu thereof “plus 20 per-
23 cent of the excess of the second figure in the last line of
24 column III as extended under the preceding sentence over

1 such second figure for the calendar year in which the table
2 of benefits is revised.”.

3 STANDBY GUARANTEE OF TRUST FUND LEVELS

4 SEC. 104. (a) Section 201 of the Social Security Act is
5 amended by adding at the end thereof the following new
6 subsection:

7 “(j) (1) If at the close of any calendar year after 1977
8 the balance remaining in the Federal Old-Age and Survivors
9 Insurance Trust Fund or the Federal Disability Insurance
10 Trust Fund (as determined by the Secretary of the Treasury
11 in the following February) is less than 25 percent of the
12 total amount of the expenditures made from such fund under
13 this title during that calendar year, there is hereby appro-
14 priated to the Secretary of the Treasury for loans to such
15 fund, out of any moneys in the Treasury not otherwise ap-
16 propriated, as of the following July 1, an amount equal
17 to the difference between (A) such balance, and (B) $27\frac{1}{2}$
18 percent of the total amount of such expenditures.

19 “(2) If at the close of any calendar year succeeding a
20 calendar year with respect to which an appropriation for
21 loans to either trust fund is made under paragraph (1)—

22 “(A) the balance remaining in that fund (as deter-
23 mined by the Secretary of the Treasury in the following
24 February) is less than 35 percent of the total amount

1 of the expenditures made from such fund under this title
2 during such succeeding calendar year (whether or not
3 an appropriation for loans to such fund is made under
4 paragraph (1) with respect to such succeeding year),
5 and

6 “(B) the outstanding balance of all loans (includ-
7 ing accumulated interest) which were made to such
8 fund under paragraph (1) with respect to calendar years
9 before such succeeding year (and which have not been
10 repaid to the Treasury under paragraph (3)) is \$2,-
11 000,000,000 or more,

12 the taxes imposed by sections 1401 (a), 3101 (a), and 3111
13 (a) of the Internal Revenue Code of 1954 with respect to
14 wages received or paid (and taxable years beginning) in
15 the second calendar year after such succeeding year shall
16 be increased as provided in section 3125 of such Code.

17 “(3) Any amount appropriated for loans to either
18 trust fund with respect to any calendar year under para-
19 graph (1) shall be repaid, with interest, by transfer from
20 such fund to the general fund of the Treasury. A repay-
21 ment of such amount shall be made on July 1 next succeed-
22 ing any subsequent calendar year at the close of which (as
23 determined by the Secretary of the Treasury in the follow-
24 ing February) the balance remaining in such fund exceeds

1 30 percent of the total amount of the expenditures made
2 from such fund under this title during that calendar year,
3 and any such repayment shall be in an amount equal to
4 the difference between (A) such balance, and (B) 30 per-
5 cent of the total amount of such expenditures. Interest on
6 any such loan shall be at a rate, as determined by the Sec-
7 retary of the Treasury, equal to the average market yield
8 on the outstanding marketable obligations of the United
9 States of comparable maturities at the time the loan was
10 made.”.

11 (b) (1) (A) Section 1401 (a) of the Internal Revenue
12 Code of 1954 (as amended by section 101 (a) (3) of this
13 Act) is amended by inserting “(subject to section 3125)”
14 after “a tax” in the matter preceding paragraph (1).

15 (B) Sections 3101 (a) and 3111 (a) of such Code (as
16 amended by section 101 (a) (1) and (2) of this Act) are
17 each amended by inserting “(subject to section 3125)” after
18 “equal to the following percentages” in the matter pre-
19 ceding paragraph (1).

20 (2) (A) Chapter 21 of such Code (the Federal Insur-
21 ance Contributions Act) is further amended by redesignating
22 sections 3125 and 3126 as sections 3126 and 3127, respec-
23 tively, and by inserting after section 3124 the following new
24 section:

1 **"SEC. 3125. INCREASE IN TAX RATES TO ASSURE REPAY-**
 2 **MENT OF LOANS MADE TO TRUST FUNDS.**

3 "Whenever an appropriation has been made under sec-
 4 tion 201 (j) (1) of the Social Security Act for loans to the
 5 Federal Old-Age and Survivors Insurance Trust Fund or
 6 the Federal Disability Insurance Trust Fund, and section
 7 201 (j) (2) of such Act applies with respect to a succeeding
 8 calendar year, each of the rates of tax which would otherwise
 9 be effective under sections 3101 (a) and 3111 (a) with re-
 10 spect to wages received or paid in the second calendar year
 11 after such succeeding year shall be increased by 0.10 percent,
 12 and the rate or rates of tax which would otherwise be effective
 13 under section 1401 (a) with respect to taxable years begin-
 14 ning in the second year after such succeeding year shall be
 15 increased by 0.15 percent."

16 (B) The table of sections for subchapter C of chapter 21
 17 of such Code is amended by striking out the last two items and
 18 inserting in lieu thereof the following:

"Sec. 3125. Increase in tax rates to assure repayment of loans
 made to trust funds.

"Sec. 3126. Returns in the case of governmental employees
 in Guam, American Samoa, and the District
 of Columbia.

"Sec. 3127. Short title."

19 **EFFECTIVE DATE**

20 **SEC. 105.** The amendments made by sections 101, 102,
 21 and 103 shall apply with respect to remuneration paid or
 22 received, and taxable years beginning, after 1977. The

1 amendments made by section 104 shall apply with respect
2 to calendar years after 1977.

3 TITLE II—STABILIZATION OF REPLACEMENT
4 RATES IN THE OLD-AGE, SURVIVORS, AND
5 DISABILITY INSURANCE PROGRAM

6 COMPUTATION OF PRIMARY INSURANCE AMOUNT

7 SEC. 201. (a) Section 215(a) of the Social Security
8 Act is amended to read as follows:

9 “(a) (1) (A) The primary insurance amount of an
10 individual shall (except as otherwise provided in this section)
11 be equal to the sum of—

12 “(i) 90 percent of the individual’s average indexed
13 monthly earnings (determined under subsection (b))
14 to the extent that such earnings do not exceed the amount
15 established for purposes of this clause by subparagraph
16 (B),

17 “(ii) 32 percent of the individual’s average indexed
18 monthly earnings to the extent that such earnings exceed
19 the amount established for purposes of clause (i) but do
20 not exceed the amount established for purposes of this
21 clause by subparagraph (B), and

22 “(iii) 15 percent of the individual’s average in-
23 dexed monthly earnings to the extent that such earnings
24 exceed the amount established for purposes of clause (ii),

1 rounded in accordance with subsection (g), and thereafter
2 increased as provided in subsection (i).

3 “(B) (i) For individuals who initially become eligible
4 for old-age or disability insurance benefits or die in the cal-
5 endar year 1979, the amounts established for purposes of
6 clauses (i) and (ii) of subparagraph (A) shall be \$180
7 and \$1,085, respectively.

8 “(ii) For individuals who initially become eligible for
9 old-age or disability insurance benefits or die in any calendar
10 year after 1979, each of the amounts so established shall
11 equal the product of the corresponding amount established
12 with respect to the calendar year 1979 under clause (i) of
13 this subparagraph and the quotient obtained by dividing—

14 “(I) the average of the total wages (as defined in
15 regulations of the Secretary and computed without regard
16 to the limitations specified in section 209 (a)) reported
17 to the Secretary of the Treasury or his delegate for the
18 second calendar year preceding the calendar year for
19 which the determination is made, by

20 “(II) the average of the total wages (as so defined
21 and computed) reported to the Secretary of the Treasury
22 or his delegate for the calendar year 1977.

23 “(iii) Each amount established under clause (ii) for
24 any calendar year shall be rounded to the nearest \$1, except

1 that any amount so established which is a multiple of \$0.50
2 but not of \$1 shall be rounded to the next higher \$1.

3 “(C) (i) No primary insurance amount computed under
4 subparagraph (A) may be less than—

5 “(I) the dollar amount set forth on the first line of
6 column IV in the table of benefits contained in (or
7 deemed to be contained in) this subsection as in effect
8 in December 1978, rounded (if not a multiple of \$1) to
9 the next higher multiple of \$1, or

10 “(II) an amount equal to \$11.50 multiplied by the
11 individual’s years of coverage in excess of 10, or the
12 increased amount determined for purposes of this sub-
13 division under subsection (i)

14 whichever is greater. No increase under subsection (i), oc-
15 ccurring before the year in which an individual becomes eli-
16 gible for old-age or disability insurance benefits or dies, shall
17 apply to the dollar amount specified in subdivision (I) of
18 this clause with respect to such individual.

19 “(ii) For purposes of clause (i) (II), the term ‘years
20 of coverage’ with respect to any individual means the num-
21 ber (not exceeding 30) equal to the sum of (I) the number
22 (not exceeding 14 and disregarding any fraction) deter-
23 mined by dividing (a) the total of the wages credited to
24 such individual (including wages deemed to be paid prior

1 to 1951 to such individual under section 217, compensation
2 under the Railroad Retirement Act of 1937 prior to 1951
3 which is creditable to such individual pursuant to this title,
4 and wages deemed to be paid prior to 1951 to such individual
5 under section 231) for years after 1936 and before 1951
6 by (b) \$900, plus (II) the number equal to the number of
7 years after 1950 each of which is a computation base year
8 (within the meaning of subsection (b) (2) (B) (ii)) and in
9 each of which he is credited with wages (including wages
10 deemed to be paid to such individual under section 217,
11 compensation under the Railroad Retirement Act of 1937 or
12 1974 which is creditable to such individual pursuant to this
13 title, and wages deemed to be paid to such individual under
14 section 229) and self-employment income of not less than 25
15 percent of the maximum amount which, pursuant to subsec-
16 tion (e) , may be counted for such year, or of not less than 25
17 percent of the maximum amount which could be so counted
18 for such year (in the case of a year after 1977) if section 230
19 as in effect immediately prior to the enactment of the Social
20 Security Financing Amendments of 1977 had remained in
21 effect without change.

22 “(D) In each calendar year after 1978 the Secretary
23 shall publish in the Federal Register, on or before Novem-
24 ber 1, the formula for computing benefits under this para-
25 graph and for adjusting wages and self-employment income

1 under subsection (b) (3) in the case of an individual who
2 becomes eligible for an old-age insurance benefit, or (if
3 earlier) becomes eligible for a disability insurance benefit
4 or dies, in the following year, and the average of the total
5 wages (as described in subparagraph (B) (ii) (I)) on
6 which that formula is based. With the initial publication re-
7 quired by this subparagraph, the Secretary shall also publish
8 in the Federal Register the average of the total wages (as
9 so described) for each calendar year after 1950.

10 “(2) (A) A year shall not be counted as the year of an
11 individual’s death or eligibility for purposes of this subsection
12 or subsection (b) or (i) in any case where such individ-
13 ual was entitled to a disability insurance benefit for any of the
14 12 months immediately preceding the month of such death
15 or eligibility (but there shall be counted instead the year of
16 the individual’s eligibility for the disability insurance benefit
17 or benefits to which he was entitled during such 12 months) .

18 “(B) In the case of an individual who was entitled
19 to a disability insurance benefit for any of the 12 months
20 before the month in which he became entitled to an old-age
21 insurance benefit, became reentitled to a disability insurance
22 benefit, or died, the primary insurance amount for determin-
23 ing any benefit attributable to that entitlement, reentitlement,
24 or death is the greater of—

25 “(i) the primary insurance amount upon which such

1 disability insurance benefit was based, increased by the
2 amount of each general benefit increase (as defined in
3 subsection (i) (3)), and each increase provided under
4 subsection (i) (2), that would have applied to such
5 primary insurance amount had the individual remained
6 entitled to such disability insurance benefit until the
7 month in which he became so entitled or reentitled or
8 died, or

9 “(ii) the amount computed under paragraph (1)
10 (C).

11 “(C) In the case of an individual who was entitled to
12 a disability insurance benefit for any month, and with respect
13 to whom a primary insurance amount is required to be com-
14 puted at any time after the close of the period of the indi-
15 vidual's disability (whether because of such individual's
16 subsequent entitlement to old-age insurance benefits or to a
17 disability insurance benefit based upon a subsequent period
18 of disability, or because of such individual's death), the
19 primary insurance amount so computed may in no case be
20 less than the primary insurance amount with respect to
21 which such former disability insurance benefit was most re-
22 cently determined.

23 “(3) (A) Paragraph (1) applies only to an individual
24 who was not eligible for an old-age insurance benefit prior
25 to January 1979 and who in that or any succeeding month—

1 “(i) becomes eligible for such a benefit,

2 “(ii) becomes eligible for a disability insurance
3 benefit, or

4 “(iii) dies,

5 and (except for subparagraph (C) (i) (II) thereof) it ap-
6 plies to every such individual except to the extent otherwise
7 provided by paragraph (4).

8 “(B) For purposes of this title, an individual is deemed
9 to be eligible—

10 “(i) for old-age insurance benefits, for months
11 beginning with the month in which he attains age 62, or

12 “(ii) for disability insurance benefits, for months
13 beginning with the month in which his period of dis-
14 ability began as provided under section 216 (i) (2) (C),
15 except as provided in paragraph (2) (A) in cases where
16 fewer than 12 months have elapsed since the termination of a
17 prior period of disability.

18 “(4) Paragraph (1) (except for subparagraph (C) (i)
19 (II) thereof) does not apply to the computation or recom-
20 putation of a primary insurance amount for—

21 “(A) an individual who was eligible for a disability
22 insurance benefit for a month prior to January 1979
23 unless, prior to the month in which occurs the event
24 described in clause (i), (ii), or (iii) of paragraph (3)
25 (A), there occurs a period of at least 12 consecutive

1 months for which he was not entitled to a disability
2 insurance benefit, or

3 “(B) an individual who had wages or self-employ-
4 ment income credited for one or more years prior to
5 1979, and who was not eligible for an old-age or disa-
6 bility insurance benefit, and did not die, prior to January
7 1979, if in the year for which the computation or re-
8 computation would be made the individual’s primary
9 insurance amount would be greater if computed or
10 recomputed—

11 “(i) under section 215 (a) as in effect in
12 December 1978, for purposes of old-age insurance
13 benefits in the case of an individual who becomes
14 eligible for such benefits prior to 1989, or

15 “(ii) as provided by section 215 (d), in the
16 case of an individual to whom such section applies.

17 In determining whether an individual’s primary insurance
18 amount would be greater if computed or recomputed as pro-
19 vided in subparagraph (B), (I) the table of benefits in
20 effect in December 1978 shall be applied without regard
21 to any increases in that table which may become effective
22 (in accordance with subsection (i) (4)) for years after
23 1978 (subject to subsection (i) (2) (A) (iii)) and (II)
24 such individual’s average monthly wage shall be computed as
25 provided by subsection (b) (4).

1 by five, except that the number of an individual's benefit
2 computation years may not be less than two.

3 “(B) For purposes of this subsection with respect to
4 any individual—

5 “(i) the term ‘benefit computation years’ means
6 those computation base years, equal in number to the
7 number determined under subparagraph (A), for which
8 the total of such individual's wages and self-employment
9 income, after adjustment under paragraph (3), is the
10 largest;

11 “(ii) the term ‘computation base years’ means the
12 calendar years after 1950 and before—

13 “(I) in the case of an individual entitled to
14 old-age insurance benefits, the year in which oc-
15 curred (whether by reason of section 202 (j) (1) or
16 otherwise) the first month of that entitlement; or

17 “(II) in the case of an individual who has
18 died (without having become entitled to old-age in-
19 surance benefits), the year succeeding the year of
20 his death;

21 except that such term excludes any calendar year en-
22 tirely included in a period of disability; and

23 “(iii) the term ‘number of elapsed years’ means
24 (except as otherwise provided by section 104 (j) (2)
25 of the Social Security Amendments of 1972) the num-

1 ber of calendar years after 1950 (or, if later, the year
2 in which the individual attained age 21) and before the
3 year in which the individual died, or, if it occurred
4 earlier but after 1960, the year in which he attained age
5 62; except that such term excludes any calendar year any
6 part of which is included in a period of disability.

7 “(3) (A) Except as provided by subparagraph (B),
8 the wages paid in and self-employment income credited to
9 each of an individual’s computation base years for purposes
10 of the selection therefrom of benefit computation years under
11 paragraph (2) shall be deemed to be equal to the product
12 of—

13 “(i) the wages and self-employment income paid
14 in or credited to such year (as determined without re-
15 gard to this subparagraph), and

16 “(ii) the quotient obtained by dividing—

17 “(I) the average of the total wages (as defined
18 in regulations of the Secretary and computed with-
19 out regard to the limitations specified in section 209
20 (a)) reported to the Secretary of the Treasury or
21 his delegate for the second calendar year (after
22 1976) preceding the year of the individual’s death
23 or initial eligibility for an old-age or disability in-
24 surance benefit, whichever is earliest, by

25 “(II) the average of the total wages (as so

1 defined and computed) reported to the Secretary
2 of the Treasury or his delegate for the computation
3 base year for which the determination is made.

4 “(B) Wages paid in or self-employment income
5 credited to an individual’s computation base year which—

6 “(i) occurs after the second calendar year specified
7 in subparagraph (A) (ii) (I), or

8 “(ii) is a year treated under subsection (f) (2) (C)
9 as though it were the last year of the period specified
10 in subsection (b) (2) (B) (ii),

11 shall be available for use in determining an individual’s bene-
12 fit computation years, but without applying subparagraph
13 (A) of this paragraph.

14 “(4) For purposes of determining the average monthly
15 wage of an individual whose primary insurance amount is
16 computed (after 1978) under section 215 (a) or 215 (d)
17 as in effect (except with respect to the table contained
18 therein) in December 1978, by reason of subsection (a)
19 (4) (B), this subsection as in effect in December 1978
20 shall remain in effect, except that paragraph (2) (C) (as
21 then in effect) shall be deemed to provide that ‘computation
22 base years’ include only calendar years in the period after
23 1950 (or 1936, if applicable) and prior to the year in
24 which occurred the first month for which the individual was
25 eligible (as defined in subsection (a) (3) (B) as in effect

1 in January 1979) for an old-age or disability insurance
2 benefit, or died. Any calendar year all of which is included
3 in a period of disability shall not be included as a computa-
4 tion base year for such purposes.”.

5 (c) Section 215 (c) of such Act is amended to read
6 as follows:

7 “Application of Prior Provisions in Certain Cases

8 “(c) This subsection as in effect in December 1978
9 shall remain in effect with respect to an individual to whom
10 subsection (a) (1) does not apply by reason of the indi-
11 vidual’s eligibility for an old-age or disability insurance bene-
12 fit, or the individual’s death, prior to 1979.”.

13 (d) (1) The matter in the text of section 215 (d) of
14 such Act which precedes paragraph (1) (C) is amended to
15 read as follows:

16 “(d) (1) For purposes of column I of the table appear-
17 ing in subsection (a), as that subsection was in effect in
18 December 1977, an individual’s primary insurance benefit
19 shall be computed as follows:

20 “(A) The individual’s average monthly wage shall
21 be determined as provided in subsection (b), as in effect
22 in December 1977 (but without regard to paragraph
23 (4) thereof), except that for purposes of paragraphs
24 (2) (C) and (3) of that subsection (as so in effect)
25 1936 shall be used instead of 1950.

1 “(B) For purposes of subparagraphs (B) and
2 (C) of subsection (b) (2) (as so in effect), the total
3 wages prior to 1951 (as defined in subparagraph (C)
4 of this paragraph) of an individual who attained age
5 21 after 1936 and prior to 1951 shall be divided by the
6 number of years (hereinafter in this subparagraph re-
7 ferred to as the ‘divisor’) elapsing after the year in
8 which the individual attained age 21 and prior to the
9 earlier of 1951 or the year of the individual’s death.
10 The quotient so obtained shall be deemed to be the indi-
11 vidual’s wages credited to each of the years included in
12 the divisor, except that—

13 “(i) if the quotient exceeds \$3,000, only \$3,000
14 shall be deemed to be the individual’s wages for each
15 of years included in the divisor, and the remainder of
16 the individual’s total wages prior to 1951 (I) if less
17 than \$3,000, shall be deemed credited to the year in
18 which the individual attained age 21, or (II) if
19 \$3,000 or more, shall be deemed credited, in \$3,000
20 increments, to the year in which the individual at-
21 tained age 21 and to each year consecutively preced-
22 ing that year, with any remainder less than \$3,000
23 being credited to the year immediately preceding the
24 earliest year to which a full \$3,000 increment was
25 credited; and

1 “(ii) no more than \$42,000 may be taken into
2 account, for purposes of this subparagraph, as total
3 wages after 1936 and prior to 1951.”.

4 (2) Section 215 (d) (1) (D) of such Act is amended
5 to read as follows:

6 “(D) The individual’s primary insurance benefit
7 shall be 40 percent of the first \$50 of his average
8 monthly wage as computed under this subsection, plus
9 10 percent of the next \$200 of his average monthly
10 wage, increased by 1 percent for each increment year.
11 The number of increment years is the number, not more
12 than 14 nor less than 4, that is equal to the individual’s
13 total wages prior to 1951 divided by \$1,650 (disre-
14 garding any fraction).”.

15 (3) Section 215 (d) (3) of such Act is amended (A)
16 by striking out “in the case of an individual” and all that
17 follows and inserting in lieu thereof the following “in the
18 case of an individual who had a period of disability which
19 began prior to 1951, but only if the primary insurance amount
20 resulting therefrom is higher than the primary insurance
21 amount resulting from the application of this section (as
22 amended by the Social Security Amendments of 1967) and
23 section 220.”.

24 (4) Section 215 (d) of such Act is further amended by
25 adding at the end thereof the following new paragraph:

1 “(4) The provisions of this subsection as in effect in
2 December 1977 shall be applicable to individuals who be-
3 come eligible for old-age or disability insurance benefits or
4 die prior to 1978.”

5 (e) Section 215 (e) of such Act is amended—

6 (1) by striking out “average monthly wage” each
7 place it appears and inserting in lieu thereof “average
8 indexed monthly earnings or, in the case of an individual
9 whose primary insurance amount is computed under
10 section 215 (a) as in effect prior to January 1979, aver-
11 age monthly wage,” and

12 (2) by inserting immediately before “of (A)” in
13 paragraph (1) the following: “(before the application,
14 in the case of average indexed monthly earnings, of
15 subsection (b) (3) (A))”.

16 (f) (1) Section 215 (f) (2) of this Act is amended to
17 read as follows:

18 “(2) (A) If an individual has wages or self-employ-
19 ment income for a year after 1978 for any part of which he
20 is entitled to old-age or disability insurance benefits, the
21 Secretary shall, at such time or times and within such period
22 as he may by regulation prescribe, recompute the individual’s
23 primary insurance amount for that year.

24 “(B) For the purpose of applying subparagraph (A)
25 of subsection (a) (1) to the average indexed monthly earn-

1 ings of an individual to whom that subsection applies and
2 who receives a recomputation under this paragraph, there
3 shall be used, in lieu of the amounts established by subsection
4 (a) (1) (B) for purposes of clauses (i) and (ii) of subsec-
5 tion (a) (1) (A), the amounts so established that were (or,
6 in the case of an individual described in subsection (a)
7 (4) (B), would have been) used in the computation of such
8 individual's primary insurance amount prior to the applica-
9 tion of this subsection.

10 “(C) A recomputation of any individual's primary in-
11 surance amount under this paragraph shall be made as pro-
12 vided in subsection (a) (1) as though the year with respect
13 to which it is made is the last year of the period specified in
14 subsection (b) (2) (B) (ii); and subsection (b) (3) (A)
15 shall apply with respect to any such recomputation as it
16 applied in the computation of such individual's primary in-
17 surance amount prior to the application of this subsection.

18 “(D) A recomputation under this paragraph with re-
19 spect to any year shall be effective—

20 “(i) in the case of an individual who did not die
21 in that year, for monthly benefits beginning with bene-
22 fits for January of the following year; or

23 “(ii) in the case of an individual who died in
24 that year, for monthly benefits beginning with benefits
25 for the month in which he died.”

1 (2) Section 215 (f) (3) of such Act is repealed.

2 (3) Section 215 (f) (4) of such Act is amended to read
3 as follows:

4 “(4) A recomputation shall be effective under this sub-
5 section only if it increases the primary insurance amount
6 by at least \$1.”.

7 (4) Section 215 (f) of such Act is further amended by
8 adding at the end thereof the following new paragraphs:

9 “(7) This subsection as in effect in December 1978
10 shall continue to apply to the recomputation of a primary
11 insurance amount computed under subsection (a) or (d)
12 as in effect (without regard to the table in subsection (a))
13 in that month, and, where appropriate, under subsection (d)
14 as in effect in December 1977. For purposes of recomputing
15 a primary insurance amount determined under subsection
16 (a) or (d) (as so in effect) in the case of an individual to
17 whom those subsections apply by reason of subsection
18 (a) (4) (B) as in effect after December 1978, no remu-
19 nation shall be taken into account for the year in which the
20 individual initially became eligible for an old-age or dis-
21 ability insurance benefit or died, or for any year thereafter.

22 “(8) The Secretary shall recompute the primary in-
23 surance amounts applicable to beneficiaries whose benefits
24 are based on a primary insurance amount which was com-
25 puted under section 215 (a) (3) effective prior to Janu-

1 ary 1979, or would have been so computed if the dollar
2 amount specified therein were \$11.50. Such recomputation
3 shall be effective January 1979, and shall include the effect
4 of the increase in the dollar amount provided by section 215
5 (a) (1) (C) (i) (II). Such primary insurance amount shall
6 be deemed to be provided under such section for purposes of
7 section 215 (i).”.

8 (g) (1) Section 215 (i) (2) (A) (ii) of such Act is
9 amended to read as follows:

10 “(ii) If the Secretary determines that the base quarter
11 in any year is a cost-of-living computation quarter, he shall,
12 effective with the month of June of that year as provided in
13 subparagraph (B), increase—

14 “(I) the benefit amount to which individuals are
15 entitled for that month under section 227 or 228,

16 “(II) the primary insurance amount of each other
17 individual on which benefit entitlement is based under
18 this title (including a primary insurance amount deter-
19 mined under subsection (a) (1) (C) (i)), and

20 “(III) the amount of total monthly benefits based
21 on any primary insurance amount which is permitted
22 under section 203 (and such total shall be increased,
23 unless otherwise so increased under another provision of
24 this title, at the same time as such primary insurance
25 amount) or, in the case of a primary insurance amount

1 computed under subsection (a) as in effect (without
2 regard to the table contained therein) prior to January
3 1979, the amount to which the beneficiaries may be
4 entitled under section 203 as in effect in December 1978,
5 except as provided by section 203 (a) (6) and (7) as
6 in effect after December 1978.

7 The increase shall be derived by multiplying each of the
8 amounts described in subdivisions (I), (II), and (III)
9 (including each of those amounts as previously increased
10 under this subparagraph) by the same percentage (rounded
11 to the nearest one-tenth of 1 percent) as the percentage by
12 which the Consumer Price Index for that cost-of-living com-
13 putation quarter exceeds such index for the most recent prior
14 calendar quarter which was a base quarter under paragraph
15 (1) (A) (ii) or, if later, the most recent cost-of-living
16 computation quarter under paragraph (1) (B); and any
17 amount so increased that is not a multiple of \$0.10 shall be
18 increased to the next higher multiple of \$0.10. Any increase
19 under this subsection in a primary insurance amount deter-
20 mined under subparagraph (C) (i) (II) of subsection (a)
21 (1) shall be applied after the initial determination of such
22 primary insurance amount under that subparagraph (with
23 the amount of such increase, in the case of an individual who
24 becomes eligible for old-age or disability insurance benefits or
25 dies in a calendar year after 1979, being determined from the

1 range of possible primary insurance amounts published by the
2 Secretary under the last sentence of subparagraph (D)).”.

3 (2) Section 215 (i) (2) (A) of such Act is amended by
4 adding at the end thereof the following new clause:

5 “(iii) In the case of an individual who becomes eligible
6 for an old-age or disability insurance benefit, or who dies
7 prior to becoming so eligible, in a year in which there occurs
8 an increase provided under clause (ii), the individual’s pri-
9 mary insurance amount (without regard to the time of entitle-
10 ment to that benefit) shall be increased (unless otherwise so
11 increased under another provision of this title) by the amount
12 of that increase, but only with respect to benefits payable for
13 months after May of that year.”.

14 (3) Section 215 (i) (2) (D) of such Act (as amended
15 by section 103 of this Act) is further amended by striking
16 out all that follows the first sentence and inserting in lieu
17 thereof the following: “He shall also publish in the Federal
18 Register at that time (i) a revision of the range of the pri-
19 mary insurance amounts which are possible after the appli-
20 cation of this subsection based on the dollar amount specified
21 in subparagraph (C) (i) (II) of subsection (a) (1) (with
22 such revised primary insurance amounts constituting the
23 increased amounts determined for purposes of such subpara-
24 graph (C) (i) (II) under this subsection), or specified in
25 section 215 (a) (3) as in effect prior to 1979, and (ii) a

1 revision of the range of maximum family benefits which cor-
2 respond to such primary insurance amounts (with such
3 maximum benefits being effective notwithstanding section
4 203(a) except for paragraph (3) (B) thereof (or para-
5 graph (2) thereof as in effect prior to 1979)).”.

6 (4) Section 215(i) of such Act is further amended by
7 adding at the end thereof the following new paragraph:

8 “(4) This subsection as in effect in December 1978 shall
9 continue to apply to subsections (a) and (d), as then in
10 effect, for purposes of computing the primary insurance
11 amount of an individual to whom subsection (a), as in effect
12 after December 1978, does not apply (including an individ-
13 ual to whom subsection (a) does not apply in any year by
14 reason of paragraph (4) (B) of that subsection (but the
15 application of this subsection in such cases shall be modified
16 by the application of clause (I) in the last sentence of para-
17 graph (4) of that subsection)). For purposes of computing
18 primary insurance amounts and maximum family benefits
19 (other than primary insurance amounts and maximum
20 family benefits for individuals to whom such paragraph (4)
21 (B) applies), the Secretary shall publish in the Federal
22 Register revisions of the table of benefits contained in sub-
23 section (a), as in effect in December 1978, as required by
24 paragraph (2) (D) of this subsection as then in effect.”.

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MAXIMUM BENEFITS

SEC. 202. Section 203 (a) of the Social Security Act is amended to read as follows:

“Maximum Benefits

“(a) (1) In the case of an individual whose primary insurance amount has been computed or recomputed under section 215 (a) (1) or (4), or section 215 (d), as in effect after December 1978, the total monthly benefits to which beneficiaries may be entitled under section 202 or 223 for a month on the basis of the wages and self-employment income of such individual shall, except as provided by paragraph (3) (but prior to any increases resulting from the application of paragraph (2) (A) (ii) (III) of section 215 (i)), be reduced as necessary so as not to exceed—

“(A) 150 percent of such individual’s primary insurance amount to the extent that it does not exceed the amount established with respect to this subparagraph by paragraph (2),

“(B) 272 percent of such individual’s primary insurance amount to the extent that it exceeds the amount established with respect to subparagraph (A) but does not exceed the amount established with respect to this subparagraph by paragraph (2),

“(C) 134 percent of such individual’s primary in-

1 insurance amount to the extent that it exceeds the amount
2 established with respect to subparagraph (B) but does
3 not exceed the amount established with respect to this
4 subparagraph by paragraph (2), and

5 “(D) 175 percent of such individual’s primary in-
6 surance amount to the extent that it exceeds the amount
7 established with respect to subparagraph (C).

8 Any such amount that is not a multiple of \$0.10 shall be
9 increased to the next higher multiple of \$0.10.

10 “(2) (A) For individuals who initially become eligible
11 for old-age or disability insurance benefits or die in the calen-
12 dar year 1979, the amounts established with respect to sub-
13 paragraphs (A), (B), and (C) of paragraph (1) shall be
14 \$230, \$332, and \$433, respectively.

15 “(B) For individuals who initially become eligible for
16 old-age or disability insurance benefits or die in any calendar
17 year after 1979, each of the amounts so established shall
18 equal the product of the corresponding amount established
19 for the calendar year 1979 by subparagraph (A) of this
20 paragraph and the quotient obtained under subparagraph
21 (B) (ii) of section 215(a) (1), with such product being
22 rounded in the manner prescribed by section 215(a) (1)
23 (B) (iii).

24 “(C) In each calendar year after 1978 the Sec-

1 retary shall publish in the Federal Register, on or before
2 November 1, the formula which (except as provided in sec-
3 tion 215 (i) (2) (D)) is to be applicable under this para-
4 graph to individuals who become eligible for old-age or
5 disability insurance benefits, or die, in the following calendar
6 year.

7 “(D) A year shall not be counted as the year of an
8 individual’s death or eligibility for purposes of this para-
9 graph or paragraph (7) in any case where such individual
10 was entitled to a disability insurance benefit for any of the
11 12 months immediately preceding the month of such death
12 or eligibility (but there shall be counted instead the year of
13 the individual’s eligibility for the disability insurance benefits
14 to which he was entitled during such 12 months).

15 “(3) (A) When an individual who is entitled to bene-
16 fits on the basis of the wages and self-employment income
17 of any insured individual and to whom this subsection
18 applies would (but for the provisions of section 202 (k) (2)
19 (A)) be entitled to child’s insurance benefits for a month
20 on the basis of the wages and self-employment income of
21 one or more other insured individuals, the total monthly
22 benefits to which all beneficiaries are entitled on the basis
23 of such wages and self-employment income shall not be
24 reduced under this subsection to less than the smaller of—

1 “(i) the sum of the maximum amounts of bene-
2 fits payable on the basis of the wages and self-employ-
3 ment income of all such insured individuals, or

4 “(ii) an amount equal to the product of 1.75 and
5 the primary insurance amount that would be computed
6 under section 215 (a) (1) for that month with respect
7 to average indexed monthly earnings equal to one-
8 twelfth of the contribution and benefit base determined
9 for that year under section 230.

10 “(B) When two or more persons were entitled (with-
11 out the application of section 202 (j) (1) and section 223
12 (b)) to monthly benefits under section 202 or 223 for
13 January 1971 or any prior month on the basis of the wages
14 and self-employment income of such insured individual and
15 the provisions of this subsection as in effect for any such
16 month were applicable in determining the benefit amount
17 of any persons on the basis of such wages and self-em-
18 ployment income, the total of benefits for any month after
19 January 1971 shall not be reduced to less than the largest
20 of—

21 “(i) the amount determined under this subsection
22 without regard to this subparagraph,

23 “(ii) the largest amount which has been deter-
24 mined for any month under this subsection for persons

1 entitled to monthly benefits on the basis of such insured
2 individual's wages and self-employment income, or
3 " (iii) if any persons are entitled to benefits on the
4 basis of such wages and self-employment income for
5 the month before the effective month (after September
6 1972) of a general benefit increase under this title (as
7 defined in section 215 (i) (3)) or a benefit increase un-
8 der the provisions of section 215 (i) , an amount equal to
9 the sum of amounts derived by multiplying the benefit
10 amount determined under this title (excluding any part
11 thereof determined under section 202 (w)) for the
12 month before such effective month (including this sub-
13 section, but without the application of section 222 (b) ,
14 section 202 (q) , and subsections (b) , (c) , and (d) of
15 this section) , for each such person for such month, by a
16 percentage equal to the percentage of the increase pro-
17 vided under such benefit increase (with any such in-
18 creased amount which is not a multiple of \$0.10 being
19 rounded to the next higher multiple of \$0.10) ;
20 but in any such case (I) subparagraph (A) of this para-
21 graph shall not be applied to such total of benefits after the
22 application of clause (ii) or (iii) , and (II) if section 202 (k)
23 (2) (A) was applicable in the case of any such benefits
24 for a month, and ceases to apply for a month after such

1 month, the provisions of clause (ii) or (iii) shall be applied,
2 for and after the month in which section 202 (k) (2) (A)
3 ceases to apply, as though subparagraph (A) of this para-
4 graph had not been applicable to such total of benefits for
5 the last month for which clause (ii) or (iii) was applicable.

6 “(C) When any of such individuals is entitled to
7 monthly benefits as a divorced spouse under section 202
8 (b) or (c) or as a surviving divorced spouse under section
9 202 (e) or (f) for any month, the benefit to which he or she
10 is entitled on the basis of the wages and self-employment
11 income of such insured individual for such month shall be
12 determined without regard to this subsection, and the bene-
13 fits of all other individuals who are entitled for such month
14 to monthly benefits under section 202 on the wages and
15 self-employment income of such insured individual shall be
16 determined as if no such divorced spouse or surviving di-
17 vorced spouse were entitled to benefits for such month.

18 “(4) In any case in which benefits are reduced pursu-
19 ant to the preceding provisions of this subsection, the reduc-
20 tion shall be made after any deductions under this section
21 and after any deductions under section 222 (b). Whenever
22 a reduction is made under this subsection in the total of
23 monthly benefits to which individuals are entitled for any
24 month on the basis of the wages and self-employment in-
25 come of an insured individual, each such benefit other than

1 the old-age or disability insurance benefit shall be propor-
2 tionately decreased.

3 “(5) Notwithstanding any other provision of law,
4 when—

5 “(A) two or more persons are entitled to monthly
6 benefits for a particular month on the basis of the wages
7 and self-employment income of an insured individual
8 and (for such particular month) the provisions of this
9 subsection are applicable to such monthly benefits, and

10 “(B) such individual’s primary insurance amount
11 is increased for the following month under any provision
12 of this title,

13 then the total of monthly benefits for all persons on the basis
14 of such wages and self-employment income for such particular
15 month, as determined under the provisions of this subsection,
16 shall for purposes of determining the total monthly benefits
17 for all persons on the basis of such wages and self-employ-
18 ment income for months subsequent to such particular month
19 be considered to have been increased by the smallest amount
20 that would have been required in order to assure that the
21 total of monthly benefits payable on the basis of such wages
22 and self-employment income for any such subsequent month
23 will not be less (after the application of the other pro-
24 visions of this subsection and section 202 (q)) than the total
25 of monthly benefits (after the application of the other pro-

1 visions of this subsection and section 202 (q)) payable on
2 the basis of such wages and self-employment income for such
3 particular month.

4 “(6) In the case of any individual who is entitled for
5 any month to benefits based upon the primary insurance
6 amounts of two or more insured individuals, one or more of
7 which primary insurance amounts were determined under
8 section 215 (a) or 215 (d) as in effect (without regard to
9 the table contained therein) prior to January 1979 and one
10 or more of which primary insurance amounts were deter-
11 mined under section 215 (a) (1) or (4), or section 215 (d),
12 as in effect after December 1978, the total benefits payable
13 to that individual and all other individuals entitled to benefits
14 for that month based upon those primary insurance amounts
15 shall be reduced to an amount equal to the product of 1.75
16 and the primary insurance amount that would be computed
17 under section 215 (a) (1) for that month with respect to
18 average indexed monthly earnings equal to one-twelfth of
19 the contribution and benefits base determined under section
20 230 for the year in which that month occurs.

21 “(7) Subject to paragraph (6), this subsection as in
22 effect in December 1978 shall remain in effect with respect
23 to a primary insurance amount computed under section
24 215 (a) or (d), as in effect (without regard to the table
25 contained therein) in December 1978, except that a primary

1 insurance amount so computed with respect to an individual
2 who first becomes eligible for an old-age or disability insur-
3 ance benefit, or dies, after December 1978, shall instead be
4 governed by this section as in effect after December 1978.”.

5 INCREASE IN OLD-AGE BENEFIT AMOUNTS FOR

6 DELAYED RETIREMENT

7 SEC. 203. Section 202 (w) (1) of the Social Security
8 Act is amended—

9 (1) by striking out “If the first month” and all
10 that follows down through “to such individual” in the
11 matter preceding subparagraph (A) and inserting in
12 lieu thereof “The amount of an old-age insurance benefit
13 (other than a benefit based on a primary insurance
14 amount determined under section 215 (a) (3)) which is
15 payable without regard to this subsection to an individ-
16 ual”; and

17 (2) by inserting after “such amount,” in subpara-
18 graph (A) the following: “or, in the case of an individ-
19 ual who first becomes eligible for an old-age insurance
20 benefit after December 1978, one-quarter of 1 percent
21 of such amount,”.

22 CONFORMING AMENDMENTS

23 SEC. 204. (a) Section 202 (m) (1) of the Social Se-
24 curity Act is amended to read as follows:

25 “(1) In any case in which an individual is entitled to

1 a monthly benefit under this section on the basis of a pri-
2 mary insurance amount computed under section 215 (a) or
3 (d), as in effect after December 1978, on the basis of the
4 wages and self-employment income of a deceased individual
5 for any month and no other person is (without the applica-
6 tion of subsection (j) (1)) entitled to a monthly benefit
7 under this section for that month on the basis of such wages
8 and self-employment income, the individual's benefit amount
9 for that month, prior to reduction under subsection (k) (3),
10 shall not be less than that provided by subparagraph (C)
11 (i) (I) of section 215 (a) (1) and increased under section
12 215 (i) for months after May of the year in which the insured
13 individual died as though such benefit were a primary insur-
14 ance amount.”.

15 (b) Section 202 (w) of such Act (as amended by sec-
16 tion 203 of this Act) is further amended—

17 (1) by inserting after “section 215 (a) (3)” in
18 paragraph (1) (in the matter preceding subparagraph
19 (A)) the following: “as in effect in December 1978 or
20 section 215 (a) (1) (C) (i) (II) as in effect thereafter”;

21 (2) by inserting “as in effect in December 1978, or
22 section 215 (a) (1) (C) (i) (II) as in effect thereafter,”
23 after “paragraph (3) of section 215 (a)” in paragraph
24 (5); and

25 (3) by inserting “(whether before, in, or after

1 December 1978)” after “determined under section 215
2 (a)” in paragraph (5).

3 (c) Section 217 (b) (1) of such Act is amended by
4 inserting “as in effect in December 1978” after “section 215
5 (c)” each place it appears, and after “section 215 (d)”.

6 (d) Section 224 (a) of such Act is amended by insert-
7 ing “(determined under section 215 (b) as in effect prior to
8 January 1979)” after “(A) the average monthly wage”
9 in the matter following paragraph (8).

10 (e) Section 1839 (c) (3) (B) of such Act is amended
11 to read as follows:

12 “(B) the monthly premium rate most recently
13 promulgated by the Secretary under this paragraph,
14 increased by a percentage determined as follows: The
15 Secretary shall ascertain the primary insurance amount
16 computed under section 215 (a) (1), based upon aver-
17 age indexed monthly earnings of \$900, that applied to
18 individuals who became eligible for and entitled to old-
19 age insurance benefits on May 1 of the year of the
20 promulgation. He shall increase the monthly premium
21 rate by the same percentage by which that primary
22 insurance amount is increased when, by reason of the
23 law in effect at the time the promulgation is made, it
24 is so computed to apply to those individuals on the
25 following May 1.”.

EFFECTIVE DATE

1

2 SEC. 205. The amendments made by the provisions of
3 this title other than section 201 (d) shall be effective with
4 respect to monthly benefits and lump-sum death payments
5 under title II of the Social Security Act payable for months
6 after December 1978. The amendments made by section 201
7 (d) shall be effective with respect to monthly benefits of an
8 individual who becomes eligible for an old-age or disability
9 insurance benefit, or dies, after December 1977.

10 TITLE III—COVERAGE UNDER THE OLD-AGE,
11 SURVIVORS, AND DISABILITY INSURANCE
12 PROGRAM

13 STUDY CONCERNING MANDATORY COVERAGE OF FEDERAL
14 EMPLOYEES

15 SEC. 301. (a) As soon as possible after the date of the
16 enactment of this Act, the Chairman of the Civil Service
17 Commission, the Secretaries of the Treasury and Health, Ed-
18 ucation, and Welfare, and the Director of the Office of Man-
19 agement and Budget shall jointly undertake and carry out
20 a detailed study with respect to coverage of Federal em-
21 ployees within the old-age, survivors, and disability insurance
22 system.

23 (b) The study to be undertaken under subsection (a)
24 shall include—

25 (1) a review of the methods by which full coverage

1 of Federal employees within the old-age, survivors, and
2 disability insurance system could be attained;

3 (2) an analysis of the adjustments to such system
4 (as well as to the civil service retirement and disability
5 system and other Federal employee retirement systems
6 involved, including the foreign service, judiciary, Central
7 Intelligence Agency, and District of Columbia retire-
8 ment systems) which are necessary under each such
9 method to provide such coverage, particularly—

10 (A) adjustments in age, service, and other
11 eligibility requirements; and

12 (B) adjustments in the nature and level of
13 disability, death, and survivor benefits (taking into
14 account any related factors such as the taxability of
15 such benefits) ;

16 (3) a comparison of the financial aspects of each
17 such method, particularly—

18 (A) the adjustments required by each such
19 method in the contributions by Federal employees,
20 the Government (whether by specific contribution
21 or by appropriation), and others involved;

22 (B) the adjustments required by each such
23 method in the manner in which benefits are financed
24 under the retirement systems involved; and

1 (C) the effects of each such method on the
2 solvency of the retirement systems involved;

3 (4) the effects of each such method of coverage on—

4 (A) recruitment and retention of Federal em-
5 ployees;

6 (B) other employee benefits (such as health
7 benefits coverage provided for civil service annui-
8 tants); and

9 (C) Federal, State, and local income tax sys-
10 tems;

11 (5) a review of the methods by which partial cov-
12 erage of Federal employees within the old-age, sur-
13 vivors, and disability insurance system could be attained,
14 together with consideration of the factors described in
15 paragraphs (2), (3), and (4) as they would relate to
16 such partial coverage; and

17 (6) alternatives to providing coverage of Federal
18 employees within the old-age, survivors, and disability
19 insurance system which would improve the solvency of
20 the old-age, survivors, and disability insurance system.

21 In connection with such study, interested parties, including
22 Federal employee organizations, associations of retired Fed-
23 eral employees, and heads of agencies administering Federal
24 employee retirement systems, shall be allowed to submit
25 views, arguments, and data.

1 (c) Upon the completion of the study under sub-
2 section (a) and in any event no later than 2 years after
3 the date of the enactment of this Act, the Chairman of
4 the Civil Service Commission, the Secretaries of the Treas-
5 ury and Health, Education, and Welfare, and the Director
6 of the Office of Management and Budget shall submit
7 to the President and to the appropriate committees of each
8 House of the Congress a joint report on the results of such
9 study together with their recommendations. Any such rec-
10 ommendation which includes adjustments of existing stat-
11 utes shall be accompanied with draft legislation accom-
12 plishing such adjustments.

13 (d) With respect to Federal employees under the Fed-
14 eral employee retirement systems, the study and the report
15 under this section shall include at least one method of cov-
16 erage of such employees within the old-age, survivors, and
17 disability insurance system which provides—

18 (1) that the benefits available to such Federal
19 employees would not be less favorable than the benefits
20 which are then currently available to such employees
21 under the Federal employee retirement systems; and

22 (2) that the contributions required of such Federal
23 employees would not be greater than the contributions
24 which are then currently required of such employees
25 under the Federal employee retirement systems.

1 (e) For purposes of this section, the term "Federal
2 employee" means—

3 (1) an employee, as defined in section 2105 of
4 title 5, United States Code;

5 (2) an officer or employee of the United States
6 Postal Service or of the Postal Rate Commission; and

7 (3) any other individual in the employ of the
8 United States or any instrumentality of the United
9 States.

10 STUDY CONCERNING MANDATORY COVERAGE OF STATE AND

11 LOCAL EMPLOYEES

12 SEC. 302. (a) As soon as possible after the date of the
13 enactment of this Act, the Chairman of the Civil Service
14 Commission, the Secretaries of the Treasury and Health,
15 Education, and Welfare, and the Director of the Office of
16 Management and Budget shall jointly undertake and carry
17 out a detailed study with respect to coverage of all State
18 and local government employees within the old-age, sur-
19 vivors, and disability insurance system.

20 (b) The study to be undertaken under subsection (a)
21 shall include—

22 (1) a survey of the several States and their political
23 subdivisions with the objective of determining—

24 (A) the types and coverage patterns of the

1 various State and local retirement and disability
2 systems now in existence,

3 (B) the categories of employees within each
4 such State and locality not now covered under the
5 old-age, survivors, and disability insurance system,

6 (C) the methods available in each such State
7 and locality for financing full participation in the
8 old-age, survivors, and disability insurance system,

9 (D) the financial ability of the various States
10 and localities to participate in such system, and the
11 ability of the Federal Government to require and
12 administer such participation, and

13 (E) any special conditions or situations existing
14 in particular States and localities which might cause
15 problems in connection with the mandatory coverage
16 of all their employees under the old-age, survivors,
17 and disability insurance system;

18 (2) a review of the methods by which full coverage
19 of all State and local employees within the old-age, sur-
20 vivors, and disability insurance system might be attained;

21 (3) an analysis of the kinds of adjustments to exist-
22 ing State and local retirement and disability systems
23 which would be necessary under each such method to
24 make effective provision for such coverage;

1 (4) a comparison of the financial aspects of each
2 such method, particularly with reference to the ability
3 of the various States and localities to bear the costs of
4 participation in the Federal system on a mandatory full-
5 coverage basis;

6 (5) the effects of each such method of coverage on
7 existing coverage of State and local employees under
8 their own retirement and disability systems;

9 (6) a survey of the legal and constitutional barriers
10 to full participation in the Federal system, or to making
11 the necessary adjustments to their own retirement and
12 disability systems, which may exist in the various States
13 and localities; and

14 (7) an analysis of the identifiable problems which
15 may exist in particular States and localities in connection
16 with the mandatory coverage of their employees under
17 the old-age, survivors, and disability insurance system,
18 with emphasis upon the special problems involved in
19 returning employees to coverage under such system in
20 States and localities whose employees were formerly cov-
21 ered pursuant to State agreement but which have here-
22 tofore elected to terminate such coverage.

23 In connection with such study, interested parties, including
24 State and local employee organizations, associations of re-
25 tired State and local employees, and heads of agencies ad-

1 ministering State and local employee retirement systems,
2 shall be allowed to submit views, arguments, and data.

3 (c) Upon the completion of the study under subsection
4 (a) and in any event no later than 2 years after the date
5 of the enactment of this Act, the Chairman of the Civil Serv-
6 ice Commission, the Secretaries of the Treasury and Health,
7 Education, and Welfare, and the Director of the Office of
8 Management and Budget shall submit to the President and
9 to the appropriate committees of each House of the Congress
10 a joint report on the results of such study together with their
11 recommendations. Any such recommendation which includes
12 adjustments of existing Federal statutes shall be accompa-
13 nied with draft legislation accomplishing such adjustments.

14 EXCLUSION FROM COVERAGE OF CERTAIN LIMITED
15 PARTNERSHIP INCOME

16 SEC. 303. (a) Section 211 (a) of the Social Security
17 Act is amended—

18 (1) by striking out “and” at the end of paragraph
19 (9);

20 (2) by striking out the period at the end of para-
21 graph (10) and inserting in lieu thereof “; and”; and

22 (3) by inserting after paragraph (10) the following
23 new paragraph:

24 “(11) There shall be excluded the distributive
25 share of any item of income or loss of a limited partner,

1 as such, other than guaranteed payments described in
2 section 707 (c) of the Internal Revenue Code of 1954
3 to that partner for services actually rendered to or
4 on behalf of the partnership to the extent that those
5 payments are established to be in the nature of remuner-
6 ation for those services.”.

7 (b) Section 1402 (a) of the Internal Revenue Code of
8 1954 (relating to definition of net earnings from self-em-
9 ployment) is amended—

10 (1) by striking out “and” at the end of paragraph
11 (10) ;

12 (2) by striking out the period at the end of para-
13 graph (11) and inserting in lieu thereof “; and”; and

14 (3) by inserting after paragraph (11) the follow-
15 ing new paragraph:

16 “(12) there shall be excluded the distributive share
17 of any item of income or loss of a limited partner, as
18 such, other than guaranteed payments described in
19 section 707 (c) to that partner for services actually
20 rendered to or on behalf of the partnership to the extent
21 that those payments are established to be in the na-
22 ture of remuneration for those services.”.

23 (c) The amendments made by this section shall apply
24 with respect to taxable years beginning after December 31,
25 1977.

1 TAX ON EMPLOYERS OF INDIVIDUALS WHO RECEIVE
2 INCOME FROM TIPS

3 SEC. 304. (a) Section 3121 of the Internal Revenue
4 Code of 1954 (definitions under Federal Insurance Con-
5 tributions Act) is amended by adding at the end thereof the
6 following new subsection:

7 “(s) SPECIAL RULE FOR DETERMINING WAGES SUB-
8 JECT TO EMPLOYER TAX IN CASE OF CERTAIN EM-
9 PLOYERS WHOSE EMPLOYEES RECEIVE INCOME FROM
10 TIPS.—If the wages paid by an employer with respect to
11 the employment during any month of an individual who
12 (for services performed in connection with such employ-
13 ment) receives tips which constitute wages, and to which
14 section 3102 (a) applies, are less than the total amount
15 which would be payable (with respect to such employment)
16 at the minimum wage rate applicable to such individual un-
17 der section 6 (a) (1) of the Fair Labor Standards Act of
18 1938 (determined without regard to section 3 (m) of such
19 Act), the wages so paid shall be deemed for purposes of
20 section 3111 to be equal to such total amount.”.

21 (b) Section 3111 of such Code is amended by inserting
22 “and (s)” after “3121 (a)” in subsections (a) and (b).

23 (c) The amendments made by this section shall apply
24 with respect to wages paid with respect to employment per-
25 formed in months after December 1977.

1 respect to the applicant's first taxable year beginning after
2 such date, and for all succeeding taxable years; and the ap-
3 plicant for any such revocation may not thereafter again file
4 application for an exemption under such section 1402 (e)
5 (1). If the application is filed on or after the due date of
6 the applicant's first taxable year ending on or after the date
7 of the enactment of this Act and is effective with respect to
8 that taxable year, it shall include or be accompanied by pay-
9 ment in full of an amount equal to the total of the taxes
10 that would have been imposed by section 1401 of the Inter-
11 nal Revenue Code of 1954 with respect to all of the appli-
12 cant's income derived in that taxable year which would have
13 constituted net earnings from self-employment for purposes
14 of chapter 2 of such Code (notwithstanding section 1402 (c)
15 (4) or (c) (5) of such Code) except for the exemption
16 under section 1402 (e) (1) of such Code.

17 (b) Subsection (a) shall apply with respect to service
18 performed (to the extent specified in such subsection) in tax-
19 able years ending on or after the date of the enactment of
20 this Act, and with respect to monthly insurance benefits pay-
21 able under title II of the Social Security Act on the basis
22 of the wages and self-employment income of any individual
23 for months in or after the calendar year in which such
24 individual's application for revocation (as described in such
25 subsection) is filed (and lump-sum death payments payable

1 under such title on the basis of such wages and self-employ-
 2 ment income in the case of deaths occurring in or after such
 3 calendar year).

4 INTERNATIONAL AGREEMENTS WITH RESPECT TO SOCIAL
 5 SECURITY BENEFITS

6 SEC. 306. (a) Title II of the Social Security Act is
 7 amended by adding at the end thereof the following new
 8 section:

9 "INTERNATIONAL AGREEMENTS

10 "Purpose of Agreement

11 "SEC. 233. (a) The President is authorized to enter into
 12 agreements establishing totalization arrangements between
 13 the social security system established by this title and the social
 14 security system of any foreign country, for the purposes of
 15 establishing entitlement to and the amount of old-age, sur-
 16 vivors, disability, or derivative benefits based on a combina-
 17 tion of an individual's periods of coverage under the social
 18 security system established by this title and the social security
 19 system of such foreign country.

20 "Definitions

21 "(b) For the purposes of this section—

22 "(1) the term 'social security system' means, with
 23 respect to a foreign country, a social insurance or pen-
 24 sion system which is of general application in the country
 25 and under which periodic benefits, or the actuarial equiv-

1 ment or self-employment under this title or the social
2 security system of a foreign country which is a party to
3 such agreement, shall, on or after the effective date of
4 such agreement, result in a period of coverage under the
5 system established under this title or under the system
6 established under the laws of such foreign country, but
7 not under both, and (ii) the methods and conditions for
8 determining under which system employment, self-em-
9 ployment, or other service shall result in a period of
10 coverage; and

11 “(C) that where an individual’s periods of coverage
12 are combined, the benefit amount payable under this title
13 shall be based on the proportion of such individual’s
14 periods of coverage which was completed under this title.

15 “(2) Any such agreement may provide that—

16 “(A) an individual who is entitled to cash benefits
17 under this title shall, notwithstanding the provisions of
18 section 202 (t), receive such benefits while he resides in
19 a foreign country which is a party to such agreement;
20 and

21 “(B) the benefit paid by the United States to an
22 individual who legally resides in the United States shall
23 be increased to an amount which, when added to the
24 benefit paid by such foreign country, will be equal to the
25 benefit amount which would be payable to an entitled

1 individual based on the first figure in (or deemed to
2 be in) column IV of the table in section 215 (a) in the
3 case of an individual becoming eligible for such benefit
4 before January 1, 1979, or based on a primary insur-
5 ance amount determined under section 215 (a) (1) (C)
6 (i) (I) in the case of an individual becoming eligible
7 for such benefit on or after that date.

8 “(3) Section 226 shall not apply in the case of any
9 individual to whom it would not be applicable but for this
10 section or any agreement or regulation under this section.

11 “(4) Any such agreement may contain such other pro-
12 visions, not inconsistent with this section, as the President
13 deems appropriate.

14 “Regulations

15 “(d) The Secretary of Health, Education, and Welfare
16 shall make rules and regulations and establish procedures
17 which are reasonable and necessary to implement and admin-
18 ister any agreement which has been entered into in accord-
19 ance with this section.

20 “Reports to Congress; Effective Date of Agreements

21 “(e) (1) Any agreement to establish a totalization
22 arrangement entered into pursuant to this section shall be
23 transmitted by the President to the Congress.

24 “(2) Such an agreement shall become effective on any
25 date, provided in the agreement, which occurs after the

1 expiration of 90 days on each of which at least one House of
2 Congress is in session following the date on which the agree-
3 ment is transmitted in accordance with paragraph (1).”.

4 (b) (1) Section 1401 of the Internal Revenue Code of
5 1954 is amended by adding at the end thereof the following
6 new subsection:

7 “(c) RELIEF FROM TAXES IN CASES COVERED BY
8 CERTAIN INTERNATIONAL AGREEMENTS.—During any pe-
9 riod in which there is in effect an agreement entered into
10 pursuant to section 233 of the Social Security Act with any
11 foreign country, the self-employment income of an individ-
12 ual shall be exempt from the taxes imposed by this section to
13 the extent that such self-employment income is subject under
14 such agreement to taxes or contributions for similar purposes
15 under the social security system of such foreign country.”.

16 (2) Sections 3101 and 3111 of such Code are each
17 amended by adding at the end thereof the following new
18 subsection:

19 “(c) RELIEF FROM TAXES IN CASES COVERED BY
20 CERTAIN INTERNATIONAL AGREEMENTS.—During any
21 period in which there is in effect an agreement entered into
22 pursuant to section 233 of the Social Security Act with any
23 foreign country, wages received by or paid to an individual
24 shall be exempt from the taxes imposed by this section to the
25 extent that such wages are subject under such agreement to

1 taxes or contributions for similar purposes under the social
2 security system of such foreign country.”.

3 (3) Section 6051 (a) of such Code is amended by add-
4 ing at the end thereof the following new sentence: “The
5 amounts required to be shown by paragraph (5) shall not
6 include wages which are exempted pursuant to sections 3101
7 (c) and 3111 (c) from the taxes imposed by sections 3101
8 and 3111.”.

9 (4) Notwithstanding any other provision of law, taxes
10 paid by any individual to any foreign country with respect
11 to any period of employment or self-employment which is
12 covered under the social security system of such foreign coun-
13 try in accordance with the terms of an agreement entered
14 into pursuant to section 233 of the Social Security Act shall
15 not, under the income tax laws of the United States, be
16 deductible by, or creditable against the income tax of, any
17 such individual.

18 VALIDATION OF PAST SOCIAL SECURITY COVERAGE FOR
19 CERTAIN ILLINOIS POLICEMEN AND FIREMEN

20 SEC. 307. (a) Notwithstanding the provisions of sub-
21 section (d) (5) (A) of section 218 of the Social Security
22 Act and the references thereto in subsections (d) (1) and
23 (d) (3) of such section 218 (but subject to subsection (b)
24 of this section) the agreement with the State of Illinois here-
25 tofore entered into pursuant to such section 218 shall be

1 deemed to apply to all services which were performed prior
2 to December 31, 1977, by any individual employed by such
3 State or any political subdivision thereof in a policeman's or
4 fireman's position covered by the Illinois Municipal Retirement
5 Fund, and with respect to which such State has paid to
6 the Secretary of the Treasury the sums prescribed pursuant
7 to subsection (e) (1) (A) of such section 218 at the time
8 or times established pursuant to such subsection (but only
9 if there has been no refund of the sums so paid or, if a
10 refund of part or all of such sums has been obtained, the
11 State of Illinois repays to the Secretary of the Treasury the
12 amount of such refund within ninety days after the date of
13 the enactment of this Act).

14 (b) Subsection (a) shall not apply with respect to
15 services performed by individuals employed by any political
16 subdivision which indicates, in such manner and within such
17 period as the Secretary shall prescribe, that it does not wish
18 such subsection to apply with respect to those services.

19 COVERAGE FOR POLICEMEN AND FIREMEN IN

20 MISSISSIPPI

21 SEC. 308. Section 218 (p) (1) of the Social Security
22 Act is amended by inserting "Mississippi," after "Mary-
23 land,".

1 COVERAGE UNDER DIVIDED RETIREMENT SYSTEM FOR
2 STATE AND LOCAL EMPLOYEES IN NEW JERSEY

3 SEC. 309. Section 218 (d) (6) (C) of the Social Secu-
4 rity Act is amended by inserting "New Jersey," after
5 "Nevada,".

6 COVERAGE OF SERVICE UNDER WISCONSIN RETIREMENT
7 SYSTEM

8 SEC. 310. Section 218 (m) (1) of the Social Security
9 Act is amended by inserting after "Wisconsin retirement
10 fund" the following: "or any successor system".

11 TITLE IV—ELIMINATION OF GENDER-BASED
12 DISTINCTIONS UNDER THE OLD-AGE, SUR-
13 VIVORS, AND DISABILITY INSURANCE
14 PROGRAM

15 PART A—EQUALIZATION OF TREATMENT OF MEN AND
16 WOMEN UNDER THE PROGRAM

17 DIVORCED HUSBANDS

18 SEC. 401. (a) (1) Section 202 (c) (1) of the Social
19 Security Act is amended, in the matter preceding subpara-
20 graph (A), by inserting "and every divorced husband (as
21 defined in section 216 (d))" before "of an individual" and
22 inserting "or such divorced husband" after "if such hus-
23 band".

1 (2) Section 202(c)(1) of such Act is further
2 amended—

3 (A) by redesignating subparagraphs (C) and (D)
4 as subparagraphs (D) and (E), and by inserting after
5 subparagraph (B) the following new subparagraph:

6 “(C) in the case of a divorced husband, is not
7 married,”;

8 (B) by striking out “after August 1950” in the
9 matter following subparagraph (E) (as so redesignig-
10 nated); and

11 (C) by striking out “the month in which any of
12 the following occurs:” and all that follows and insert-
13 ing in lieu thereof the following:

14 “the first month in which any of the following occurs:

15 “(F) he dies,

16 “(G) such individual dies,

17 “(H) in the case of a husband, they are divorced
18 and either (i) he has not attained age 62, or (ii) he
19 has attained age 62 but has not been married to such
20 individual for a period of 20 years immediately before
21 the divorce became effective,

22 “(I) in the case of a divorced husband, he marries
23 a person other than such individual,

24 “(J) he becomes entitled to an old-age or dis-
25 ability insurance benefit based on a primary insurance;

1 amount which is equal to or exceeds one-half of the
2 primary insurance amount of such individual, or

3 “(K) such individual is not entitled to disability
4 insurance benefits and is not entitled to old-age insur-
5 ance benefits.”.

6 (3) Section 202 (c) (3) of such Act is amended by
7 inserting “(or, in the case of a divorced husband, his former
8 wife)” before “for such month”.

9 (4) Section 202 (c) of such Act is amended by adding
10 after paragraph (3) the following new paragraph:

11 “(4) In the case of any divorced husband who
12 marries—

13 “(A) an individual entitled to benefits under
14 subsection (b), (e), (g), or (h) of this section, or

15 “(B) an individual who has attained the age
16 of 18 and is entitled to benefits under subsection
17 (d),

18 such divorced husband’s entitlement to benefits under
19 this subsection shall, notwithstanding the provisions of
20 paragraph (1) (but subject to subsection (s)), not
21 be terminated by reason of such marriage.”.

22 (5) Section 202 (c) (2) of such Act is amended by
23 striking out “(C)” in the matter immediately preceding
24 subparagraph (A) and inserting in lieu thereof “(D)”.

25 (6) Section 202 (b) (3) (A) of such Act is amended

1 by striking out “(f)” and inserting in lieu thereof “(c),
2 (f),”.

3 (7) Section 202 (c) (1) (E) of such Act (as redesign-
4 nated by paragraph (2) of this subsection) is amended by
5 striking out “his wife” and inserting in lieu thereof “such
6 individual”.

7 (b) (1) Section 202 (f) (1) of such Act is amended.
8 in the matter preceding subparagraph (A), by inserting
9 “and every surviving divorced husband (as defined in section
10 216 (d))” before “of an individual” and inserting “or such
11 surviving divorced husband” after “if such widower”.

12 (2) Section 202 (f) (1) of such Act is further amended
13 by striking out “his deceased wife” in subparagraph (E)
14 and in the matter following subparagraph (G) and insert-
15 ing in lieu thereof “such deceased individual”.

16 (3) Paragraphs (3), (4), (6), and (7) of section 202
17 (f) of such Act are each amended by inserting “or surviving
18 divorced husband” after “widower” wherever it appears.

19 (4) Paragraph (3) of section 202 (f) of such Act is
20 further amended by striking out “his deceased wife” wher-
21 ever it appears and by inserting in lieu thereof “such de-
22 ceased individual”, and by striking out “wife” wherever it
23 appears and inserting in lieu thereof “individual”.

24 (5) Section 202 (f) (4) of such Act is further amended
25 by striking out “remarries” and inserting in lieu thereof

1 “marries”, and by inserting “or surviving divorced hus-
2 band’s” after “widower’s”.

3 (6) Section 202 (e) (3) (A) of such Act is amended by
4 striking out “(f)” and inserting in lieu thereof “(c), (f),”.

5 (7) Section 202 (g) (3) (A) of such Act is amended by
6 inserting “(c),” before “(f),”.

7 (8) Section 202 (h) (4) (A) of such Act is amended by
8 inserting “(c),” before “(e),”.

9 (c) (1) Section 216 (d) of such Act is amended by re-
10 designating paragraph (4) as paragraph (6), and by insert-
11 ing after paragraph (3) the following new paragraphs:

12 “(4) The term “divorced husband” means a man di-
13 vorced from an individual, but only if he has been married
14 to such individual for a period of 20 years immediately
15 before the date the divorce became effective.

16 “(5) The term ‘surviving divorced husband’ means a
17 man divorced from an individual who has died, but only if he
18 has been married to the individual for a period of 20 years
19 immediately before the divorce became effective.”.

20 (2) The heading of section 216 (d) of such Act is
21 amended to read as follows:

22 “Divorced Spouses; Divorce”.

23 (d) (1) Section 205 (b) of such Act is amended by
24 inserting “divorced husband,” after “husband,” and “surviv-
25 ing divorced husband,” after “widower,”.

1 (2) Section 205 (c) (1) (C) of such Act is amended
2 by inserting “surviving divorced husband,” after “wife,”.

3 REMARRIAGE OF SURVIVING SPOUSE BEFORE AGE 60

4 SEC. 402. Section 202 (f) (1) (A) of the Social Security
5 Act is amended by striking out “has not remarried” and
6 inserting in lieu thereof “is not married”.

7 ILLEGITIMATE CHILDREN

8 SEC. 403. (a) Section 216 (h) (3) of the Social Secu-
9 rity Act is amended by inserting “mother or” before “father”
10 wherever it appears.

11 (b) Section 216 (h) (3) (A) (i) of such Act is amended
12 by striking out “daughter,” at the end of clause (III) and
13 all that follows and inserting in lieu thereof “daughter; or”.

14 (c) Section 216 (h) (3) (A) (ii) of such Act is
15 amended by striking out everything after “time” and insert-
16 ing in lieu thereof “such applicant’s application for benefits
17 was filed;”.

18 (d) Section 216 (h) (3) (B) (i) of such Act is amended
19 by striking out “daughter,” at the end of clause (III) and
20 all that follows and inserting in lieu thereof “daughter; or”.

21 (e) Section 216 (h) (3) (B) (ii) of such Act is
22 amended by striking out “such period of disability began”
23 and inserting in lieu thereof “such applicant’s application
24 for benefits was filed”.

TRANSITIONAL INSURED STATUS

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SEC. 404. (a) Section 227 (a) of the Social Security Act is amended—

(1) by striking out “wife” wherever it appears and inserting in lieu thereof “spouse”;

(2) by striking out “wife’s” wherever it appears and inserting in lieu thereof “spouse’s”;

(3) by striking out “she” wherever it appears and inserting in lieu thereof “he or she”;

(4) by striking out “his” wherever it appears and inserting in lieu thereof “his or her”; and

(5) by inserting “or section 202 (c)” after “section 202 (b)” wherever it appears.

(b) Section 227 (b) and section 227 (c) of such Act are amended—

(1) by striking out “widow” wherever it appears and inserting in lieu thereof “surviving spouse”;

(2) by striking out “widow’s” wherever it appears and inserting in lieu thereof “surviving spouse’s”;

(3) by striking out “her” wherever it appears and inserting in lieu thereof “the”; and

(4) by inserting “or section 202 (f)” after “section 202 (e)” wherever it appears.

(c) Section 216 of such Act (as amended by the pre-

1 ceding provisions of this Act) is further amended by in-
2 serting before subsection (b) the following new subsection:

3 “Spouse; Surviving Spouse

4 “(a) (1) The term ‘spouse’ means a wife as defined
5 in subsection (b) or a husband as defined in subsection (f).

6 “(2) The term ‘surviving spouse’ means a widow as
7 defined in subsection (c) or a widower as defined in sub-
8 section (g).”.

9 EQUALIZATION OF BENEFITS UNDER SECTION 228

10 SEC. 405. (a) Section 228 (b) (2) of the Social Secu-
11 rity Act is amended—

12 (1) by striking out “the husband’s benefit” and
13 inserting in lieu thereof “each of their benefits”;

14 (2) by striking out “\$64.40” and inserting in lieu
15 thereof “\$48.30”; and

16 (3) by striking out everything after “section
17 215 (i)” the first time it appears and inserting in lieu
18 thereof a period.

19 (b) Section 228 (c) (3) of such Act is amended to
20 read as follows:

21 “(3) In the case of a husband or wife, both of whom
22 are entitled to benefits under this section for any month, the
23 benefit amount of each, after any reduction under paragraph
24 (1), shall be further reduced (but not below zero) by the
25 excess (if any) of (A) the total amount of any periodic

1 benefits under governmental pension systems for which the
2 other is eligible for such month, over (B) the larger of
3 \$48.30 or the amount most recently established in lieu
4 thereof under section 215 (i).”.

5 (c) The Secretary shall increase the amounts specified
6 in section 228 of the Social Security Act, as amended by
7 this section, to take account of any general benefit increases
8 (as referred to in section 215 (i) (3) of such Act), and
9 any increases under section 215 (i) of such Act, which
10 occur after June 1974.

11 FATHER'S INSURANCE BENEFITS

12 SEC. 406. (a) Section 202 (g) of the Social Security
13 Act is amended—

14 (1) by striking out “widow” wherever it appears
15 and inserting in lieu thereof “surviving spouse”;

16 (2) by striking out “widow's” wherever it appears
17 and inserting in lieu thereof “surviving spouse's”;

18 (3) by striking out “wife's insurance benefits” in
19 paragraph (1) (D) and inserting in lieu thereof “a
20 spouse's insurance benefit”;

21 (4) by striking out “he” in paragraph (1) (D)
22 and wherever it appears in paragraph (3) and inserting
23 in lieu thereof “such individual”;

24 (5) by striking out “her” wherever it appears and
25 inserting in lieu thereof “his or her”;

1 (6) by striking out “she” wherever it appears and
2 inserting in lieu thereof “he or she”;

3 (7) by striking out “mother” wherever it appears
4 and inserting in lieu thereof “parent”;

5 (8) by inserting “or father’s” after “mother’s”
6 wherever it appears;

7 (9) by striking out “after August 1950”;

8 (10) by inserting “this subsection or” before “sub-
9 section (a)” in paragraph (3) (A); and

10 (11) by striking out “his” in paragraph (3) and
11 inserting in lieu thereof “his or her”.

12 (b) The heading of section 202 (g) of such Act is
13 amended by inserting “and Father’s” after “Mother’s”.

14 (c) Section 216 (d) of such Act (as amended by sec-
15 tion 401 (c) (1) of this Act) is further amended by redesign-
16 nating paragraph (6) as paragraph (8), and by inserting
17 after paragraph (5) the following new paragraphs:

18 “(6) The term ‘surviving divorced father’ means a man
19 divorced from an individual who has died, but only if (A)
20 he is the father of her son or daughter, (B) he legally
21 adopted her son or daughter while he was married to her
22 and while such son or daughter was under the age of 18,
23 (C) she legally adopted his son or daughter while he was
24 married to her and while such son or daughter was under the

1 age of 18, or (D) he was married to her at the time both of
2 them legally adopted a child under the age of 18.

3 “(7) The term ‘surviving divorced parent’ means a sur-
4 viving divorced mother as defined in paragraph (3) of this
5 subsection or a surviving divorced father as defined in para-
6 graph (6).”.

7 (d) Section 202 (c) (1) of such Act (as amended by
8 section 401 (a) (2) of this Act) is further amended by in-
9 serting “(subject to subsection (s))” before “be entitled
10 to” in the matter following subparagraph (E) and pre-
11 ceding subparagraph (F).

12 (e) Section 202 (c) (1) (B) of such Act is amended by
13 inserting after “62” the following: “or (in the case of a
14 husband) has in his care (individually or jointly with such
15 individual) at the time of filing such application a child en-
16 titled to child’s insurance benefits on the basis of the wages
17 and self-employment income of such individual”.

18 (f) Section 202 (c) (1) of such Act (as amended by
19 section 401 (a) (2) (C) of this Act) is further amended by
20 redesignating the new subparagraphs (J) and (K) as sub-
21 paragraphs (K) and (L), respectively, and by adding after
22 subparagraph (I) the following new subparagraph:

23 “(J) in the case of a husband who has not attained

1 age 62, no child of such individual is entitled to a child's
2 insurance benefit,".

3 (g) Section 202 (f) (1) (C) of such Act is amended by
4 inserting "(i)" after "(C)", by adding "or" after "223",
5 and by inserting at the end thereof the following new clause:

6 " (ii) was entitled, on the basis of such wages and
7 self-employment income, to father's insurance benefits
8 for the month preceding the month in which he attained
9 age 65,".

10 (h) Section 202 (f) (6) of such Act is amended by
11 striking out "or" at the end of subparagraph (A), by add-
12 ing "or" after the comma at the end of subparagraph (B),
13 and by adding after and below subparagraph (B) the fol-
14 lowing new subparagraph:

15 "(C) the last month for which he was entitled to
16 father's insurance benefits on the basis of the wages and
17 self-employment income of such individual,".

18 **EFFECT OF MARRIAGE ON CHILDHOOD DISABILITY**

19 **BENEFICIARY**

20 **SEC. 407.** (a) Section 202 (d) (5) of the Social Secu-
21 rity Act is amended by striking out "a male individual" in
22 the matter following subparagraph (B) and inserting in
23 lieu thereof "an individual".

24 (b) The amendment made by subsection (a) of this
25 section shall be effective with respect to benefits under title

1 II of the Social Security Act for months after December
2 1977, but only in cases where the "last month" referred to
3 in section 202 (d) (5) of such Act is a month after Decem-
4 ber 1977.

5 EFFECT OF MARRIAGE ON OTHER DEPENDENTS' OR
6 DEPENDENT SURVIVORS' BENEFITS

7 SEC. 408. (a) Section 202 (c) (4) of the Social Se-
8 curity Act (as added by section 401 (a) (4) of this Act) is
9 further amended by inserting before the period at the end
10 thereof the following: "; except that, in the case of such a
11 marriage to an individual entitled to benefits under subsec-
12 tion (d), the preceding provisions of this paragraph shall not
13 apply with respect to benefits for months after the last month
14 for which such individual is entitled to such benefits under
15 subsection (d) unless she ceases to be so entitled by reason of
16 her death".

17 (b) Section 202 (f) (4) of such Act is amended by in-
18 serting before the period at the end thereof the following:
19 "; except that, in the case of a marriage to an individual
20 entitled to benefits under subsection (d), the preceding pro-
21 visions of this paragraph shall not apply with respect to
22 benefits for months after the last month for which such in-
23 dividual is entitled to such benefits under subsection (d)
24 unless she ceases to be so entitled by reason of her death".

1 (c) Section 202 (h) (4) of such Act is amended by
2 striking out "a male individual" in the matter following
3 clause (B) and inserting in lieu thereof "an individual".

4 (d) The amendments made by this section shall be ef-
5 fective with respect to benefits under title II of the Social
6 Security Act for months after December 1977, but only in
7 cases where the "last month" referred to in section 202 (c)
8 (4), 202 (f) (4), 202 (g) (3), or 202 (h) (4) is a month
9 after December 1977.

10 TREATMENT OF SELF-EMPLOYMENT INCOME IN

11 COMMUNITY PROPERTY STATES

12 SEC. 409. (a) Section 211 (a) (5) (A) of the Social
13 Security Act and section 1402 (a) (5) (A) of the Internal
14 Revenue Code of 1954 are each amended by striking out
15 "husband unless the wife exercises substantially all of the
16 management and control of such trade or business, in which
17 case all of such gross income and deductions shall be treated
18 as the gross income and deductions of the wife" and inserting
19 in lieu thereof "spouse who exercises the greater manage-
20 ment and control over the trade or business, except that such
21 income and deductions shall be divided equally between the
22 two spouses if each spouse exercises the same amount of man-
23 agement and control over the trade or business".

24 (b) The amendments made by subsection (a) shall be

1 effective with respect to taxable years beginning after De-
2 cember 1977.

3 CREDIT FOR CERTAIN MILITARY SERVICE

4 SEC. 410. Section 217 (f) of the Social Security Act
5 is amended by striking out "widow" each place it appears
6 and inserting in lieu thereof "surviving spouse", and by
7 striking out "her" each place it appears in paragraph (2)
8 and inserting in lieu thereof "his".

9 CONFORMING AMENDMENTS

10 SEC. 411. (a) Section 202 (b) (3) (A) of the Social
11 Security Act (as amended by section 401 (a) (6) of this
12 Act) is further amended by inserting "(g)," after "(f),".

13 (b) Section 202 (p) (1) of such Act is amended by
14 striking out "subparagraph (C) of subsection (c) (1)"
15 and inserting in lieu thereof "subparagraph (D) of sub-
16 section (c) (1)".

17 (c) Section 202 (q) (3) of such Act is amended by
18 inserting "or surviving divorced husband" after "widower"
19 in subparagraphs (E), (F), and (G).

20 (d) Section 202 (q) (5) of such Act is amended—

21 (1) by inserting "husband's or" before "wife's"
22 each place it appears;

23 (2) by inserting "he or" before "she" each place
24 it appears;

1 (3) by inserting “his or” before “her” each place
2 it appears;

3 (4) by striking out “the woman” in subparagraph
4 (B) (ii) and “a woman” in subparagraph (C) and
5 inserting in lieu thereof “the individual” and “an indi-
6 vidual”, respectively; and

7 (5) in subparagraph (D), by inserting “widower’s
8 or” before “widow’s”; by inserting “wife or” before
9 “husband” each place it appears; by inserting “wife’s
10 or” before “husband’s” each place it appears; and by
11 inserting “father’s or” before “mother’s”.

12 (e) (1) Section 202 (q) (6) (A) (i) of such Act is
13 amended by striking out “or husband’s insurance” in sub-
14 division (I), and by inserting “or husband’s” after “wife’s”
15 in subdivision (II).

16 (2) Section 202 (q) (7) of such Act is amended, in
17 subparagraph (B), by inserting “husband’s or” before
18 “wife’s”, by inserting “he or” before “she”, and by insert-
19 ing “his or” before “her”, and in subparagraph (D) by
20 inserting “or widower’s” after “widow’s”.

21 (f) (1) Section 202 (s) (1) of such Act is amended
22 by inserting “(c) (1),” after “(b) (1),”.

23 (2) Section 202 (s) (2) of such Act is amended by
24 inserting “(c) (4),” after “(b) (3),”.

25 (3) Section 202 (s) (3) of such Act is amended by

1 inserting “(c) (4),” after “(b) (3),” and by inserting
2 “(f) (4),” after “(e) (3),”.

3 (g) Section 203 (a) (3) of such Act (as in effect in
4 December 1977) is amended by inserting “, or as a divorced
5 husband under section 202 (c) or as a surviving divorced
6 husband under section 202 (f),” after “section 202 (e)”, by
7 striking out “she” and inserting in lieu thereof “he or she”,
8 and by inserting “or divorced husband or surviving divorced
9 husband” after “such divorced wife or surviving divorced
10 wife”.

11 (h) The third sentence of section 203 (b) of such Act
12 is amended by inserting “or father’s” after “mother’s”.

13 (i) The text of section 203 (c) of such Act is amended
14 to read as follows—

15 “(c) Deductions, in such amounts and at such time or
16 times as the Secretary shall determine, shall be made from
17 any payment or payments under this title to which an indi-
18 vidual is entitled, until the total of such deductions equals
19 such individual’s benefits or benefit under section 202 for
20 any month—

21 “(1) in which such individual is under the age of
22 seventy-two and on seven or more different calendar
23 days of which such individual engaged in noncovered
24 remunerative activity outside the United States; or

25 “(2) in which such individual, if a wife or husband

1 under age sixty-five entitled to a wife's or husband's
2 insurance benefit, did not have in his or her care (indi-
3 vidually or jointly with his or her spouse) a child of such
4 spouse entitled to a child's insurance benefit and such
5 wife's or husband's insurance benefit for such month was
6 not reduced under the provisions of section 202 (q) ; or

7 " (3) in which such individual, if a widow or wid-
8 ower entitled to a mother's or father's insurance benefit,
9 did not have in his or her care a child of his or her de-
10 ceased spouse entitled to a child's insurance benefit; or

11 " (4) in which such an individual, if a surviving
12 divorced mother or father entitled to a mother's or fa-
13 ther's insurance benefit, did not have in his or her care a
14 child of his deceased former spouse who (A) is his or
15 her son, daughter, or legally adopted child and (B) is
16 entitled to a child's insurance benefit on the basis of the
17 wages and self-employment income of such deceased for-
18 mer spouse.

19 For purposes of paragraphs (2), (3), and (4) of this sub-
20 section, a child shall not be considered to be entitled to a
21 child's insurance benefit for any month in which paragraph
22 (1) of section 202 (s) applies or an event specified in sec-
23 tion 222 (b) occurs with respect to such child. Subject to
24 paragraph (3) of such section 202 (s), no deductions shall
25 be made under this subsection from any child's insurance

1 benefit for the month in which the child entitled to such
2 benefit attained the age of eighteen or any subsequent
3 month; nor shall any deduction be made under this subsec-
4 tion from any widow's insurance benefits for any month in
5 which the widow or surviving divorced wife is entitled and
6 has not attained age sixty-five (but only if she became so
7 entitled prior to attaining age sixty), or from any widower's
8 insurance benefit for any month in which the widower or
9 surviving divorced husband is entitled and has not attained
10 age sixty-five (but only if he became so entitled prior to
11 attaining age sixty).”

12 (j) Section 203 (d) of such Act is amended by inserting
13 “divorced husband,” after “husband,” in paragraph (1),
14 and by inserting “or father's” after “mother's” each place
15 it appears in paragraph (2).

16 (k) (1) Section 205 (b) of such Act (as amended by
17 section 401 (d) (1) of this Act) is further amended by
18 inserting “surviving divorced father,” after “mother,”

19 (2) Section 205 (c) (1) (C) of such Act (as amended
20 by section 401 (d) (2) of this Act) is further amended by
21 inserting “surviving divorced father,” after “surviving
22 divorced mother,”

23 (l) Section 216 (f) of such Act is amended by inserting
24 “(c),” before “(f)” in clause (3) (A).

1 (m) Section 216 (g) of such Act is amended by insert-
2 ing “(c),” before “(f)” in clause (6) (A).

3 (n) Section 222 (b) (1) of such Act is amended by
4 striking out “or surviving divorced wife” and inserting in
5 lieu thereof “, surviving divorced wife, or surviving divorced
6 husband”.

7 (o) Section 222 (b) (3) of such Act is amended by
8 inserting “divorced husband,” after “husband,”.

9 (p) Section 222 (b) (2) of such Act is amended by
10 inserting “or father’s” after “mother’s” each place it appears.

11 (q) Section 222 (d) (1) of such Act is amended by
12 inserting “and surviving divorced husbands” after “for
13 widowers” in the matter following clause (iii).

14 (r) Section 223 (d) (2) of such Act is amended by
15 striking out “or widower” where that term appears in sub-
16 paragraphs (A) and (B) and inserting in lieu thereof
17 “widower, or surviving divorced husband”.

18 (s) Section 225 of such Act is amended by inserting “or
19 surviving divorced husband” after “widower”.

20 (t) (1) Section 226 (h) (3) of such Act is amended to
21 read as follows:

22 “(3) For purposes of determining entitlement to hos-
23 pital insurance benefits under subsection (b), any disabled
24 widow age 50 or older who is entitled to mother’s insurance
25 benefits (and who would have been entitled to widow’s

1 insurance benefits by reason of disability if she had filed
2 for such widow's benefits), and any disabled widower who
3 is entitled to father's insurance benefits (and who would
4 have been entitled to widower's insurance benefits by reason
5 of disability if he had filed for such widower's benefits),
6 shall, upon application for such hospital insurance bene-
7 fits, be deemed to have filed for such widow's or widower's
8 benefits."

9 (2) For purposes of determining entitlement to hospital
10 insurance benefits under section 226(h)(3) of the Social
11 Security Act, as amended by paragraph (1) of this subsec-
12 tion, an individual becoming entitled to such hospital insur-
13 ance benefits as a result of the amendment made by such
14 paragraph shall, upon furnishing proof of such disability
15 within twelve months after the month of enactment of this
16 Act, under such procedures as the Secretary may prescribe,
17 be deemed to have been entitled to the widow's or widower's
18 benefits referred to in such section 226(h)(3), as so
19 amended, as of the time such individual would have been
20 entitled to such widow's or widower's benefits if he or she
21 had filed a timely application therefor.

22 **EFFECTIVE DATE**

23 **SEC. 412.** Except as otherwise specifically provided in
24 this part, the amendments made by this part shall apply only

1 with respect to monthly benefits payable under title II of the
2 Social Security Act for months after December 1977.

3 PART B—EFFECT OF MARRIAGE, REMARRIAGE, AND

4 DIVORCE ON BENEFIT ELIGIBILITY

5 ELIMINATION OF MARRIAGE OR REMARRIAGE AS FACTOR

6 TERMINATING OR REDUCING BENEFITS

7 SEC. 415. (a) (1) Section 202(b) (1) of the Social
8 Security Act is amended—

9 (A) by adding “and” at the end of subparagraph
10 (B),

11 (B) by striking out subparagraph (C),

12 (C) by striking out subparagraph (H), and

13 (D) by redesignating subparagraphs (D), (E),
14 (F), (G), (I), (J), and (K) as subparagraphs (C),
15 (D), (E), (F), (G), (H), and (I), respectively.

16 (2) Section 202(b) of such Act is further amended by
17 striking out paragraph (3).

18 (b) (1) Section 202(c) (1) of such Act (as amended
19 by sections 401(a) (2) and 406(f) of this Act) is
20 amended—

21 (A) by striking out subparagraph (C),

22 (B) by striking out subparagraph (I), and

23 (C) by redesignating subparagraphs (D), (E),
24 (F), (G), (H), (J), (K), and (L) as subparagraphs

1 (C), (D), (E), (F), (G), (H), (I), and (J),
2 respectively.

3 (2) Section 202 (c) of such Act is further amended by
4 striking out paragraph (4) (as added by section 401 (a)
5 (4) of this Act and amended by section 408 (a)).

6 (3) Section 202 (c) (2) of such Act (as amended by
7 section 401 (a) (5) of this Act) is further amended by
8 striking out “(D)” in the matter immediately preceding
9 subparagraph (A) and inserting in lieu thereof “(C)”.

10 (c) (1) Section 202 (d) (1) of such Act is amended—

11 (A) by striking out “was unmarried and” in sub-
12 paragraph (B), and

13 (B) by striking out “or marries,” in subparagraph
14 (D).

15 (2) Section 202 (d) of such Act is further amended by
16 striking out paragraph (5), and by redesignating paragraphs
17 (6) through (9) as paragraphs (5) through (8), respec-
18 tively.

19 (d) (1) Section 202 (e) (1) of such Act is amended—

20 (A) by striking out subparagraph (A),

21 (B) by striking out “paragraph (5)” in subpara-
22 graph (B) and inserting in lieu thereof “paragraph
23 (3)”,

24 (C) by striking out “subparagraph (B)” in sub-

1 paragraph (E) and inserting in lieu thereof “subpara-
2 graph (A)”,

3 (D) by striking out “subparagraph (B)”, “para-
4 graph (6)”, and “paragraph (5)” in subparagraph
5 (F) and inserting in lieu thereof “subparagraph (A)”,
6 “paragraph (4)”, and “paragraph (3)”, respectively,

7 (E) by striking out “remarries, dies,” in the matter
8 following subparagraph (F) and inserting in lieu thereof
9 “dies, or”, and

10 (F) by redesignating subparagraphs (B) through
11 (F) as subparagraphs (A) through (E), respectively.

12 (2) Section 202 (e) (2) (A) of such Act is amended by
13 striking out “, paragraph (4) of this subsection,”.

14 (3) Section 202 (e) of such Act is further amended by
15 striking out paragraphs (3) and (4), and by redesignating
16 paragraphs (5), (6), and (7) as paragraphs (3), (4), and
17 (5), respectively.

18 (4) The paragraph of section 202 (e) of such Act re-
19 designated as paragraph (3) by paragraph (3) of this sub-
20 section is amended by striking out “(1) (B) (ii)” and insert-
21 ing in lieu thereof “(1) (A) (ii)”.

22 (5) The paragraph of section 202 (e) of such Act re-
23 designated as paragraph (4) by paragraph (3) of this sub-
24 section is amended—

1 (A) by striking out “paragraph (1) (F)” and in-
2 serting in lieu thereof “paragraph (1) (E)”, and

3 (B) by striking out “paragraph (5)” and inserting
4 in lieu thereof “paragraph (3)”.

5 (e) (1) Section 202 (f) (1) of such Act (as amended
6 by the preceding provisions of this title) is further amended—

7 (A) by striking out subparagraph (A),

8 (B) by striking out “paragraph (6)” in subpara-
9 graph (B) and inserting in lieu thereof “paragraph
10 (4)”,

11 (C) by striking out “subparagraph (B)” in sub-
12 paragraph (F) and inserting in lieu thereof “subpara-
13 graph (A)”,

14 (D) by striking out “subparagraph (B)”, “para-
15 graph (7)”, and “paragraph (6)” in subparagraph
16 (G) and inserting in lieu thereof “subparagraph (A)”,

17 “paragraph (5)”, and “paragraph (4)”, respectively,

18 (E) by striking out “remarries,” in the matter fol-
19 lowing subparagraph (G), and

20 (F) by redesignating subparagraphs (B) through

21 (G) as subparagraphs (A) through (F), respectively.

22 (2) Section 202 (f) (2) of such Act is amended by
23 striking out “subparagraph (D)” and inserting in lieu
24 thereof “subparagraph (C)”.

1 (3) Section 202 (f) (3) (A) of such Act is amended
2 by striking out “, paragraph (5) of this subsection,”.

3 (4) Section 202 (f) of such Act is further amended by
4 striking out paragraphs (4) and (5), and by redesignating
5 paragraphs (6), (7), and (8) as paragraphs (4), (5),
6 and (6), respectively.

7 (5) The paragraph of section 202 (f) of such Act re-
8 designated as paragraph (4) by paragraph (4) of this sub-
9 section is amended by striking out “(1) (B) (ii)” and in-
10 serting in lieu thereof “(1) (A) (ii)”.

11 (6) The paragraph of section 202 (f) of such Act re-
12 designated as paragraph (5) by paragraph (4) of this sub-
13 section is amended by striking out “paragraph (1) (G)”
14 and “paragraph (6)” and inserting in lieu thereof “para-
15 graph (1) (F)” and “paragraph (4)”, respectively.

16 (f) (1) Section 202 (g) (1) of such Act (as amended
17 by section 406 (a) of this Act) is further amended—

18 (A) by striking out subparagraph (A),

19 (B) by striking out “subparagraph (E)” in sub-
20 paragraph (F) (i) and inserting in lieu thereof “sub-
21 paragraph (D)”,

22 (C) by striking out “he remarries,” in the matter
23 following subparagraph (F), and

24 (D) by redesignating subparagraphs (B) through
25 (F) as subparagraphs (A) through (E), respectively.

1 (2) Section 202 (g) of such Act is further amended by
2 striking out paragraph (3).

3 (g) (1) Section 202 (h) (1) of such Act is amended—

4 (A) by striking out subparagraph (C),

5 (B) by striking out “marries,” in the matter fol-
6 lowing subparagraph (E), and

7 (C) by redesignating subparagraphs (D) and (E)
8 as subparagraphs (C) and (D), respectively.

9 (2) Section 202 (h) of such Act is further amended by
10 striking out paragraph (4).

11 (h) (1) Section 202 (k) (2) (B) of such Act is
12 amended—

13 (A) by striking out “(other than an individual to
14 whom subsection (e) (4) or (f) (5) applies)”, and

15 (B) by striking out the second sentence.

16 (2) Section 202 (k) (3) of such Act is amended—

17 (A) by striking out “(A)” immediately before “If
18 an individual is entitled to an old-age or disability in-
19 surance benefit”, and

20 (B) by striking out subparagraph (B).

21 (i) Section 202 (p) (1) of such Act (as amended by
22 section 411 (b) of this Act) is further amended by striking
23 out “subparagraph (D) of subsection (c) (1), clause (i) or
24 (ii) of subparagraph (D) of subsection (f) (1)” and insert-
25 ing in lieu thereof “subparagraph (C) of subsection (c) (1),

1 clause (i) or (ii) of subparagraph (C) of subsection (f)
2 (1)”.

3 (j) (1) Section 202 (s) (2) of such Act is repealed.

4 (2) Section 202 (s) (3) of such Act (as amended by
5 section 411 (f) (3) of this Act) is further amended by
6 striking out “so much of subsections (b) (3), (c) (4),
7 (d) (5), (e) (3), (f) (4), (g) (3), and (h) (4) of this
8 section as follows the semicolon,”.

9 DURATION-OF-MARRIAGE REQUIREMENT FOR DIVORCED
10 SPOUSES AND SURVIVING DIVORCED SPOUSES

11 SEC. 416. (a) Section 216 (d) of the Social Security
12 Act is amended by striking out “20 years” in paragraphs
13 (1) and (2), and in paragraphs (4) and (5) (as added by
14 section 401 (c) (1) of this Act), and inserting in lieu thereof
15 in each instance “5 years”.

16 (b) Section 202 (b) (1) (F) of such Act (as redesignig-
17 nated by section 415 (a) (1) (D) of this Act) is amended
18 by striking out “20 years” and inserting in lieu thereof
19 “5 years”.

20 (c) Section 202 (c) (1) (G) of such Act (as added by
21 section 401 (a) (2) (C) of this Act and redesignated by
22 section 415 (b) (1) (C)) is amended by striking out “20
23 years” and inserting in lieu thereof “5 years”.

EFFECTIVE DATE

1
2 SEC. 417. (a) The amendments made by this part shall
3 apply only with respect to monthly benefits payable under
4 title II of the Social Security Act for months after December
5 1978, and, in the case of individuals who are not entitled
6 to benefits of the type involved under such title for December
7 1978, only on the basis of applications filed on or after
8 January 1, 1979.

9 (b) An individual whose entitlement to monthly in-
10 surance benefits under subsection (b), (c), (d), (e), (f),
11 (g), or (h) of section 202 of the Social Security Act
12 terminated on account of such individual's marriage or re-
13 marriage, or on account of the termination (except by reason
14 of death) of the benefits to which such individual's spouse
15 was entitled under section 223 (a) or section 202 (d) (1) (B)
16 (ii) of such Act, prior to January 1979, may again become
17 entitled to such benefits (provided no event which would
18 otherwise terminate such entitlement has since occurred) be-
19 ginning with January 1979 or, if later, with the first month
20 (after January 1979) in which he files application for such
21 reentitlement. The reentitlement of such individual to benefits
22 under such subsection (and the entitlement of other persons
23 to benefits under title II of the Social Security Act to the

1 extent related to such individual or his entitlement) shall
2 be treated for all the purposes of title II of the Social Security
3 Act as though such reentitlement were the individual's initial
4 entitlement.

5 PART C—STUDY

6 STUDY OF PROPOSALS TO ELIMINATE DEPENDENCY AND
7 SEX DISCRIMINATION UNDER THE SOCIAL SECURITY
8 PROGRAM

9 SEC. 421. (a) The Secretary of Health, Education, and
10 Welfare, in consultation with the Task Force on Sex Dis-
11 crimination in the Department of Justice, shall undertake
12 and carry out, within the Department of Health, Education,
13 and Welfare and the Social Security Administration, a de-
14 tailed study of proposals to eliminate dependency as a factor
15 in the determination of entitlement to spouse's benefits under
16 the social security program, and of proposals to bring about
17 equal treatment of men and women in any and all respects
18 under such program, taking into account the practical effects
19 (particularly the effect upon women's entitlement to such
20 benefits) of such things as—

- 21 (1) changes in the nature and extent of women's
22 participation in the labor force,
23 (2) the increasing divorce rate, and

1 (3) the economic value of women's work in the
2 home.

3 The study shall include appropriate cost analyses.

4 (b) The Secretary shall submit to the Congress within
5 six months after the date of the enactment of this Act a full
6 and complete report on the study carried out under subsec-
7 tion (a).

8 **TITLE V—CHANGES IN EARNINGS TEST UNDER**
9 **THE OLD-AGE, SURVIVORS, AND DISABILITY**
10 **INSURANCE PROGRAM**

11 **LIBERALIZATION AND EVENTUAL REPEAL OF EARNINGS**
12 **TEST FOR INDIVIDUALS AGE 65 AND OVER**

13 **SEC. 501.** (a) Section 203 (f) (8) (A) of the Social
14 Security Act is amended by striking out “a new exempt
15 amount which shall be effective (unless such new exempt
16 amount is prevented from becoming effective by subpara-
17 graph (C) of this paragraph) with respect to any individ-
18 ual's taxable year which ends after the calendar year” and
19 inserting in lieu thereof “the new exempt amounts (sepa-
20 rately stated for individuals described in subparagraph (D)
21 and for other individuals) which are to be applicable (unless
22 prevented from becoming effective by subparagraph (C))

1 with respect to taxable years ending in (or with the close of)
2 the calendar year after the calendar year”.

3 (b) (1) Section 203 (f) (8) (B) of such Act is amended
4 by striking out “The exempt amount for each month of a
5 particular taxable year shall be” in the matter preceding
6 clause (i) and inserting in lieu thereof “Except as otherwise
7 provided in subparagraph (D), the exempt amount which is
8 applicable to individuals described in such subparagraph and
9 the exempt amount which is applicable to other individuals,
10 for each month of a particular taxable year, shall each be”.

11 (2) Section 203 (f) (8) (B) (i) of such Act is amended
12 by striking out “the exempt amount” and inserting in lieu
13 thereof “the corresponding exempt amount”.

14 (3) The last sentence of section 203 (f) (8) (B) of such
15 Act is amended by striking out “the exempt amount” and
16 inserting in lieu thereof “an exempt amount”.

17 (c) (1) Section 203 (f) (8) of such Act is further
18 amended by adding at the end thereof the following new
19 subparagraph:

20 “(D) Notwithstanding any other provision of this
21 subsection, the exempt amount which is applicable to an
22 individual who has attained age 65 before the close of
23 the taxable year involved—

24 “(i) shall be $\$333.33\frac{1}{3}$ for each month of any
25 taxable year ending after 1977 and before 1979,

1 “(ii) shall be \$375 for each month of any
2 taxable year ending after 1978 and before 1980,

3 “(iii) shall be $\$416.66\frac{2}{3}$ for each month of any
4 taxable year ending after 1979 and before 1981,
5 and

6 “(iv) shall be $\$458.33\frac{1}{3}$ for each month of any
7 taxable year ending after 1980 and before 1982.”.

8 (2) No notification with respect to an increased exempt
9 amount for individuals described in section 203 (f) (8) (D)
10 of the Social Security Act (as added by paragraph (1) of
11 this subsection) shall be required under the last sentence of
12 section 203 (f) (8) (B) of such Act in 1977, 1978, 1979,
13 or 1980; and section 203 (f) (8) (C) of such Act shall not
14 prevent the new exempt amount determined and published
15 under section 203 (f) (8) (A) in 1977 from becoming effec-
16 tive to the extent that such new exempt amount applies to
17 individuals other than those described in section 203
18 (f) (8) (D) of such Act (as so added).

19 (d) Subsections (f) (1), (f) (3), (f) (4) (B), and
20 (h) (1) (A) of section 203 of such Act are each amended
21 by striking out “\$200 or the exempt amount” and inserting
22 in lieu thereof “the applicable exempt amount”.

23 (e) Subject to subsection (f), the amendments made
24 by the preceding provisions of this section shall apply with
25 respect to taxable years ending after December 1977.

1 (f) Effective with respect to taxable years ending after
2 December 31, 1981—

3 (1) subsections (d) (1), (f) (1) (B), and (j) of
4 section 203 of the Social Security Act, and subsection
5 (c) (1) of such section 203 (as amended by section
6 411 (i) of this Act), are each amended by striking out
7 “seventy-two” and inserting in lieu thereof “sixty-five”;

8 (2) the last sentence of section 203 (c) of such Act
9 (as so amended) is amended by striking out “nor shall
10 any deduction” and all that follows and inserting in lieu
11 thereof “nor shall any deduction be made under this
12 subsection from any widow’s or widower’s insurance
13 benefit if the widow, surviving divorced wife, widower,
14 or surviving divorced husband involved became entitled
15 to such benefit prior to attaining age 60.”;

16 (3) clause (D) of section 203 (f) (1) of such Act
17 is amended to read as follows: “(D) for which such in-
18 dividual is entitled to widow’s or widower’s insurance
19 benefits if she or he became so entitled prior to attain-
20 ing age 60, or”;

21 (4) section 203 (f) (3) of such Act is amended by
22 striking out “age 72” and inserting in lieu thereof “age
23 65”;

24 (5) section 203 (f) (5) (D) of such Act is re-
25 pealed;

1 (6) section 203 (h) (1) (A) of such Act is
2 amended by striking out “the age of 72” and “age 72”
3 and inserting in lieu thereof in each instance “age 65”;

4 (7) the heading of section 203 (j) of such Act is
5 amended by striking out “Seventy-two” and inserting
6 in lieu thereof “Sixty-five”;

7 (8) subsections (f) (1), (f) (3), (f) (4) (B),
8 and (h) (1) (A) of section 203 of such Act (as
9 amended by section 501 (d) of this Act) are each
10 further amended by striking out “the applicable exempt
11 amount” and inserting in lieu thereof “the exempt
12 amount”; and

13 (9) the amendments made by subsections (a),
14 (b), and (c) (1) of this section shall cease to be effec-
15 tive; and the provisions of section 203 of such Act
16 (as otherwise amended by the provisions of this Act)
17 shall read as they would if such subsections (a), (b),
18 and (c) (1) had not been enacted.

19 ELIMINATION OF MONTHLY EARNINGS TEST

20 SEC. 502. (a) Clause (E) of the last sentence of
21 section 203 (f) (1) of the Social Security Act (as amended
22 by section 501 (d) of this Act) is further amended by
23 inserting before the period at the end thereof the following:
24 “, if such month is in the taxable year in which occurs the
25 first month that is both (i) a month for which the individual

1 is entitled to benefits under subsection (a), (b), (c), (d),
2 (e), (f), (g), or (h) of section 202 (without having been
3 entitled for the preceding month to a benefit under any
4 other of such subsections), and (ii) a month in which the
5 individual did not engage in self-employment and did not
6 render services for wages (determined as provided in para-
7 graph (5)) of more than the exempt amount as determined
8 under paragraph (8)".

9 (b) The amendment made by subsection (a) shall apply
10 only with respect to monthly benefits payable for months
11 after December 1977.

12 LIBERALIZATION OF TEST FOR DETERMINING DEDUCTIONS
13 ON ACCOUNT OF NONCOVERED WORK OUTSIDE THE
14 UNITED STATES

15 SEC. 503. (a) Effective with respect to months in tax-
16 able years ending after 1977 and before 1979, subsections
17 (c) (1), (d) (1), and (d) (2) of section 203 of the Social
18 Security Act (as amended by the preceding provisions of
19 this Act) are each amended by striking out "seven or more"
20 and inserting in lieu thereof "nine or more".

21 (b) Effective with respect to months in taxable years
22 ending after 1978, subsections (c) (1), (d) (1), and (d)
23 (2) of such section 203 (as amended by subsection (a) of
24 this section) are each further amended by striking out "nine
25 or more" and inserting in lieu thereof "twelve or more".

1 TITLE VI—COMBINED SOCIAL SECURITY AND
2 INCOME TAX ANNUAL REPORTING

3 PART A—AMENDMENTS TO TITLE II OF THE SOCIAL
4 SECURITY ACT

5 ANNUAL CREDITING OF QUARTERS OF COVERAGE

6 SEC. 601. (a) (1) Sections 209 (g) (3), 209 (j), 210
7 (a) (17) (A), and 210 (f) (4) (B) of the Social Security
8 Act are each amended by striking out “quarter” wherever
9 it appears and inserting in lieu thereof “year”.

10 (2) Sections 209 (g) (3) and 209 (j) of such Act are
11 each further amended by striking out “\$50” and inserting
12 in lieu thereof “\$100”.

13 (3) (A) Section 209 of such Act is amended by strik-
14 ing out “or” at the end of subsection (n), by striking out
15 the period at the end of subsection (o) and inserting in
16 lieu thereof “; or”, and by inserting after subsection (o) the
17 following new subsection:

18 “(p) Remuneration paid by an organization exempt
19 from income tax under section 501 of the Internal Revenue
20 Code of 1954 in any calendar year to an employee for
21 service rendered in the employ of such organization, if the
22 remuneration paid in such year by the organization to the
23 employee for such service is less than \$100.”.

24 (B) Section 210 (a) (10) of such Act is amended by
25 striking out “(10(A))” and all that follows down through

1 “(B) Service” and inserting in lieu thereof “(10) Service”,
2 and by redesignating clauses (i) and (ii) as subparagraphs
3 (A) and (B), respectively.

4 (b) Section 212 of such Act is amended to read as
5 follows:

6 “CREDITING OF SELF-EMPLOYMENT INCOME TO
7 CALENDAR YEARS

8 “SEC. 212. (a) For the purposes of determining aver-
9 age monthly wage and quarters of coverage the amount of
10 self-employment income derived during any taxable year
11 which begins before 1978 shall—

12 “(1) in the case of a taxable year which is a calen-
13 dar year, be credited equally to each quarter of such
14 calendar year; and

15 “(2) in the case of any other taxable year, be
16 credited equally to the calendar quarter in which such
17 taxable year ends and to each of the next three or fewer
18 preceding quarters any part of which is in such taxable
19 year.

20 “(b) For the purposes of determining average indexed
21 monthly earnings, average monthly wage, and quarters of
22 coverage the amount of self-employment income derived dur-
23 ing any taxable year which begins after 1977 shall—

24 “(1) in the case of a taxable year which is a
25 calendar year or which begins with or during a calendar

1 year and ends with or during such year, be credited to
2 such calendar year; and

3 “(2) in the case of any other taxable year, be
4 allocated proportionately to the two calendar years,
5 portions of which are included within such taxable year,
6 on the basis of the number of months in each such
7 calendar year which are included completely within the
8 taxable year.

9 For purposes of clause (2), the calendar month in which a
10 taxable year ends shall be treated as included completely
11 within that taxable year.”

12 (c) Section 213 (a) (2) of such Act is amended to read
13 as follows:

14 “(2) (A) The term ‘quarter of coverage’ means—

15 “(i) for calendar years before 1978, and subject to
16 the provisions of subparagraph (B), a quarter in which
17 an individual has been paid \$50 or more in wages
18 (except wages for agricultural labor paid after 1954)
19 or for which he has been credited (as determined
20 under section 212) with \$100 or more of self-employ-
21 ment income; and

22 “(ii) for calendar years after 1977, and subject
23 to the provisions of subparagraph (B), each portion of
24 the total of the wages paid and the self-employment
25 income credited (pursuant to section 212) to an indi-

1 vidual in a calendar year which equals \$250, with such
2 quarter of coverage being assigned to a specific calendar
3 quarter in such calendar year only if necessary in the
4 case of any individual who has attained age 62 or died
5 or is under a disability and the requirements for insured
6 status in subsection (a) or (b) of section 214, the
7 requirements for entitlement to a computation or re-
8 computation of his primary insurance amount, or the
9 requirements of paragraph (3) of section 216(i) would
10 not otherwise be met.

11 “(B) Notwithstanding the provisions of subparagraph

12 (A)—

13 “(i) no quarter after the quarter in which an
14 individual dies shall be a quarter of coverage, and no
15 quarter any part of which is included in a period of
16 disability (other than the initial quarter and the last
17 quarter of such period) shall be a quarter of coverage;

18 “(ii) if the wages paid to an individual in any
19 calendar year equal to \$3,000 in the case of a calendar
20 year before 1951, or \$3,600 in the case of a calendar
21 year after 1950 and before 1955, or \$4,200 in the case
22 of a calendar year after 1954 and before 1959, or \$4,800
23 in the case of a calendar year after 1958 and before
24 1966, or \$6,600 in the case of a calendar year after 1965
25 and before 1968, or \$7,800 in the case of a calendar

1 year after 1967 and before 1972, or \$9,000 in the case
2 of the calendar year 1972, or \$10,800 in the case of the
3 calendar year 1973, or \$13,200 in the case of the calen-
4 dar year 1974, or an amount equal to the contribution
5 and benefit base (as determined under section 230) in
6 the case of any calendar year after 1974 with respect
7 to which such contribution and benefit base is effective,
8 each quarter of such year shall (subject to clauses (i)
9 and (v)) be a quarter of coverage;

10 “(iii) if an individual has self-employment income
11 for a taxable year, and if the sum of such income and
12 the wages paid to him during such year equals \$3,600
13 in the case of a taxable year beginning after 1950 and
14 ending before 1955, or \$4,200 in the case of a taxable
15 year ending after 1954 and before 1959, or \$4,800 in
16 the case of a taxable year ending after 1958 and before
17 1966, or \$6,600 in the case of a taxable year ending
18 after 1965 and before 1968, or \$7,800 in the case of
19 a taxable year ending after 1967 and before 1972, or
20 \$9,000 in the case of a taxable year beginning after
21 1971 and before 1973, or \$10,800 in the case of a tax-
22 able year beginning after 1972 and before 1974, or
23 \$13,200 in the case of a taxable year beginning after
24 1973 and before 1975, or an amount equal to the con-
25 tribution and benefit base (as determined under section

1 230) which is effective for the calendar year in the case
2 of any taxable year beginning in any calendar year after
3 1974, each quarter any part of which falls in such year
4 shall (subject to clauses (i) and (v)) be a quarter of
5 coverage;

6 “(iv) if an individual is paid wages for agricultural
7 labor in a calendar year after 1954 and before 1978,
8 then, subject to clauses (i) and (v), (I) the last quar-
9 ter of such year which can be but is not otherwise a
10 quarter of coverage shall be a quarter of coverage if such
11 wages equal or exceed \$100 but are less than \$200;
12 (II) the last two quarters of such year which can be
13 but are not otherwise quarters of coverage shall be
14 quarters of coverage if such wages equal or exceed \$200
15 but are less than \$300; (III) the last three quarters of
16 such year which can be but are not otherwise quarters
17 of coverage shall be quarters of coverage if such wages
18 equal or exceed \$300 but are less than \$400; and (IV)
19 each quarter of such year which is not otherwise a quar-
20 ter of coverage shall be a quarter of coverage if such
21 wages are \$400 or more;

22 “(v) no quarter shall be counted as a quarter of
23 coverage prior to the beginning of such quarter;

24 “(vi) not more than one quarter of coverage may
25 be credited to a calendar quarter; and

1 “(vii) no more than four quarters of coverage may
2 be credited to any calendar year after 1977.

3 If in the case of an individual who has attained age 62 or
4 died or is under a disability and who has been paid wages
5 for agricultural labor in a calendar year after 1954 and
6 before 1978, the requirements for insured status in subsec-
7 tion (a) or (b) of section 214, the requirements for entitle-
8 ment to a computation or recomputation of his primary
9 insurance amount, or the requirements of paragraph (3)
10 of section 216 (i) are not met after assignment of quarters
11 of coverage to quarters in such year as provided in clause
12 (iv) of the preceding sentence, but would be met if such
13 quarters of coverage were assigned to different quarters in
14 such year, then such quarters of coverage shall instead be
15 assigned, for purposes only of determining compliance with
16 such requirements, to such different quarters. If, in the case
17 of an individual who did not die prior to January 1, 1955,
18 and who attained age 62 (if a woman) or age 65 (if a man)
19 or died before July 1, 1957, the requirements for insured
20 status in section 214 (a) (3) are not met because of his
21 having too few quarters of coverage but would be met if his
22 quarters of coverage in the first calendar year in which he
23 had any covered employment had been determined on the
24 basis of the period during which wages were earned rather
25 than on the basis of the period during which wages were paid

1 (any such wages paid that are reallocated on an earned basis
2 shall not be used in determining quarters of coverage for sub-
3 sequent calendar years), then upon application filed by the
4 individual or his survivors and satisfactory proof of his
5 record of wages earned being furnished by such individual
6 or his survivors, the quarters of coverage in such calendar
7 year may be determined on the basis of the periods during
8 which wages were earned.”.

9 (d) The amendments made by subsection (a) shall
10 apply with respect to remuneration paid and services ren-
11 dered after December 31, 1977. The amendments made by
12 subsections (b) and (c) shall be effective January 1, 1978.

13 ADJUSTMENT IN AMOUNT REQUIRED FOR A QUARTER
14 OF COVERAGE

15 SEC. 602. (a) Section 213 (a) (2) (A) (ii) of the So-
16 cial Security Act, as amended by section 601 (c) of this Act,
17 is amended by striking out “\$250” and inserting in lieu
18 thereof “the amount required for a quarter of coverage in
19 that calendar year (as determined under subsection (d))”.

20 (b) Section 213 of such Act is further amended by add-
21 ing at the end thereof the following new subsection:

22 “Amount Required for a Quarter of Coverage

23 “(d) (1) The amount of wages and self-employment
24 income which an individual must have in order to be credited
25 with a quarter of coverage in any year under subsection

1 (a) (2) (A) (ii) shall be \$250 in the calendar year 1978
2 and the amount determined under paragraph (2) of this
3 subsection for years after 1978.

4 “(2) The Secretary shall, on or before November 1 of
5 1978 and of every year thereafter, determine and publish
6 in the Federal Register the amount of wages and self-
7 employment income which an individual must have in order
8 to be credited with a quarter of coverage in the succeeding
9 calendar year. The amount required for a quarter of cov-
10 erage shall be the larger of—

11 “(A) the amount in effect in the calendar year in
12 which the determination under this subsection is made, or

13 “(B) the product of the amount prescribed in para-
14 graph (1) which is required for a quarter of coverage
15 in 1978 and the ratio of the average of the total wages
16 (as defined in regulations of the Secretary and computed
17 without regard to the limitations specified in section 209
18 (a)) reported to the Secretary of the Treasury or his
19 delegate for the calendar year before the year in which
20 the determination under this paragraph is made to the
21 average of the total wages (as so defined and computed)
22 reported to the Secretary of the Treasury or his delegate
23 for 1976 (as published in the Federal Register in
24 accordance with section 215(a) (1) (D)),
25 with such product, if not a multiple of \$10, being rounded

1 to the next higher multiple of \$10 where such amount is a
2 multiple of \$5 but not of \$10 and to the nearest multiple of
3 \$10 in any other case.”.

4 (c) The amendments made by this section shall be
5 effective January 1, 1978.

6 TECHNICAL AND CONFORMING AMENDMENTS

7 SEC. 603. (a) (1) Section 203 (f) (8) (B) (i) of the
8 Social Security Act is amended by striking out “was” wher-
9 ever it appears and inserting in lieu thereof “is”.

10 (2) Section 203 (f) (8) (B) (ii) of such Act is amended
11 to read as follows:

12 “(ii) the product of the exempt amount de-
13 scribed in clause (i) and the ratio of (I) the aver-
14 age of the total wages (as defined in regulations of
15 the Secretary and computed without regard to the
16 limitations specified in section 209 (a)) reported to
17 the Secretary of the Treasury or his delegate for the
18 calendar year before the calendar year in which the
19 determination under subparagraph (A) is made to
20 (II) the average of the total wages (as so defined
21 and computed) reported to the Secretary of the
22 Treasury or his delegate for the calendar year
23 before the most recent calendar year in which
24 an increase in the exempt amount was en-
25 acted or a determination resulting in such an in-

1 crease was made under subparagraph (A), with
2 such product, if not a multiple of \$10, being
3 rounded to the next higher multiple of \$10
4 where such product is a multiple of \$5 but not
5 of \$10 and to the nearest multiple of \$10 in any
6 other case.”.

7 (b) (1) The first sentence of section 218(c) (8) of
8 such Act is amended by striking out “quarter” wherever it
9 appears and inserting in lieu thereof “year”, and by striking
10 out “\$50” and inserting in lieu thereof “\$100”.

11 (2) Section 218(q) (4) (B) of such Act is amended
12 by striking out “any calendar quarters” and inserting in lieu
13 thereof “a calendar year”, and by striking out “such calendar
14 quarters” and inserting in lieu thereof “such calendar year”.

15 (3) Section 218(q) (6) (B) of such Act is amended
16 by striking out “calendar quarters designated by the State in
17 such wage reports as the” and inserting in lieu thereof
18 “period or periods designated by the State in such wage
19 reports as the period or”.

20 (4) Section 218(r) (1) of such Act is amended—

21 (A) by striking out “quarter” in the matter before
22 clause (A) and inserting in lieu thereof “year”,

23 (B) by striking out “in which occurred the calen-
24 dar quarter” in clause (A), and

1 (C) by striking out "quarter" in clause (B) and
2 inserting in lieu thereof "year".

3 (c) (1) Effective with respect to estimates for calen-
4 dar years beginning after December 31, 1977, section 224
5 (a) of such Act is amended by striking out the last sentence.

6 (2) Section 224 (f) (2) of such Act is amended to read
7 as follows:

8 “(2) In making the redetermination required by para-
9 graph (1), the individual's average current earnings (as
10 defined in subsection (a)) shall be deemed to be the
11 product of—

12 “(A) his average current earnings as initially
13 determined under subsection (a) ;

14 “(B) the ratio of (i) the average of the total wages
15 (as defined in regulations of the Secretary and computed
16 without regard to the limitations specified in section
17 209 (a)) reported to the Secretary of the Treasury or
18 his delegate for the calendar year before the year in
19 which such redetermination is made to (ii) the average
20 of the total wages (as so defined and computed) re-
21 ported to the Secretary of the Treasury or his delegate
22 for calendar year 1977 or, if later, the calendar year
23 before the year in which the reduction was first com-
24 puted (but not counting any reduction made in benefits
25 for a previous period of disability) ; and

1 “(C) in any case in which the reduction was first
2 computed before 1978, the ratio of (i) the average of
3 the taxable wages reported to the Secretary for the
4 first calendar quarter of 1977 to (ii) the average of the
5 taxable wages reported to the Secretary for the first
6 calendar quarter of the calendar year before the year in
7 which the reduction was first computed (but not count-
8 ing any reduction made in benefits for a previous period
9 of disability).

10 Any amount determined under this paragraph which is not
11 a multiple of \$1 shall be reduced to the next lower multiple
12 of \$1.”.

13 (d) Section 229 (a) of such Act is amended—

14 (1) by striking out “shall be deemed to have been
15 paid, in each calendar quarter occurring after 1956 in
16 which he” and inserting in lieu thereof “, if he”, and

17 (2) by striking out “wages (in addition to the
18 wages actually paid to him for such service) of \$300.”
19 at the end thereof and inserting in lieu thereof the
20 following: “shall be deemed to have been paid—

21 “(1) in each calendar quarter occurring after 1956
22 and before 1978 in which he was paid such wages, addi-
23 tional wages of \$300, and

24 “(2) in each calendar year occurring after 1977
25 in which he was paid such wages, additional wages of

1 \$100 for each \$300 of such wages, up to a maximum
2 of \$1,200 of additional wages for any calendar year.”.

3 (e) (1) Section 230 (b) of such Act is amended by
4 striking out the last sentence.

5 (2) Section 230 (b) (1) of such Act is amended to
6 read as follows:

7 “(1) the contribution and benefit base which is in
8 effect with respect to remuneration paid in (and taxable
9 years beginning in) the calendar year in which the
10 determination under subsection (a) is made, and”.

11 (3) Section 230 (b) (2) of such Act is amended to
12 read as follows:

13 “(2) the ratio of (A) the average of the total
14 wages (as defined in regulations of the Secretary and
15 computed without regard to the limitations specified in
16 section 209 (a)) reported to the Secretary of the Treas-
17 ury or his delegate for the calendar year before the
18 calendar year in which the determination under subsec-
19 tion (a) is made to (B) the average of the total wages
20 (as so defined and computed) reported to the Secretary
21 of the Treasury or his delegate for the calendar year
22 before the most recent calendar year in which an in-
23 crease in the contribution and benefit base was enacted
24 or a determination resulting in such an increase was
25 made under subsection (a),”.

1 (f) (1) Effective with respect to convictions after De-
2 cember 31, 1977, section 202 (u) (1) (C) of such Act is
3 amended by striking out “quarter” wherever it appears and
4 inserting in lieu thereof “year”.

5 (2) (A) Section 205 (c) (1) of such Act is amended
6 by striking out “(as defined in section 211 (e))”.

7 (B) Section 205 (c) (1) of such Act is further amended
8 by adding at the end thereof the following new subpara-
9 graph:

10 “(D) The term ‘period’ when used with respect to
11 self-employment income means a taxable year and when
12 used with respect to wages means—

13 “(i) a quarter if wages were reported or should
14 have been reported on a quarterly basis on tax
15 returns filed with the Secretary of the Treasury or
16 his delegate under section 6011 of the Internal Rev-
17 enue Code of 1954 or regulations thereunder (or
18 on reports filed by a State under section 218 (e)
19 or regulations thereunder),

20 “(ii) a year if wages were reported or should
21 have been reported on a yearly basis on such tax
22 returns or reports, or

23 “(iii) the half year beginning January 1 on
24 July 1 in the case of wages which were reported or
25 should have been reported for calendar year 1937.”.

1 (C) Section 205 (o) of such Act is amended by insert-
2 ing "before 1978" after "calendar year".

3 (g) The amendments made by subsection (b) of this
4 section shall apply with respect to remuneration paid after
5 December 31, 1977. The amendments made by subsections
6 (d) and (f) (2) shall be effective January 1, 1978. Except
7 as otherwise specifically provided, the remaining amend-
8 ments made by this section shall be effective January 1,
9 1979.

10 PART B—AMENDMENTS TO THE INTERNAL REVENUE
11 CODE OF 1954

12 DEDUCTION OF TAX FROM WAGES

13 SEC. 611. (a) Section 3102 (a) of the Internal Reve-
14 nue Code of 1954 is amended by striking out "or (C) or
15 (10)", and by inserting after "is less than \$50;" the fol-
16 lowing: "and an employer who in any calendar year pays
17 to an employee cash remuneration to which paragraph (7)
18 (C) or (10) of section 3121 (a) is applicable may deduct
19 an amount equivalent to such tax from any such payment of
20 remuneration, even though at the time of payment the total
21 amount of such remuneration paid to the employee by the
22 employer in the calendar is less than \$100;".

23 (b) (1) Paragraphs (1) and (2) of section 3102 (c)
24 of such Code are each amended by striking out "quarter"
25 wherever it appears and by inserting in lieu thereof "year".

1 (2) Paragraph (3) of section 3102(c) of such Code
2 is amended—

3 (A) by striking out “quarter of the” in subpara-
4 graph (A); and

5 (B) by striking out “quarter” wherever it appears
6 in subparagraphs (B) and (C) and inserting in lieu
7 thereof “year”.

8 (c) The amendments made by this section shall apply
9 with respect to remuneration paid and to tips received after
10 December 31, 1977.

11 TECHNICAL AND CONFORMING AMENDMENTS

12 SEC. 612. (a) Sections 3121(a)(7)(C) and 3121
13 (a)(10) of the Internal Revenue Code of 1954 are each
14 amended by striking out “quarter” wherever it appears and
15 inserting in lieu thereof “year”, and by striking out “\$50”
16 and inserting in lieu thereof “\$100”.

17 (b) Section 3121(a) of such Code is amended by strik-
18 ing out “or” at the end of paragraph (14), by striking out
19 the period at the end of paragraph (15) and inserting in lieu
20 thereof “; or”, and by adding after paragraph (15) the
21 following new paragraph:

22 “(16) remuneration paid by an organization
23 exempt from income tax under section 501(a) (other
24 than an organization described in section 401(a)) or
25 under section 521 in any calendar year to an employee

1 for service rendered in the employ of such organization,
2 if the remuneration paid in such year by the organiza-
3 tion to the employee for such service is less than \$100.”.

4 (c) Section 3121 (b) (10) of such Code is amended by
5 striking out “(10) (A)” and all that follows down through
6 “(B) service” and inserting in lieu thereof “(10) service”,
7 and redesignating clauses (i) and (ii) as subparagraphs
8 (A) and (B), respectively.

9 (d) Sections 3121 (b) (17) (A) and 3121 (g) (4) (B)
10 of such Code are each amended by striking out “quarter”
11 and inserting in lieu thereof “year”.

12 (e) The amendments made by this section shall apply
13 with respect to remuneration paid and services rendered
14 after December 31, 1977.

15 PART C—CONFORMING AMENDMENT TO THE RAILROAD
16 RETIREMENT ACT OF 1974

17 COMPUTATION OF EMPLOYEE ANNUITIES

18 SEC. 621. (a) The last sentence of section 3 (f) (1) of
19 the Railroad Retirement Act of 1974 is amended—

20 (1) by inserting “paid before 1978” after “in the
21 case of wages”, and

22 (2) by inserting “and in the case of wages paid
23 after 1977” before the period at the end thereof.

24 (b) The amendments made by this section shall be
25 effective January 1, 1978.

1 TITLE VII—MISCELLANEOUS PROVISIONS

2 ACTUARIAL REDUCTION OF BENEFIT INCREASES TO BE

3 APPLIED AS OF TIME OF ORIGINAL ENTITLEMENT

4 SEC. 701. (a) Effective with respect to monthly benefits
5 payable for months after December 1977, section 202 (q)6 (4) of the Social Security Act is amended by striking out all
7 that follows subparagraph (B) and inserting in lieu thereof
8 the following:9 “then the amount of the reduction of such benefit (after the
10 application of any adjustment under paragraph (7)) for
11 each month beginning with the month of such increase in the
12 primary insurance amount shall be computed under para-
13 graph (1) or (3), whichever applies, as though the in-
14 creased primary insurance amount had been in effect for and
15 after the month for which the individual first became entitled
16 to such monthly benefit reduced under such paragraph (1)
17 or (3).”.18 (b) For purposes of applying section 202 (q) (4) of
19 the Social Security Act, as amended by subsection (a) of
20 this section, to monthly benefits payable for any month after
21 December 1977 in the case of an individual who was
22 entitled to a monthly benefit as reduced under section 202
23 (q) (1) or (3) of such Act prior to January 1978, the
24 amount of reduction in such benefit for the first month for
25 which such benefit is increased by reason of an increase in

1 the primary insurance amount of the individual on whose
2 wages and self-employment income such benefit is based and
3 for all subsequent months (and similarly for all subsequent
4 increases) shall be increased by a percentage equal to the
5 percentage of the increase in such primary insurance amount
6 (such increase being made in accordance with the provi-
7 sions of section 202 (q) (8) of such Act). Where such indi-
8 vidual's benefit, reduced under section 202 (q) of such Act,
9 is increased as a result of the use of an adjusted reduction
10 period or an additional adjusted reduction period (in ac-
11 cordance with paragraphs (1) and (3) of such section 202
12 (q)), then for the first month for which such increase is
13 effective and for all subsequent months, the amount of such
14 reduction (after the application of the previous sentence,
15 if an increase in the primary insurance amount is appli-
16 cable) shall be determined—

17 (1) in the case of old-age and spouse's insurance
18 benefits, by multiplying such amount by the ratio of (A)
19 the number of months in the adjusted reduction period
20 to (B) the number of months in the reduction period,

21 (2) in the case of widow's and widower's insurance
22 benefits for the month in which such individual attains
23 age 62, by multiplying such amount by the ratio of
24 (A) the number of months in the reduction period
25 beginning with age 62 multiplied by $1\frac{9}{40}$ of 1 per

1 centum, plus the number of months in the adjusted reduc-
2 tion period prior to age 62 multiplied by $\frac{19}{40}$ of 1 per
3 centum, plus the number of months in the adjusted
4 additional reduction period multiplied by $\frac{43}{240}$ of 1 per
5 centum to (B) the number of months in the reduction
6 period multiplied by $\frac{19}{40}$ of 1 per centum, plus the
7 number of months in the additional reduction period
8 multiplied by $\frac{43}{240}$ of 1 per centum, and

9 (3) in the case of widow's and widower's insurance
10 benefits for the month in which such individual attains
11 age 65, by multiplying such amount by the ratio of (A)
12 the number of months in the adjusted reduction period
13 multiplied by $\frac{19}{40}$ of 1 per centum, plus the number of
14 months in the adjusted additional reduction period mul-
15 tiplied by $\frac{43}{240}$ of 1 per centum to (B) the number of
16 months in the reduction period beginning with age 62
17 multiplied by $\frac{19}{40}$ of 1 per centum, plus the number of
18 months in the adjusted reduction period prior to age 62
19 multiplied by $\frac{19}{40}$ of 1 per centum, plus the number
20 of months in the adjusted additional reduction period
21 multiplied by $\frac{43}{240}$ of 1 per centum,

22 with each such decrease being made in accordance with the
23 provisions of section 202 (q) (8) of such Act.

24 (c) When an individual is entitled to more than one
25 monthly benefit under title II of the Social Security Act for

1 any month and one or more of such benefits are reduced under
2 section 202 (q) of the Social Security Act, as amended by
3 this Act, subsection (b) of this section shall apply separately
4 to each such benefit before the application of section 202 (k)
5 of such Act (pertaining to the method by which monthly
6 benefits are offset when an individual is entitled to more than
7 one kind of benefit), and the application of this subsection
8 shall operate in conjunction with section 202 (q) (3) of the
9 Social Security Act.

10 (d) (1) Section 202 (q) (7) (C) of the Social Security
11 Act is amended by striking out "because" and all that follows
12 and inserting in lieu thereof "because of the occurrence
13 of an event that terminated her or his entitlement to such
14 benefits,".

15 (2) Section 202 (q) (3) (H) of such Act is amended
16 by inserting "for that month or" after "first entitled".

17 ELIMINATION OF CERTAIN OPTIONAL PAYMENT PROCE-
18 DURES UNDER THE OLD-AGE, SURVIVORS, AND DISA-
19 BILITY INSURANCE PROGRAM

20 SEC. 702. (a) (1) The first sentence of section 202 (j)
21 (1) of the Social Security Act is amended by striking out
22 "An individual" and inserting "Subject to the limitations
23 contained in paragraph (4), an individual" in lieu thereof.

24 (b) Section 202 (j) of such Act is further amended by
25 inserting at the end thereof the following new paragraph:

1 “(4) (A) Except as provided in subparagraph (B), no
2 individual shall be entitled to benefits under subsection (a),
3 (b), (c), (e), or (f) for any month prior to the month
4 in which he or she files an application for such benefits if the
5 effect of such payment would be to reduce, pursuant to
6 subsection (q), the monthly benefits to which such individual
7 would otherwise be entitled.

8 “(B) (i) If the individual applying for retroactive
9 benefits is applying for such benefits under subsection (a),
10 and there are one or more other persons who would, except
11 for subparagraph (A), be entitled for any month, on the
12 basis of the wages and self-employment income of such in-
13 dividual and because of such individual’s entitlement to such
14 retroactive benefits, to retroactive benefits under subsection
15 (b), (c), or (d) not subject to reduction under subsection
16 (q), then subparagraph (A) shall not apply with respect
17 to such month or any subsequent month.

18 “(ii) If the individual applying for retroactive benefits
19 is a surviving spouse, or surviving divorced spouse who is
20 under a disability (as defined in section 223 (d)), and such
21 individual would, except for subparagraph (A), be entitled
22 to retroactive benefits as a disabled surviving spouse, or
23 surviving divorced spouse for any month before he or she
24 attained the age of 60, then subparagraph (A) shall not
25 apply with respect to such month or any subsequent month.

1 “(iii) If the individual applying for retroactive benefits
2 has excess earnings (as defined in section 203 (f)) in the
3 year in which he or she files an application for such benefits
4 which could, except for subparagraph (A), be charged to
5 months in such year prior to the month of application, then
6 subparagraph (A) shall not apply to so many of such
7 months immediately preceding the month of application as
8 are required to charge such excess earnings to the maximum
9 extent possible.”.

10 (3) Section 226 (h) of such Act is amended by adding
11 at the end thereof the following new paragraph :

12 “(4) For the purposes of determining entitlement to
13 hospital insurance benefits under subsection (b) in the case
14 of an individual described in clause (iii) of subsection (b)
15 (2) (A), the entitlement of such individual to widow’s or
16 widower’s insurance benefits under section 202 (e) or (f)
17 by reason of a disability shall be deemed to be the entitle-
18 ment to such benefits that would result if such entitlement
19 were determined without regard to the provisions of sec-
20 tion 202 (j) (4).”.

21 (2) The amendments made by this section shall be
22 effective with respect to applications for benefits under title
23 II of the Social Security Act filed on or after January 1,
24 1978.

1 EARLY MAILING OF BENEFIT CHECKS WHERE REGULARLY
2 SCHEDULED DELIVERY DAY FALLS ON SATURDAY,
3 SUNDAY, OR LEGAL HOLIDAY

4 SEC. 703. (a) Title VII of the Social Security Act is
5 amended by adding at the end thereof the following new
6 section:

7 "TIME FOR DELIVERY OF BENEFIT CHECKS WHEN REGULAR
8 DELIVERY DAY FALLS ON A SATURDAY, SUNDAY, OR
9 LEGAL HOLIDAY

10 "SEC. 708. (a) If the day regularly designated for the
11 delivery of benefit checks under title II or title XVI falls on a
12 Saturday, Sunday, or legal public holiday (as defined in
13 section 6103 of title 5, United States Code) in any month,
14 the benefit checks which would otherwise be delivered on
15 such day shall be mailed in time for delivery, and delivered,
16 on the first day preceding such day which is not a Saturday,
17 Sunday, or legal public holiday (as so defined), without
18 regard to whether the delivery of such checks would as a
19 result have to be made before the end of the month for which
20 such checks are issued.

21 " (b) If more than the correct amount of payment under
22 title II or XVI is made to any individual as a result of the
23 receipt of a benefit check pursuant to subsection (a) before
24 the end of the month for which such check is issued, no action

1 shall be taken (under section 204 or 1631 (b) or otherwise)
2 to recover such payment or the incorrect portion thereof.”.

3 (b) The amendment made by subsection (a) of this
4 section shall apply with respect to benefit checks the
5 regularly designated day for delivery of which occurs on or
6 after the thirtieth day after the date of the enactment of this
7 Act.

8 **DEFINITION**

9 **SEC. 704.** As used in this Act and the amendments to
10 the Social Security Act made by this Act, the term “Sec-
11 retary” means, unless the context otherwise requires, the
12 Secretary of Health, Education, and Welfare.

13 **TITLE VIII—NATIONAL COMMISSION ON**
14 **SOCIAL SECURITY**

15 **ESTABLISH A NATIONAL COMMISSION ON SOCIAL**
16 **SECURITY**

17 **SEC. 801.** (a) (1) There is hereby established a com-
18 mission to be known as the National Commission on Social
19 Security (hereinafter referred to as the “Commission”).

20 (2) (A) The Commission shall consist of—

21 (i) five members to be appointed by the President,
22 by and with the advice and consent of the Senate, one of
23 whom shall, at the time of appointment, be designated as
24 Chairman of the Commission;

1 (ii) two members to be appointed by the Speaker
2 of the House of Representatives; and

3 (iii) two members to be appointed by the Presi-
4 dent pro tempore of the Senate.

5 (B) At no time shall more than three of the members
6 appointed by the President, one of the members appointed
7 by the Speaker of the House of Representatives, or one of
8 the members appointed by the President pro tempore of the
9 Senate be members of the same political party.

10 (C) The membership of the Commission shall consist
11 of individuals who are of recognized standing and distinction
12 and who possess the demonstrated capacity to discharge the
13 duties imposed on the Commission, and shall include repre-
14 sentatives of the private insurance industry and of recipients
15 and potential recipients of benefits under the programs in-
16 volved as well as individuals whose capacity is based on
17 a special knowledge or expertise in those programs. No indi-
18 vidual who is otherwise an officer or full-time employee of
19 the United States shall serve as a member of the Commis-
20 sion.

21 (D) The Chairman of the Commission shall designate
22 a member of the Commission to act as Vice Chairman of the
23 Commission.

24 (E) A majority of the members of the Commission shall

1 constitute a quorum, but a lesser number may conduct hear-
2 ings.

3 (F) Members of the Commission shall be appointed for
4 a term of two years.

5 (G) A vacancy in the Commission shall not affect its
6 powers, but shall be filled in the same manner as that herein
7 provided for the appointment of the member first appointed
8 to the vacant position.

9 (3) Members of the Commission shall receive \$138 per
10 diem while engaged in the actual performance of the duties
11 vested in the Commission, plus reimbursement for travel,
12 subsistence, and other necessary expenses incurred in the
13 performance of such duties.

14 (4) The Commission shall meet at the call of the Chair-
15 man, or at the call of a majority of the members of the
16 Commission; but meetings of the Commission shall be held
17 not less frequently than once in each calendar month which
18 begins after a majority of the authorized membership of the
19 Commission has first been appointed.

20 (b) (1) It shall be the duty and function of the Com-
21 mission to conduct a continuing study, investigation, and
22 review of—

23 (A) the Federal old-age, survivors, and disability
24 insurance program established by title II of the Social
25 Security Act; and

1 (B) the health insurance programs established by
2 title XVIII of such Act.

3 (2) Such study, investigation, and review of such pro-
4 grams shall include (but not be limited to)—

5 (A) the fiscal status of the trust funds established
6 for the financing of such programs and the adequacy of
7 such trust funds to meet the immediate and long-range
8 financing needs of such programs;

9 (B) the scope of coverage, the adequacy of benefits
10 including the measurement of an adequate retirement
11 income, and the conditions of qualification for benefits
12 provided by such programs including the application of
13 the retirement income test to unearned as well as earned
14 income;

15 (C) the impact of such programs on, and their rela-
16 tion to, public assistance programs, nongovernmental
17 retirement and annuity programs, medical service de-
18 livery systems, and national employment practices;

19 (D) any inequities (whether attributable to provi-
20 sions of law relating to the establishment and operation
21 of such programs, to rules and regulations promulgated
22 in connection with the administration of such programs,
23 or to administrative practices and procedures employed
24 in the carrying out of such programs) which affect sub-
25 stantial numbers of individuals who are insured or other

1 wise eligible for benefits under such programs, including
2 inequities and inequalities arising out of marital status,
3 sex, or similar classifications or categories;

4 (E) possible alternatives to the current Federal
5 programs or particular aspects thereof, including but not
6 limited to (i) a phasing out of the payroll tax with the
7 financing of such programs being accomplished in some
8 other manner (including general revenue funding and
9 the retirement bond), (ii) the establishment of a system
10 providing for mandatory participation in any or all of
11 the Federal programs, (iii) the integration of such
12 current Federal programs with private retirement pro-
13 grams, and (iv) the establishment of a system permit-
14 ting covered individuals a choice of public or private
15 programs or both; and

16 (F) methods for effectively implementing the rec-
17 ommendations of the Commission.

18 (3) In order to provide an effective opportunity for
19 the general public to participate fully in the study, investi-
20 gation, and review under this section, the Commission, in
21 conducting such study, investigation, and review, shall hold
22 public hearings in as many different geographical areas of
23 the country as possible. The residents of each area where
24 such a hearing is to be held shall be given reasonable advance

1 notice of the hearing and an adequate opportunity to appear
2 and express their views on the matters under consideration.

3 (c) (1) No later than four months after the date on
4 which a majority of the authorized membership of the Com-
5 mission is initially appointed, the Commission shall submit
6 to the President and the Congress a special report describ-
7 ing the Commission's plans for conducting the study, investi-
8 gation, and review under subsection (b), with particular
9 reference to the scope of such study, investigation, and
10 review and the methods proposed to be used in conducting it.

11 (2) At or before the close of each of the first two
12 years after the date on which a majority of the authorized
13 membership of the Commission is initially appointed, the
14 Commission shall submit to the President and the Congress
15 an annual report on the study, investigation, and review
16 under subsection (b), together with its recommendations
17 with respect to the programs involved. The second such re-
18 port shall constitute the final report of the Commission on
19 such study, investigation, and review, and shall include its
20 final recommendations; and upon the submission of such final
21 report the Commission shall cease to exist.

22 (d) (1) The Commission shall appoint an Executive
23 Director of the Commission who shall be compensated at a
24 rate fixed by the Commission, but which shall not exceed

1 the rate established for level V of the Executive Schedule
2 by title 5, United States Code.

3 (2) In addition to the Executive Director, the Com-
4 mission shall have the power to appoint and fix the com-
5 pensation of such personnel as it deems advisable, in accord-
6 ance with the provisions of title 5, United States Code,
7 governing appointments to the competitive service, and
8 the provisions of chapter 51 and subchapter III of chapter
9 53 of such title, relating to classification and General Schedule
10 pay rates.

11 (e) In carrying out its duties under this section, the
12 Commission, or any duly authorized committee thereof, is
13 authorized to hold such hearings, sit and act at such times
14 and places, and take such testimony, with respect to matters
15 with respect to which it has a responsibility under this
16 section, as the Commission or such committee may deem
17 advisable. The Chairman of the Commission or any mem-
18 ber authorized by him may administer oaths or affirmations
19 to witnesses appearing before the Commission or before any
20 committee thereof.

21 (f) The Commission may secure directly from any
22 department or agency of the United States such data and
23 information as may be necessary to enable it to carry out
24 its duties under this section. Upon request of the Chairman

1 of the Commission, any such department or agency shall
2 furnish any such data or information to the Commission.

3 (g) The General Services Administration shall provide
4 to the Commission, on a reimbursable basis, such administra-
5 tive support services as the Commission may request.

6 (h) There are hereby authorized to be appropriated
7 such sums as may be necessary to carry out this section.

8 (i) It shall be the duty of the Health Insurance Benefits
9 Advisory Council (established by section 1867 of the Social
10 Security Act) to provide timely notice to the Commission
11 of any meeting thereof, and the Chairman of the Commis-
12 sion (or his delegate) shall be entitled to attend any such
13 meeting.

Passed the House of Representatives October 27, 1977.

Attest: EDMUND L. HENSHAW, JR.,
Clerk.

Calendar No. 515

95TH CONGRESS
1ST SESSION

H. R. 9346

AN ACT

To amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes.

OCTOBER 28 (legislative day, OCTOBER 21), 1977

Read twice and ordered to be placed on the calendar

October 27, 1977

Office of the White House Press Secretary

WHITE HOUSE STATEMENT ON HOUSE ACTION ON H.R. 9346

We commend the action of the House of Representatives today in passing the social security financing bill. The President requested such legislation on May 9, 1977, and it now appears possible that a bill can be enacted this year.

The House bill contains many provisions requested by the administration, including the correction of the inflation adjustment mechanism, maintenance of benefit levels in the future, and the use of general revenues as an insurance policy to protect the trust funds against a future economic downturn. We would like to see more moderate increases in the tax rate for workers. In particular, we are concerned that the removal of the earnings limitation passed by the House will require too great a tax increase. We expect that the tax levels will be moderated in the final measure passed by Congress.

The American people deserve a social security system which is financially sound. The response of the House to the President's initiative is an important first step toward that goal. We are confident that the Senate will soon take action on the bill to be reported from the Finance Committee.

We look forward to working with the Members of the House and Senate in the coming weeks in a joint effort to insure the financial integrity of the social security system into the middle of the next century.

LEGISLATIVE REPORT

FROM THE
DIRECTOR,
OFFICE OF PROGRAM EVALUATION
AND PLANNING
SOCIAL SECURITY
ADMINISTRATION

Number 14

October 28, 1977

SOCIAL SECURITY FINANCING ACT OF 1977

Yesterday the House of Representatives passed H.R. 9346, the "Social Security Financing Act of 1977," by a vote of 275 to 146. Except as outlined below, the provisions of H.R. 9346 as passed by the House are the same as in the bill as reported by the Committee on Ways and Means. That version of the bill was summarized in Legislative Report No. 13, dated October 7, 1977.

Floor amendments

The House passed three amendments to H.R. 9346 as reported by the Committee.

1. Retirement test

As passed, H.R. 9346 would gradually eliminate the retirement test for beneficiaries age 65 and over. The annual exempt amount (now \$3000) would be increased to \$4000 in 1978, \$4500 in 1979, \$5000 in 1980, and \$5500 in 1981. In 1982 and thereafter, beneficiaries age 65 and over could have unlimited earnings and receive their full social security benefits. The foreign work test, which applies to beneficiaries outside the United States, would not be eliminated.

For beneficiaries under age 65, the annual exempt amount would be increased in line with the rise in average annual earnings as under present law.

The amendment made no change in the monthly measure of retirement or the foreign work test provisions of H.R. 9346 as summarized in Legislative Report No. 13.

2. Coverage

The provision for mandatory coverage of Federal civilian, State and local, and nonprofit organization employees in H.R. 9346 as reported by the Ways and Means Committee was deleted. H.R. 9346, as passed, would require, instead, joint reports by the Office of Management and Budget, the Civil Service Commission, the Department of Treasury, and the Department of Health, Education, and Welfare on methods by which Federal, State, and

local retirement systems could be coordinated with social security. The reports would be completed and sent to the President and the Congress within 2 years after enactment.

3. National Commission on Social Security

H.R. 9346 would establish a nine-member Commission to conduct a 2-year study of the social security program, including its fiscal status, scope of coverage, adequacy of benefits, eligibility requirements, quality of administration, alternative sources of financing, and relationship to other public and private income maintenance programs. Five members would be appointed by the President, two by the Speaker of the House, and two by the President Protempore of the Senate. The amendment would not eliminate the statutory Social Security Advisory Council that is due to be appointed this year.

Financing

H.R. 9346, as passed, provides additional financing to meet the cost of eliminating the retirement test at age 65 and to make up the revenue that would have resulted from universal coverage. The contribution rate schedule and the contribution and benefit base under present law and H.R. 9346 as passed by the House are shown on the enclosed table. Employees and self-employed persons with earnings at or below the current contribution and benefit base--about 86 percent of all workers--would have no increase in their social security contributions over present law until 1981.

Beginning in 1980, H.R. 9346 would eliminate annual deficits in the OASDI program. Over the medium range--the next 25 years--the program would have a surplus equal to about 0.7 percent of taxable payroll. Over the long range--the next 75 years--H.R. 9346 would reduce the deficit from 8.2 percent of taxable payroll to about 1.6 percent.

Senate Action

H.R. 9346 now goes to the Senate, where the Committee on Finance has also been considering social security financing and decoupling legislation. The Finance Committee has made tentative decisions but has not ordered legislation reported to the Senate. The Finance Committee's tentative decisions would put the OASDI program in close actuarial balance. A press release summarizing the Finance Committee's tentative decisions is also enclosed.



Samuel E. Crouch

Director

Office of Program Evaluation and Planning

Enclosures

CONTRIBUTION RATE SCHEDULE
(In percent)

Calendar Year	Present Law			H.R. 9346		
	OASDI	HI	Total	OASDI	HI	Total
Employees and employers, each						
1977	4.95	0.90	5.85	4.95	0.90	5.85
1978-80	4.95	1.10	6.05	5.05	1.00	6.05
1981	4.95	1.35	6.30	5.25	1.30	6.55
1982-84	4.95	1.35	6.30	5.35	1.30	6.65
1985	4.95	1.35	6.30	5.65	1.30	6.95
1986-89	4.95	1.50	6.45	5.65	1.45	7.10
1990-2010	4.95	1.50	6.45	6.20	1.45	7.65
2011 and later	5.95	1.50	7.45	6.20	1.45	7.65
Self-employed persons						
1977	7.00	0.90	7.90	7.00	0.90	7.90
1978-80	7.00	1.10	8.10	7.10	1.00	8.10
1981	7.00	1.35	8.35	7.90	1.30	9.20
1982-84	7.00	1.35	8.35	8.05	1.30	9.35
1985	7.00	1.35	8.35	8.45	1.30	9.75
1986-89	7.00	1.50	8.50	8.45	1.45	9.95
1990-2010	7.00	1.50	8.50	9.30	1.45	10.75
2011 and later	7.00	1.50	8.50	9.30	1.45	10.75

CONTRIBUTION AND BENEFIT BASE FOR EMPLOYEES AND EMPLOYERS

Calendar Year	Present Law	H.R. 9346
1977	\$16,500	\$16,500
1978	17,700	19,900 ^{1/}
1979	18,900 ^{2/}	22,900 ^{1/}
1980	20,400 ^{2/}	25,900 ^{1/}
1981	21,900 ^{2/}	29,700 ^{1/}
1982	23,400 ^{2/}	31,800 ^{2/}
1983	24,900 ^{2/}	33,900 ^{2/}
1984	26,400 ^{2/}	36,000 ^{2/}
1985	27,900 ^{2/}	38,100 ^{2/}
1986	29,400 ^{2/}	40,200 ^{2/}
1987	31,200 ^{2/}	42,600 ^{2/}

^{1/} Specified in H.R. 9346
^{2/} Estimated

P R E S S R E L E A S E

FOR IMMEDIATE RELEASE
October 25, 1977

COMMITTEE ON FINANCE
UNITED STATES SENATE
2227 Dirksen Senate Office Bldg.

SUMMARY OF SENATE FINANCE COMMITTEE ACTION ON SOCIAL SECURITY

The Honorable Russell B. Long (D., La.), Chairman of the Committee on Finance, announced today that the agreements which the Committee has reached for changes in the Social Security program will restore the financial soundness of that program both over the next few years and over the traditional long-range financing period of 75 years. The Social Security provisions which have been agreed to by the Committee are summarized below.

Financing Provisions

Revised benefit formula for future retirees. -- A substantial part of the long-range social security deficit under present law results from unintended effects of the automatic cost-of-living increase mechanisms adopted in 1972. The Committee has agreed to make the existing law cost-of-living increase provisions apply only to individuals who are already on the benefit rolls at the time each increase occurs. To assure that the value of benefits for new retirees is maintained, the Committee has agreed to a new formula for computing initial benefits. This new formula will avoid the over-indexing which was characteristic of the present-law formula. Under the new formula, persons retiring in the future will have their benefits determined on the basis of their previous wages after those wages have been adjusted to reflect changes in wage levels occurring in the economy. This approach is generally referred to as wage indexing. The formula adopted is designed to maintain benefit levels as a percent of preretirement income at approximately the same ratio as applied in the case of persons who retired in 1976.

Increase in amount of earnings subject to employer tax. -- Under existing law, the employer share of the social security payroll tax is collected on the first \$16,500 earned by each employee. This amount increases automatically in future years as wages rise and is expected to increase to \$17,700 in 1978. The Committee provision would raise the base for employer taxes to \$50,000 starting in 1979. The employer base will remain at a flat \$50,000 through 1984 and then increase in 1985 to \$75,000. The base will remain at a flat \$75,000 until such time as the employee tax base reaches a level of \$75,000. Thereafter the two bases would be equal and would rise together in relation to the increases in average wages. It is projected that the \$75,000 base would remain in effect until sometime after the turn of the century. (Increasing the amount of wages subject to social security taxes would also result in a similar increase under the railroad retirement program. Since the railroad program has a higher tax rate for employers than for employees (related to certain segments of the benefit structure which are based on labor-industry negotiations), the Committee agreed to limit the applicability of this provision in the case of the railroad system. Under the Committee amendment the increased employer tax base would apply only to that part of the employer tax rate which is equivalent to the social security tax rate.)

Increase in amount of earnings subject to employee (or self-employer) tax. -- In addition to increasing the amount of wages subject to the employer tax, the Committee also approved an increase in the amount of annual earnings subject to the employee or self-employment tax. Under the amendment, there will be four \$600 increases over present law levels in 1979, 1981, 1983, and 1985. As under existing law, the tax base for employees and self-employed persons will also be automatically increased as wage levels rise. The table below shows the projected tax bases under this amendment.

AMOUNT OF EARNINGS SUBJECT TO SOCIAL SECURITY TAX

<u>Years</u>	<u>Present Law</u>	<u>Committee Amendment</u>	
	<u>(Employers, Employees, Self-employed)</u>	<u>Employees/ Self-employed</u>	<u>Employers</u>
1978	\$17,700	\$17,700	\$17,700
1979	18,900	19,500	50,000
1980	20,400	21,000	50,000
1981	21,900	23,100	50,000
1982	23,400	24,600	50,000
1983	24,900	26,700	50,000
1984	26,400	28,200	50,000
1985	27,900	30,300	75,000

Tax rate increase. -- The Committee also approved a modification of the social security tax rate schedules to bring in additional revenue. In order to bring in the revenue in a manner related to the projected outgo of the system, the modified tax rate schedule provides for a series of increases occurring in different years starting with 1979. The tax rate increases approved by the Committee would result in a revised tax rate schedule as shown in the table below. The changes in the Hospital Insurance (HI) rates shown in the table will, in combination with the tax base changes also approved by the Committee, leave the Medicare trust funds in roughly the same position as under existing law. (There would be a small net outflow from the Hospital Insurance fund to the cash benefits fund, but this would not change the year in which the Hospital Insurance fund is projected to become exhausted under present law.)

SOCIAL SECURITY TAX RATES ON EMPLOYER
AND EMPLOYEE (EACH)

	<u>Present Law</u>			<u>Committee amendment</u>		
	<u>OASDI</u> <u>1/</u>	<u>HI</u> <u>2/</u>	<u>Total</u>	<u>OASDI</u> <u>1/</u>	<u>HI</u> <u>2/</u>	<u>Total</u>
1977	4.95%	0.90%	5.85%	4.95%	0.90%	5.85%
1978	4.95%	1.10%	6.05%	5.05%	1.00%	6.05%
1979-80	4.95%	1.10%	6.05%	5.085%	1.05%	6.135%
1981-84	4.95%	1.35%	6.30%	5.35%	1.25%	6.60%
1985	4.95%	1.35%	6.30%	5.65%	1.35%	7.00%
1986-89	4.95%	1.50%	6.45%	5.65%	1.40%	7.05%
1990-94	4.95%	1.50%	6.45%	6.10%	1.40%	7.50%
1995-2000	4.95%	1.50%	6.45%	6.70%	1.40%	8.10%
2001-2010	4.95%	1.50%	6.45%	7.30%	1.40%	8.70%
2011 and after	5.95%	1.50%	7.45%	7.80%	1.40%	9.20%

1/ Old-age, survivors, and disability insurance

2/ Hospital insurance

Increase in social security tax rate for self-employment. -- When earnings from self-employment were made subject to the social security tax in 1950, the rate was set at one and one-half times the employee rate. At that time the employee rate was 1.5 percent and the self-employment rate was 2.25 percent. Over the years as tax rates were increased, the one and one-half to one ratio was maintained until 1973 when the cash benefit tax rate for the self-employed was frozen at 7 percent. (When the hospital insurance program was established the self-employment rate for that program was made equal to the employee rate and has remained equal as the rate has increased.) The Committee approved an amendment which would restore the self-employment tax rate for cash benefits to the original ratio of one and one-half times the employee rate effective in 1981.

Refundable tax credit for State and local governments and non-profit organizations. -- The Committee decision described above concerning the employer tax base will result in a higher amount of annual earnings being subject to the employer share of social security taxes than to the employee share starting in 1979. The Committee agreed to partially offset the impact of this increase on nonprofit organizations and State and local governments by allowing them a refundable tax credit equal to 50 percent of their increased tax liability resulting from that change. In other words, the tax credit would equal 50 percent of the difference between the employer's social security tax liability and the employee's social security tax liability for such organizations or governments.

Other Social Security Provisions

Modification of retirement test and financing of the provision. -- Social security beneficiaries who are under age 72 have their benefits reduced if their earnings exceed a certain amount which is adjusted annually to reflect changes in average wage levels. The amount which may be earned with no reduction in benefits is \$3,000 in 1977 and is expected to increase to \$3,240 in 1978 and to \$3,480 in 1979. The Committee approved an amendment to increase these levels to \$4,500 in 1978 and to \$6,000 in 1979. After 1979, the \$6,000 level would increase automatically as wage levels rise. (The 1978 increase would be applicable to the entire year but any additional benefits resulting from the change would not become payable until after September 30, 1978.) The Committee also agreed to increase the social security tax rate applicable to employers and employees, effective January 1, 1979, by the amount needed to fund the cost of the higher retirement test levels. These tax rate increases are incorporated in the tax schedule printed above.

Benefits for dependent spouses. -- The Committee approved an amendment which would reduce benefits payable under social security to dependent spouses (including surviving spouses) by the amount of any civil service (Federal, State or local) retirement benefit payable to the spouse. The provision would apply only to individuals applying for spouses' social security benefits in the future and only if the dependent spouse had a civil service pension based on his or her own earnings in public employment which was not covered under the social security system.

Increased benefits for certain widows. -- Social security benefits for individuals who continue working past age 65 are increased under present law by 1 percent for each year prior to age 72 that the worker did not receive his benefits because of the social security retirement test. This delayed retirement increment which is added to the individual worker's benefit when he does retire or reach age 72 presently applies only to the worker's own benefit and is not passed through to his survivors. The Committee approved an amendment under which any such increment would also be added to the benefit payable to the widow or widower of such an individual.

Elimination of certain dual taxation requirements. -- Under existing law, businesses are ordinarily required to pay social security taxes and Federal unemployment taxes with respect to a given employee only up to the amount of annual wages referred to as the tax base. (Under a provision described above, the tax base for the employer share of the social security tax would be increased to \$50,000 effective in 1979. The base for Federal unemployment taxes is \$6,000 after 1977.) Where a business is organized as a group of related corporations, however, an

employee of any one of those corporations who performs services for more than one of them is treated for employment tax purposes as though he were employed by each of the corporations for which he performs services. Consequently, if his wages exceed the tax base, social security and unemployment taxes may be required to be paid in excess of the wage base. The employer share of these taxes over the wage base is not refunded. The Committee agreed to an amendment under which social security and unemployment taxes in excess of the tax base would not be paid in this type of situation.

Delivery of social security checks. -- The Committee approved an amendment which would assure timely delivery of social security checks when the normal delivery day falls on a weekend or legal holiday. Under present procedures, checks are generally delivered on the third of each month. In some cases when the third falls on a weekend or public holiday, the beneficiary may not receive (or may be unable to cash) the check until after the third. Under the Committee amendment, whenever the third of the month falls on a weekend or legal holiday, social security checks would be delivered on the Friday before the weekend (or on the day preceding the holiday).

Limitation on retroactive social security benefits. -- Persons applying for social security benefits are now allowed to elect to start their entitlement for up to 12 months prior to the month in which they file an application. If these months are months prior to age 65, however, the retroactive benefits are obtained at the cost of a lower permanent benefit amount since benefits paid before age 65 are actuarially reduced. The Committee agreed to an amendment under which retroactive benefits would not be permitted in cases involving entitlement before age 65.

Benefit increases as applied to reduced benefits. -- Under the automatic cost-of-living benefit increase provisions, some persons on the rolls, through a technicality, receive an increase which is larger than the increase in the cost of living. This occurs because the percentage increase is applied not to the actual benefit amount but to the basic benefit rate (called "primary insurance amount") which represents what would be paid to a retired worker if he began drawing benefits at age 65. If an individual begins getting benefits prior to age 65 and therefore accepts an actuarially reduced benefit rate, subsequent benefit increases will be larger than is necessary to keep that benefit up-to-date.

The Committee agreed to modify the cost-of-living increase mechanism so that all persons on the rolls at the time of an increase would receive the same percentage increase applied to their actual benefit amounts.

International social security agreements. -- The Committee agreed to a provision which authorizes the President to enter into agreements with other countries to coordinate the social security protection provided for people who work under the social security programs of both the U.S. and the other country. A similar provision was agreed to by the Committee and the Senate in 1973 but did not become law. The Committee decision differs from the earlier provision in that it would allow either House of Congress to disapprove the agreement by simple resolution. Such action would have to be taken within 90 days after the agreement is submitted to the Congress.

Temporary administrative law judges. -- The Committee agreed to a provision under which certain temporary administrative law judges appointed to hear SSI claims some years ago will be appointed as regular administrative law judges in recognition of the experience they have had in the temporary positions. This provision carries out the intent of legislation previously enacted. (P.L. 94-202).

Deemed coverage of certain nonprofit organizations. -- Legislation enacted in the last Congress (P.L. 94-563) deemed certain nonprofit organizations to have waived their immunity from social security taxation. These were organizations which had been paying social security taxes even though they had failed to properly waive their immunity. The Committee agreed to an amendment correcting certain problems created by last year's legislation. The Committee provision would allow organizations affected by P.L. 94-563 additional time to make certain elections and would also eliminate certain retroactive liability for social security taxes which was inadvertently created.

Social security advisory council. -- The Committee agreed to extend the reporting date for the next advisory council on social security. Under existing law, the report is due to be filed by January 1, 1979. The Committee agreed to allow an additional 9 months (until October 1, 1979) for the completion of this report.

Study of spouses benefits. -- The Committee agreed to require the Secretary of Health, Education and Welfare, in consultation with the Task Force on Sex Discrimination in the Department of Justice, to study and report on proposals to eliminate dependency as a factor in the determination of entitlement to spouse benefits under the social security program, and proposals to bring about equal treatment of men and women under the program, taking into account the practical effects (particularly the effect upon women's entitlement to such benefits) of such things as changes in the nature and extent of women's participation in the labor force, the increasing divorce rate, and the economic value of women's work in the home.

Study of consumer price index. -- The Committee also agreed to require the Secretary of Labor, in consultation with the Secretary of Health, Education and Welfare, to study the need to develop a special consumer price index for the elderly.

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

SUMMARY
OF THE
PRINCIPAL PROVISIONS
OF
H.R. 9346
THE SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977
As Passed By the House



OCTOBER 31, 1977

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**SUMMARY OF THE PRINCIPAL PROVISIONS OF H.R. 9346,
THE SOCIAL SECURITY FINANCING AMENDMENTS OF
1977, AS PASSED BY THE HOUSE**

SHORT-TERM FINANCING

The bill includes a schedule of social security tax rate increases over present law in 1981, 1982, 1985, and 1990 to provide additional financing. Tax rates for the self-employed would be adjusted to restore the original level of one and one-half times the employee rate for the Old Age and Survivors and Disability portion of the tax. There would be a substantial reallocation of income to the Disability Trust Fund which would have been exhausted at the end of next year. The proposed tax rate schedule is as follows:

Contribution rates under present law and under the House-passed bill

[In percent]

Calendar year	Present law			House bill		
	OASDI	HI	Total	OASDI	HI	Total
Employees and employ-						
ers, each:						
1977-----	4.95	0.90	5.85	4.95	0.90	5.85
1978-80-----	4.95	1.10	6.05	5.05	1.00	6.05
1981-----	4.95	1.35	6.30	5.25	1.30	6.55
1982-84-----	4.95	1.35	6.30	5.35	1.30	6.65
1985-----	4.95	1.35	6.30	5.65	1.30	6.95
1986-89-----	4.95	1.50	6.45	5.65	1.45	7.10
1990-2010-----	4.95	1.50	6.45	6.20	1.45	7.65
2011 and later-----	5.95	1.50	7.45	6.20	1.45	7.65
Self-employed persons:						
1977-----	7.00	.90	7.90	7.00	.90	7.90
1978-80-----	7.00	1.10	8.10	7.10	1.00	8.10
1981-----	7.00	1.35	8.35	7.90	1.30	9.20
1982-84-----	7.00	1.35	8.35	8.05	1.30	9.35
1985-----	7.00	1.35	8.35	8.45	1.30	9.75
1986-89-----	7.00	1.50	8.50	8.45	1.45	9.90
1990-2010-----	7.00	1.50	8.50	9.30	1.45	10.75
2011 and later-----	7.00	1.50	8.50	9.30	1.45	10.75

There would be ad hoc increases in the taxable wage base in 1978, 1979, 1980, and 1981 to achieve a base level under which about 91 percent of total payroll in covered employment would be taxable (as compared with about 85 percent under present law). After 1981 the base would be increased annually in line with wage levels as is the case under present law. Following is the proposed taxable wage base schedule for employers, employees and self-employed persons:

*Projected taxable earnings base under present law and under the
House-passed bill*

Calendar year	Present law	H. R. 9346
1977	\$16,500	\$16,500
1978	17,700	19,900
1979	¹ 18,900	22,900
1980	¹ 20,400	25,900
1981	¹ 21,900	29,700
1982	¹ 23,400	¹ 31,800
1983	¹ 24,900	¹ 33,900
1984	¹ 26,400	¹ 36,000
1985	¹ 27,900	¹ 38,100
1986	¹ 29,400	¹ 40,200
1987	¹ 31,200	¹ 42,600

¹ Estimated.

The bill provides standby authority for automatic loans to the OASI and DI trust funds from Federal general revenues whenever the assets of a fund at the end of a year drop below a 25 percent level in relation to the annual outgo for that year. The financing provisions are designed to assure, based on the estimates available, that the funds would not drop below the 25-percent level and that general revenue advances would not be required. However, as a further guarantee, the bill includes a special provision under which temporary one-year payroll tax rate increases of one-tenth of 1 percent each for employers and employees and 0.15 percent for self-employed persons would be triggered, under certain circumstances.

DECOUPLING

To correct unintended effects in the benefit computation procedures which produce benefits for future beneficiaries that could vary haphazardly with wage and price fluctuations, the measure would "decouple" the system. The new decoupled system would index a worker's earnings to reflect annual increases in average earnings levels up to the second year before eligibility (age 62, death, or disability). This has the effect of assuring that similarly situated beneficiaries generation to generation will receive relatively the same level of benefits. The benefit level adopted for the long-term is 5 percent below estimated 1979 benefit levels. Included in the bill is a 10-year guarantee of 1979 levels to provide a gradual transition to the new system for workers who retire 1979 through 1988. The transition provision will not be applicable to disability and survivor cases. As under present law, benefits would continue to be increased according to the increases in the cost-of-living after a person reaches age 62 or becomes disabled or, in the case of survivor's benefits, after the time of the worker's death. The "decoupling" provisions would eliminate over one-half of the long-range deficit in the social security system.

COVERAGE

The bill provides for a comprehensive study of methods of covering all Federal Government employees and all employees of State and

local government units under social security on a mandatory basis. The study would include methods of coordinating OASDHI coverage with retirement systems which now apply to the public employees involved. In the case of the Federal employees, the study would include at least one method of coverage under a coordinated plan which would provide benefits to these employees comparable to what they now expect under the Federal retirement system and which would require contributions of the employees no greater than what they now pay to their Federal retirement system. The studies would be made by the Chairman of the Civil Service Commission, the Secretaries of the Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget. They are directed to complete the studies and submit reports to the President and to Congress within 2 years after enactment of the bill.

TOTALIZATION

Included in the bill is a provision, the International Social Security Agreements Act, which would authorize the President to enter into bilateral agreements with interested countries providing for limited coordination of the U.S. social security system and systems of other countries. The agreements, known as totalization agreements, would eliminate dual social security coverage for the same work in each country covered by an agreement, and would enable individuals who work for periods in each of the countries covered by an agreement to qualify for a dual benefit in situations where they now are not eligible for benefits in one or both of the systems involved. The United States already has negotiated agreements with Italy and West Germany which could be put into effect under this provision. Each agreement would have to be submitted to Congress for 90 days that either House is in session before it could take effect.

RETIREMENT TEST

The bill would raise to \$4,000 in 1978, to \$4,500 in 1979, to \$5,000 in 1980, and to \$5,500 in 1981 the annual amount of earnings a beneficiary, age 65 to 72, may have without having any benefits withheld. Beginning in 1982, the retirement test would be eliminated completely for such beneficiaries. The retirement test figure of present law, which is to rise to \$3,240 in 1978 from \$3,000 this year and to continue to rise thereafter under the automatic adjustment procedure, would continue to apply to beneficiaries under age 65.

The bill would eliminate the monthly measure of retirement—the provision in present law under which full social security benefits are paid for any month in which a person earns one-twelfth of the annual retirement test amount or less, regardless of total earnings for the year.

The bill also would liberalize the retirement test for persons covered by the social security system who are working outside the United States.

DIFFERENCES IN PRESENT LAW AFFECTING MEN AND WOMEN

The bill includes a series of provisions to make relatively minor changes in the social security law to eliminate differences for men and women. Some of these would write into the Act provisions which carry out Supreme Court decisions already being followed by regulations.

The measure also would direct the Secretary of Health, Education, and Welfare to conduct a study of changes in the social security program needed to guarantee that women, as well as men, are treated equitably. The study is to be completed in six months of enactment of legislation.

Included in this study would be various proposals to mitigate the cost impact of the recent *Goldfarb* decision on the system. This decision eliminated the previous requirement in the Act that men must prove dependency on their wives in order to receive spouses' or widowers' benefits on their wives earnings records.

The measure includes two provisions to improve benefits for spouses. One would shorten the duration of marriage requirement for aged divorced spouse's benefits from 20 years to 5. The other would provide that remarriage would not cause any reduction in the benefits paid to aged widows or widowers and that marriage would not terminate benefits for certain other beneficiaries.

OTHER BENEFIT PROVISIONS

Minimum.—The legislation would freeze the present minimum benefit for future beneficiaries at its 1979 dollar amount (about \$120.60 for an individual). The benefit would be adjusted for annual cost-of-living increases only after the individual starts receiving it.

Special minimum.—This benefit provided for long-term, low-paid workers would be increased. Under present law this benefit is equal to \$9 times the number of years of coverage a worker has in excess of 10 and up to 30; this benefit is not subject to annual cost-of-living increases. The bill would increase the \$9 figure to \$11.50, and provides that the special minimum would be kept up-to-date with future increases in the cost-of-living for both present and future beneficiaries.

The bill increases the *delayed retirement credit* provision in the law so that persons who delay receiving retirement benefits between ages 65 and 72 would have their payments increased by 3 percent for each year they do not take benefits as compared with 1 percent under the law now.

Limitation on retroactive benefits.—Under present law, a person who files an application after he is first eligible can get benefits for a retroactive period up to 12 months before the month in which the application is filed, if all conditions of entitlement are met for those months. Under the bill except in those cases where the benefits were disability-related or where unreduced dependents benefits were involved, monthly cash benefits would not be paid retroactively for months before the month in which the application was filed when such retroactivity would result in permanently reduced benefits under the actuarial reduction.

OTHER PROVISIONS

National Commission on Social Security

The bill provides for establishment of a bipartisan National Commission on Social Security, independent of the executive branch, composed of nine members—five appointed by the President and two each by the Speaker of the House and the President of the Senate—to make a broad study of the social security program including medicare. The study would include the fiscal status of the trust funds, coverage, adequacy of benefits, possible inequities, alternatives to the current

programs and to the method of financing the system, and the integration of the social security system with private retirement programs. The Commission would submit its full report to the President and to Congress within 2 years after the date on which a majority of the membership is appointed.

Annual wage reporting

Public Law 94-202, enacted January 2, 1976, provided that employers would report their employees' wages for social security and income tax purposes annually on Forms W-2 beginning with wages paid in 1978. Employers are also required to report quarterly wage data on the Forms W-2 to enable the Social Security Administration to determine whether a worker has enough quarters of coverage to be eligible for social security benefits. The bill would change the quarters-of-coverage measure and certain automatic provisions of the social security law so that annual data would be used, instead of quarterly data. Under the bill, employers would no longer have to report quarterly data on the Forms W-2, and they and the Government would realize the maximum advantages that annual reporting was designed to achieve.

The most significant program change would be a provision setting out how annual wages would be credited in terms of quarters of coverage. Under present law, a worker generally receives credit for a quarter of coverage for a calendar quarter in which he received at least \$50 in wages. Under the bill, a worker would receive one quarter of coverage (up to a total of four) for each \$250 of earnings in a year, and the \$250 measure would be automatically increased every year to take account of increases in average wages.

Investment income under limited partnership

Under the Social Security Act a partner's distributive share of income from the trade or business of a partnership is considered net earnings from self-employment for social security purposes, irrespective of the nature of his membership in the partnership—for example, as a limited or inactive partner.

In the past several years, a growing number of businesses have advertised limited partnerships as a means of acquiring social security coverage solely through the income on investments in such partnerships.

Since the crediting of this investment income is actually contrary to a major objective of the social security program which is to provide insurance against the risk of loss of earnings from work in the event of old-age, disability, or death of the worker, the bill excludes from social security coverage the distributive share of income or loss from the trade or business of partnership which is received by a limited partner.

Early payment of benefit checks in certain situations

Under present law, social security benefit payments for a particular month are payable after the end of that month, and payment is normally made on the third day of the month; SSI benefit checks for a particular month are delivered on the first day of that month. Under the bill, when the delivery date falls on a Saturday, Sunday, or legal public holiday, social security and SSI checks would be received on an earlier date.

Coverage of tips

Under social security, tip income (if over \$20 a month) is taxed on the employee alone. Under the bill, the employer will be taxed on tip income up to the amount that combined with the employee's salary equals the minimum wage under the Fair Labor Standards Act.

Costs-of-living increases for early retirees

The bill would change the basis for calculating cost-of-living increases for early retirees under social security to place them on the same footing as persons who retire at age 65 or later. Under present law, an early retiree who begins receiving benefits between ages 62 and 65 has his monthly payment permanently reduced on an actuarial basis to take account of the longer period that he would receive benefits on the average. However, when a cost-of-living increase is effective after he attains age 65, the early retiree receives this as if he were drawing a full benefit and not an actuarially-reduced benefit. The bill would apply to cost-of-living increases for early retirees the same actuarial reduction that is applied to their original monthly benefit.

Clergymen

The bill would permit clergymen who previously did not elect social security coverage a second opportunity to come under the system as self-employed persons.

Mississippi policemen and firemen

The bill would authorize social security coverage for Mississippi policemen and firemen who previously were excluded from the system.

Wisconsin public employees

The bill would authorize a consolidated public employee group in Wisconsin to continue under social security on the same terms which applied to three groups before they were merged into the consolidated organization.

New Jersey public employees

The bill would add New Jersey to the list of States which are permitted to hold referendums among public employees for divided coverage under social security. Those voting for coverage would be brought under social security; those voting against would remain out of the system.

Illinois police and fire chiefs

The bill would allow approximately 400 Illinois police and fire chiefs to get credits for past payments into the social security system even though the applicable law did not permit such payments when they were made.

Railroad retirement system and Pension Benefit Guaranty Corporation

The bill contains a provision to guarantee that the new social security financing provisions that increase the taxable earnings base would not increase the employer tax liability to finance tier-II benefits under the railroad retirement system. Tier-II benefits are those paid to supplement the tier-I payments which correspond to basic social security benefits. Similarly, the bill provides that the ad hoc increases in the earnings base would not increase the maximum amount of pension insured by the Pension Benefit Guaranty Corporation established under the Employee Retirement Income Security Act of 1974.

OASDI PROGRAM AS MODIFIED BY H.R. 9346 AS PASSED BY THE HOUSE OF REPRESENTATIVES

TABLE 1.—Estimated effects of the House bill on the net increase in the OASI and DI trust funds, combined, in each calendar year 1978-83, by provision

		[In millions]					
Effective date		1978	1979	1980	1981	1982	1983
Net amount of additional outgo.....		-\$371	\$666	\$491	-\$12	\$2,175	\$1,608
Total additional amount of benefit payments.....		-371	682	545	64	2,313	1,818
Decoupling.....		January 1979.....	-70	-351	-803	-1,473	-2,392
Elimination of marriage or remarriage as a bar to entitlement to benefits.....		do.....	1,135	1,355	1,454	1,551	1,654
Reduction in duration of marriage required for divorced spouses benefits from 20 to 5 yr.....		do.....	137	164	177	190	204
Changes in retirement test—total.....		January 1978.....	54	266	359	3,299	3,657
Gradual elimination of the exempt amount for beneficiaries aged 65 and over.....		do.....	267	491	585	3,389	3,672
Elimination of the monthly measure.....		do.....	-213	-225	-226	-90	-15
Elimination of retroactive payments of actuarially reduced benefits.....		do.....	-339	-536	-550	-565	-569
Limitation on increases in actuarially reduced benefits.....		do.....	-90	-280	-500	-948	-1,157
Increase in special minimum benefits.....		January 1979.....	12	14	14	15	16
Changes in annual wage reporting provisions.....		January 1978.....	(²)	1	4	18	26
Elimination of gender-based distinctions from the law.....		do.....	4	5	6	7	8
Increases in contribution and benefit base.....		do.....	(²)	12	44	112	218
Reduction in other outgo. ¹		do.....	-16	-54	-76	138	210
Additional tax contribution income resulting from financing changes.....		January 1978.....	3,999	6,673	8,566	15,284	21,474
Additional interest income.....		do.....	114	478	1,007	3,075	4,652
Total additional income.....		do.....	4,113	7,151	9,573	22,975	26,126
Net effect on increase in trust funds.....		do.....	4,484	6,485	9,082	20,800	24,518

¹ Transfers to the railroad retirement account under the financial interchange provisions are lower under the House bill than under present law because of the financing changes in the bill.

² Less than \$500,000.

Source: Social Security Administration, Office of the Actuary, Oct. 29, 1977.

TABLE 2.—Effect of H.R. 9346 as passed by the House on OASDI and HI tax contribution income, calendar years 1977–87

[In billions]

Calendar year	Total tax contribution income			OASDI			HI		
	Present law	Additional amount due to House bill	Total amount under modified program	Present law	Additional amount due to House bill	Total amount under modified program	Present law	Additional amount due to House bill	Total amount under modified program
1977	\$93.0		\$93.0	\$78.8		\$78.8	\$14.1		\$14.1
1978	106.9	\$2.8	109.7	87.9	\$4.0	91.9	19.0	-\$1.2	17.9
1979	118.7	5.7	124.4	97.3	6.7	104.0	21.4	-1.0	20.3
1980	130.8	7.7	138.5	107.3	8.6	115.9	23.5	-.9	22.6
1981	147.5	16.1	163.6	116.5	15.3	131.8	31.0	.8	31.8
1982	158.9	20.9	179.8	125.1	19.9	145.1	33.7	1.0	34.7
1983	170.1	22.6	192.7	134.0	21.5	155.5	36.1	1.1	37.2
1984	181.9	24.1	205.9	143.3	22.9	166.2	38.6	1.2	39.7
1985	194.0	34.8	228.8	152.8	33.6	186.4	41.1	1.2	42.4
1986	211.3	38.4	249.7	162.9	36.8	199.7	48.4	1.6	50.0
1987	225.8	40.9	266.7	173.8	39.1	212.9	52.0	1.8	53.8

Source: Social Security Administration, Office of the Actuary, Oct. 29, 1977.

TABLE 3.—Balance in combined OASI and DI trust funds at end of year as a percentage of outgo during year

	Present law ¹	House bill
Calendar year:		
1977.....	41	41
1978.....	29	34
1979.....	19	29
1980.....	10	27
1981.....	(²)	29
1982.....	(³)	31
1983.....	(³)	32
1984.....	(³)	32
1985.....	(³)	36
1986.....	(³)	40
1987.....	(³)	43

¹Because the DI trust fund is exhausted in 1979 under present law, and the OASI trust fund in 1983, the figures for 1979 and later are theoretical.

² Less than 0.5 percent.

³ Combined trust funds exhausted in 1982.

NOTE.—The above estimates are based on the intermediate set of assumptions shown in the 1977 trustees report.

Source: Social Security Administration, Office of the Actuary, Oct. 29, 1977.

TABLE 4.—Retirement test annual exempt amount under present law and under House bill, calendar years 1977-87 ¹

	Present law ²	House bill—for beneficiaries aged 65 and over
Calendar year:		
1977.....	\$3, 000	\$3, 000
1978.....	3, 240	4, 000
1979.....	3, 480	4, 500
1980.....	3, 720	5, 000
1981.....	3, 960	5, 500
1982.....	4, 200	-----
1983.....	4, 440	-----
1984.....	4, 680	-----
1985.....	4, 920	-----
1986.....	5, 160	-----
1987.....	5, 400	-----

¹Under present law, the exempt amount increases under the automatic increase provisions. Under the House bill, the exempt amount for beneficiaries aged 65 and over is increased on an ad hoc basis in each year 1978-81. Beginning with 1982, beneficiaries aged 65 and over would not be subject to the retirement test under the House bill.

²Under the House bill, the exempt amounts shown under present law would continue to apply to beneficiaries under age 65.

NOTE.—The amounts shown above that are subject to the automatic increase provisions are based on the intermediate set of assumptions shown in the 1977 trustees report.

Source: Social Security Administration, Office of the Actuary, Oct. 29, 1977.

TABLE 5.—Social security (OASDHI) tax rates, wage base levels, and contributions under present law and under H.R. 9346 as passed by the House

Calendar year	OASDHI tax rate (in percent)		Taxable wage base		Social security (OASDHI) contributions for employee and employer, each, at various wage levels: Maximum earner; \$15,000 per year earner; and \$10,000 per year earner								
	Present law	H.R. 9346	Present law	H.R. 9346	Maximum wage earner			\$15,000 per year earner			\$10,000 per year earner		
					Present law	H.R. 9346	Increase in H.R. 9346	Present law	H.R. 9346	Increase in H.R. 9346	Present law	H.R. 9346	Increase in H.R. 9346
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1977	5.85	5.85	\$16,500	\$16,500	\$965.30	\$965.30	-----	\$877.50	\$877.50	-----	\$585	\$585	-----
1978	6.05	6.05	17,700	19,900	1,070.90	1,204.00	\$133.10	907.50	907.50	-----	605	605	-----
1979	6.05	6.05	18,900	22,900	1,143.50	1,385.50	242.00	907.50	907.50	-----	605	605	-----
1980	6.05	6.05	20,400	25,900	1,234.20	1,567.00	332.80	907.50	907.50	-----	605	605	-----
1981	6.30	6.55	21,900	29,700	1,379.70	1,945.35	565.65	945.00	982.50	\$37.50	630	655	\$25
1982	6.30	6.65	23,400	31,800	1,474.20	2,114.70	640.50	945.00	997.50	52.50	630	665	35
1983	6.30	6.65	24,900	33,900	1,568.70	2,254.35	685.65	945.00	997.50	52.50	630	665	35
1984	6.30	6.65	26,400	36,000	1,663.20	2,394.00	730.80	945.00	997.50	52.50	630	665	35
1985	6.30	6.95	27,900	38,100	1,757.70	2,647.95	890.25	945.00	1,042.50	97.50	630	695	65
1986	6.45	7.10	29,400	40,200	1,896.30	2,854.20	957.90	967.50	1,065.00	97.50	645	710	65
1987	6.45	7.10	31,200	42,600	2,012.40	3,024.60	1,012.20	967.50	1,065.00	97.50	645	710	65

¹ Estimated amount under automatic provision in law.