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SOCIAL SECURITY AMENDMENTS OF 1954

REPORT

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H. R. 9366

A BILL TO AMEND THE SOCIAL SECURITY ACT AND THE INTERNAL REVENUE CODE SO AS TO EXTEND COVERAGE UNDER THE OLD-AGE AND SURVIVORS INSURANCE PROGRAM, INCREASE THE BENEFITS PAYABLE THEREUNDER, PRESERVE THE INSURANCE RIGHTS OF DISABLED INDIVIDUALS, AND INCREASE THE AMOUNT OF EARNINGS PERMITTED WITHOUT LOSS OF BENEFITS, AND FOR OTHER PURPOSES



MAY 28, 1954.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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SOCIAL SECURITY AMENDMENTS OF 1954

MAY 28, 1954.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. REED of New York, from the Committee on Ways and Means, submitted the following

R E P O R T

[To accompany H. R. 9366]

I. PURPOSE AND SCOPE OF THE BILL

Your committee has considered all aspects of the old-age and survivors insurance program, aided by the extensive analysis made by its Subcommittee on Social Security.

A major shortcoming of the present program is its inadequate coverage. As long as coverage is not substantially universal, large numbers of people reaching age 65 will either be wholly without the protection the program affords or be eligible for benefits which are reduced because they are based on only part of the individual's earnings. Your committee is recommending substantially universal coverage.

Extension of coverage is fundamental to securing for the future an appropriate relationship between the old-age and survivors insurance and the old-age assistance programs. Old-age and survivors insurance has responsibility for providing a floor of protection against dependency for the aged retired worker and his dependents and for the dependent survivors of workers who die. Old-age assistance is a secondary line of defense. After the extension of coverage in 1950, which brought some 10 million additional workers under the system, the percentage of aged receiving old-age and survivors insurance benefits increased rapidly, while old-age assistance declined. In 1950, 22.5 percent of the aged persons in the country were receiving old-age assistance and 17.1 percent were receiving old-age and survivors insurance. By the end of 1953, 19.0 percent of the aged persons were receiving old-age assistance as compared with 34.4 percent receiving old-age and survivors insurance benefits, with an additional 13 percent eligible for benefits but not receiving them because they had not

retired. With the further extension of coverage recommended by your committee, it is estimated that 75 percent of all persons over 65 will be eligible for insurance benefits by 1960 as compared to 47 percent at the present time.

Your committee regards as of special significance the extension of coverage to the farm population. A little over one-half of the presently noncovered groups are farmers and farmworkers. In counties where more than 50 percent of the population lives on farms, 31 percent of the aged are now receiving old-age assistance and 13 percent old-age and survivors insurance. In nonfarm counties, on the other hand, only 17 percent receive old-age assistance, while 36 percent receive old-age and survivors insurance benefits. These data illustrate the fact that where coverage of the old-age and survivors insurance program is more complete, old-age assistance more nearly assumes its proper role as a subsidiary program. With extension of old-age and survivors insurance coverage to farmers and farmworkers, far more of these workers will be qualifying for benefits under old-age and survivors insurance and thus have less need of old-age assistance.

Another advantage of extending coverage to these and other groups now outside the system is that not only more of the aged but also more of the young widows and children will be receiving benefits without a means test. Accordingly, these old-age and survivors insurance beneficiaries are able to maintain a sense of their own continued independence and of their dignity and worth as individuals, even though their support from earnings has been cut off by the retirement or death of the insured worker. The knowledge that benefits will be paid irrespective of whether the individual is in need supports and stimulates his own thrift and initiative, since he can add his personal savings (including home ownership and insurance), as well as pensions he may receive as a result of his work, to the basic old-age and survivors insurance benefits.

The protection afforded by the program may be considered adequate only when benefits are high enough, when added to savings and assets normally accumulated, so most beneficiaries will not have to apply for public assistance for the ordinary expenses of living. A first step in accomplishing this objective is to correct the conditions which result in very low benefits which some individuals receive under the program.

Your committee is making recommendations which will attack the basic causes for most of these low benefits, through provisions assuring that benefits will more realistically reflect the individual's actual earnings on which he customarily depends for his support. Extension of coverage will in itself contribute to a more adequate level of benefit payments by assuring that all of an individual's earnings can be counted toward his benefit payments, regardless of his type of work. Further than this, allowance is made for disregarding limited periods of low or no earnings usually occasioned by short-term absence from covered work. Such periods should not be permitted to distort the level of earnings used as the basis for benefit computation.

Long periods of absence from covered work generally indicate that the individual has not been dependent on his own earnings from work for support, and benefits are properly reduced or not paid under such circumstances. An important exception to this principle, however, is the case of workers who are out of employment by reason of a total

disability lasting for an extended period of time. Your committee has recommended special provisions to prevent loss or reduction of benefit rights on account of disability. The committee considers it very important that disabled persons be helped to return to self-supporting employment wherever possible. The special provisions recommended by your committee are expected to stimulate the referral of handicapped persons to the State vocational rehabilitation programs.

The goal of providing an adequate floor of protection through the benefits paid under the old-age and survivors insurance system further requires that the level of benefits be adjusted at this time. Your committee is recommending that benefit payments now be increased, both for future beneficiaries and for the 6.3 million persons now on the rolls.

In recommending increased benefits, your committee has been conscious of the importance of preserving the wage-related character of the old-age and survivors insurance system, and of accomplishing these increases in such a way as to preserve a reasonable differential between minimum and maximum benefits related to differences in individual earnings. Differential wage payments in our economy reflect differences in individual productivity, differences in costs of living in the various sections of the country, and differences in individual standards of living. The benefits under the social insurance system should give recognition to these differences in individual earnings.

Your committee believes that the program should continue to pay benefits to insured workers who are 65 years of age and over only when they are substantially retired from gainful employment. Your committee believes, however, that more recognition should be given to the value to retired workers of continuing to do some work to the extent they are able. Older people should be freer than at present to take part-time, intermittent, or seasonal work after they retire without losing their benefits. Your committee recommends, therefore, a more liberal and flexible test, applied on an annual basis for wage earners as well as for self-employed persons who are so treated under present law. An increase in the amount that a retired worker may earn while continuing to receive his benefits is also provided.

II. SUMMARY OF PRINCIPAL PROVISIONS OF THE BILL

A. *Old-age and survivors insurance*

1. *Extension of coverage.*—Old-age and survivors insurance coverage would be extended to approximately 10 million persons who work during the course of a year in jobs now excluded from the program. The groups brought into the program under the bill are as follows:

(a) Self-employed farm operators whose net earnings from farm self-employment total \$400 or more in a year, with a special provision to make it easier for low-income farm operators to compute their net earnings (about 3.6 million).

(b) Professional self-employed persons now excluded, other than physicians, whose net earnings from professional self-employment total \$400 or more in a year, including lawyers, dentists, architects, engineers, accountants, funeral directors, osteopaths, chiropractors, veterinarians, naturopaths, optometrists, ministers, and Christian Science practitioners (about 400,000).

(c) Employees of State and local governments who are covered by State and local retirement systems, other than policemen and firemen, under voluntary agreements between the State and the Federal Government, if a majority of the members of the system vote in a referendum and two thirds of those who vote favor coverage (about 3.5 million).

(d) Farmworkers who are paid at least \$200 by a given employer in a calendar year, with special provisions to coordinate the annual earnings test with the quarterly insured status requirements (about 1.3 million).

(e) Domestic workers in private nonfarm homes (and others who perform work not in the course of the employer's trade or business) who are paid \$50 in cash wages by an employer in a calendar quarter but who do not meet the 24-day test required in the present law (about 250,000).

(f) Ministers and members of religious orders employed by non-profit organizations if the organization elects to cover them and if at least two-thirds of such individuals elect to be covered (about 250,000).

(g) Most Federal employees not covered by retirement systems, including temporary employees in the field service of the Post Office Department, census-taking employees of the Bureau of the Census, civilian employees of Coast Guard post exchanges, and certain other groups, and also employees of district Federal Home Loan Banks and the Tennessee Valley Authority, who have retirement systems (about 150,000).

(h) American citizens employed outside of the United States by foreign subsidiaries of American employers, under voluntary agreements between the Federal Government and the parent American company (about 100,000).

(i) Those homeworkers who are now excluded from employee coverage (although they may now be covered as self-employed persons) because the services they perform are not subject to State licensing laws (about 100,000).

(j) Certain employees engaged in fishing and related activities, either on vessels of 10 net tons or less or on shore (about 50,000).

(k) American citizens employed by American employers on vessels and aircraft of foreign registry (very few people involved).

2. *Computation of average monthly wage.*—Up to 5 years in which earnings were lowest (or nonexistent) could be dropped from the computation of the average monthly wage.

3. *Earnings base.*—The total annual earnings on which benefits would be computed and contributions paid is raised from \$3,600 to \$4,200.

4. *Increase in benefits.*—(a) More than 6.3 million persons now on the benefit rolls would have their benefits increased. The average increase for retired workers would be about \$6 a month, with proportionate increases for dependents and survivors. The range in primary insurance amounts would be \$30 to \$98.50 as compared to \$25 to \$85 under present law.

(b) Persons who retire or die in the future would, in general, have their benefits computed by the following new formula: (i) 55 percent of the first \$110 of average monthly wage (rather than \$100 as in present law) plus 20 percent of the next \$240 (rather than 15 percent

of the next \$200); (ii) the minimum monthly benefit amount for a retired worker would be \$30, and the minimum amount payable where only one survivor is entitled to benefits on the deceased insured person's earnings, would be \$30; (iii) the maximum monthly family benefit of \$168.75 would be increased to \$200; (iv) the provision of existing law that total family benefits cannot exceed 80 percent of the worker's average monthly wage would not reduce total family benefits below $1\frac{1}{2}$ times the insured worker's primary insurance amount or \$50, whichever is the greater; and (v) lump-sum death payments would not exceed \$255, the maximum under existing law.

5. *Limitation on earnings of beneficiaries.*—The earnings limitation on beneficiaries under age 75 would be made the same for wage-earners and self-employed persons. A beneficiary could earn as much as \$1,000 in a year in any employment, covered or noncovered. He would lose 1 month's benefit for each unit of \$80 (or fraction thereof) of earnings (covered or noncovered) in excess of \$1,000, but in no case would he lose benefits for months in which he neither earned more than \$80 in wages nor rendered substantial services in self-employment. Beneficiaries residing in foreign countries would have their benefits suspended for any month in which they worked on 7 or more days.

6. *Eligibility for benefits.*—(a) As an alternative to the present requirements for fully insured status, an individual would be fully insured if all the quarters elapsing after 1954 and up to the quarter of his death or attainment of age 65 were quarters of coverage, provided he had at least 6 quarters of coverage after 1954.

(b) Benefits would be paid to the surviving aged widow, widowed mother, and children, or parents of any individual who died prior to September 1, 1950, and had at least 6 quarters of coverage.

7. *Preservation of benefit rights for disabled.*—The period during which an individual was under an extended total disability would be excluded in determining his insured status and the amount of benefits payable to him upon retirement or to his survivors in the event of his death. Only disabilities lasting more than 6 months would be taken into account. Determinations of disability would be made by State vocational rehabilitation agencies or other appropriate State agencies pursuant to agreements with the Secretary of Health, Education, and Welfare.

8. *Limitation on payments to persons outside the United States.*—Benefits to survivors or dependents would not be paid for any month in which such survivor or dependent resided outside the United States unless such survivor or dependent met certain requirements of residence in the United States or the insured individual on whose record the benefit is based was currently insured on the basis of military service wage credits or earnings as an American citizen employed abroad by an American employer.

9. *Deportation, and periods of unlawful residence.*—All benefits payable on the basis of an individual's wage record would be terminated upon notification by the Attorney General that the individual has been deported from the United States for certain specified causes. Earnings derived during periods of unlawful residence in the United States as determined by the Attorney General could not be used in determination of insured status or benefit amount.

10. *Recomputation of benefits for work after entitlement.*—An individual may have his benefit recomputed to take into account additional

earnings after entitlement if he has covered earnings of at least \$1,000 in a calendar year after 1953 and after the year in which his benefit was last computed.

11. *Contribution rates.*—Employers and employees will continue to share equally, with the rates on each being as follows:

Calendar years:	Rate (percent)
1954-59.....	2
1960-64.....	2½
1965-69.....	3
1970-74.....	3½
1975 and after.....	4

The self-employed would pay 1½ times the above rates.

B. *Public assistance*

1. The provisions of the 1952 amendments, presently scheduled to expire on September 30, 1954, with respect to temporary increases in Federal payments to States for old-age assistance, aid to dependent children, aid to the blind, and aid to the permanently and totally disabled are extended through September 30, 1955.

2. The provisions of the 1950 amendments for approval of certain State plans for aid to the blind which did not meet the requirements of clause 8 of section 1002 (a) of the Social Security Act are extended from June 30, 1955, to June 30, 1957.

III. EXTENSION OF OLD-AGE AND SURVIVORS INSURANCE COVERAGE

A. *General*

The old-age and survivors insurance program now covers about 8 out of 10 of the Nation's jobs. During the course of a year about 62 million people work in employment or self-employment that is covered under the program. The bill would extend coverage to about 10 million additional people who in the course of a year work in jobs that are not now covered. Specifically, coverage would be extended to self-employed farm operators and professional persons (other than physicians), members of State and local government retirement systems (other than policemen and firemen), additional farmworkers and domestic workers, ministers and members of religious orders, most Federal employees not covered by retirement systems, and certain other smaller groups that will be described hereafter.

The only major groups who would still remain excluded from the program are policemen and firemen covered by State or local retirement systems, physicians, members of the Armed Forces, and Federal civilian employees covered by the civil service retirement system and other staff retirement systems. The Committee on Retirement Policy for Federal Personnel, established by Public Law 555, 82d Congress, has submitted to the Congress recommendations for an integrated program of retirement and survivor protection for members of the Armed Forces and employees under the civil service retirement system, including coverage under old-age and survivors insurance. The recommended extension of social-security coverage in these areas is of great interest to your committee in view of its jurisdiction over such legislation. However, your committee has not yet examined these recommendations and therefore takes no position on them at this time.

B. *Specific coverage groups added*

1. *Self-employed farm operators.*—One of the major stumbling blocks to coverage of farm operators in the past has been the apparent

necessity of requiring low-income farm operators, who may have no income tax liability, to keep records that they do not ordinarily maintain. This problem has now been solved, and a simplified reporting procedure for low-income farm operators is made possible by a special provision in the bill. This special provision, together with the regular procedures now in effect for the nonfarm self-employed covered under the program, constitute a practicable administrative method for covering self-employed farm operators. About 3.6 million farm operators would be covered in the course of a year.

The special provisions for low-income farm operators are as follows: A self-employed farm operator with gross income of not more than \$1,800 in a year who reports his income tax on a cash basis (rather than an accrual basis) could report, for credit toward benefits under old-age and survivors insurance, either his actual net earnings from farm self-employment, as determined on his income tax return, or 50 percent of his gross income. If he elected to use the latter option, he would be spared the necessity of keeping records of his expenses, computing depreciation, and so forth. Practically all farm operators know their gross income and could easily apply the 50-percent rule.

A farm operator whose gross income from self-employment was more than \$1,800 would have to compute his net earnings. If his actual net earnings as computed were less than \$900, he could, if he wished, report \$900; otherwise he would have to report his actual net.

In any case, rentals received in the form of crop shares, like other rentals from real estate, would be excluded from gross income for social-security purposes.

Like urban businessmen, the self-employed farm operator will report his net income for social-security purposes by transferring the information from his income tax return to a simple supplementary form. If his net earnings from self-employment (either actual or presumed) do not amount to as much as \$400 or more in a given year, he pays no self-employment tax on such income and receives no credit toward benefits.

The following tabular outline summarizes these provisions for different gross incomes, along with all possibilities as to net income:

Gross income	Net income	Social security net earnings	
		Standard method	Alternative method
Under \$400.....	Under \$400.....	None.....	None.
\$400 to \$799.....	Under \$400.....	None.....	None.
Do.....	\$400 to \$799.....	Net income.....	None.
\$800 to \$1,799.....	Under \$400.....	None.....	50 percent of gross income.
Do.....	\$400 to \$1,799.....	Net income.....	50 percent of gross income.
\$1,800 and over.....	Under \$400.....	None.....	\$900.
Do.....	\$400 to \$899.....	Net income.....	\$900.
Do.....	\$900 and over.....	Net income.....	(1).

¹ Cannot be used; in all other cases, individual can use either standard or alternative method.

2. *Self-employed professional people.*—The bill would extend coverage to about 400,000 people who during the course of a year are self-employed in the practice of certain professions. With one exception, physicians, the professional people who would be covered are those who are now specifically excluded: lawyers, dentists, architects, engineers, accountants, funeral directors, osteopaths, chiropractors, vet-

erinarians, naturopaths, optometrists, Christian Science practitioners, and those few ministers who do not perform services for a church or other organization. Self-employed physicians will continue to be excluded. Coverage of persons in the self-employed professional groups would be on the same basis as that on which other nonfarm self-employed people are now covered. Thus, anyone with annual net earnings of \$400 or more from covered self-employment, including professional self-employment, would be covered. Professional people would report their earnings for social-security purposes annually with their income-tax reports as is done by the self-employed people now covered.

Coverage of self-employed professional people, like the coverage of the self-employed now under the program, would be compulsory. Your committee is aware that some groups have expressed a preference for coverage on a voluntary individual basis. There are, however, fundamental objections to that approach. The history of voluntary social insurance on an individual elective basis in the United States and in other countries indicates definitely that only a very small proportion of all eligible individuals actually elect to participate. Those who do participate are usually not the people of below-average income who are in the greatest need of the protection afforded. Moreover, voluntary coverage attracts almost exclusively people who, because they are already old or for other reasons, can expect a large return for their contributions. This "adverse selection of risks" could result in a significant drain on the funds of the program.

3. *Employees of State and local governments under retirement systems.*—The present law provides for covering State and local government employees under voluntary agreements between the individual States and the Federal Government. (Voluntary group coverage is necessary in this area because the Federal Government cannot, under the Constitution, impose the social-security taxes on the States.) The present law excludes from coverage under a Federal-State agreement, however, employees who are in positions covered by a State or local retirement system on the date the agreement is made applicable to the coverage group to which they belong (except for members of the Wisconsin retirement fund, for whom coverage was made available under special provisions enacted in 1953). About 3.5 million employees (not counting 200,000 policemen and firemen) are in positions covered by State and local retirement systems in the course of a year.

Several States and a large number of local governments have secured old-age and survivors insurance coverage for employees who were under a retirement system by dissolving the system before bringing the group under the Federal-State agreement. Except in a few cases where the old-age and survivors insurance program alone provided greater protection than the abandoned system, the latter has been replaced by a supplemental system, after old-age and survivors insurance coverage was secured. An estimated 300,000 employees now have such combined protection.

Under the bill a State could bring members of a State or local retirement system (except policemen and firemen) under its old-age and survivors insurance agreement provided that a referendum by secret written ballot was held among the members of the system, that a majority of the members of the system eligible to vote in the ref-

erendum did so, and that at least two-thirds of those voting in the referendum voted in favor of old-age and survivors insurance coverage. These requirements seem to your committee to be adequate to assure that any referendum is reasonably representative of the wishes of the retirement system members; but they are not so restrictive as to make coverage impossible wherever an indifferent minority fails to vote.

The bill continues the present exclusion of policemen and firemen who are covered by a State or local retirement system. Policemen and firemen, because of the arduous nature of their work, have special provisions in their retirement systems such as lower retirement ages, and feel it would be unwise to attempt to integrate these provisions with old-age and survivors insurance.

The bill states that it is the policy of the Congress in making coverage available to retirement system members that the protection of members and beneficiaries of the retirement system not be impaired by reason of coverage of the retirement system members under old-age and survivors insurance. The bill also makes it impossible to cover retirement system members without a referendum, by dissolving the retirement system, after the enactment of the referendum provisions.

Under present law, employees whose positions are covered by a retirement system but who are not themselves eligible for membership in the system receive the same treatment as employees who are members of the retirement system. The bill provides for covering these employees (other than policemen and firemen) without a referendum. (Since the referendum requirements are designed to protect existing retirement rights, they are inappropriate for this group, which has no retirement protection.) The bill also provides that such employees would not be permitted to vote in any referendum on coverage for the retirement system members, since they could be covered even if, as a result of an unfavorable referendum, the members of the system were not covered. They could, however, be covered along with retirement system members if a referendum was favorable.

The bill would also provide for covering without a referendum, at any time prior to January 1, 1958, employees who could not be covered when their coverage group was covered because they were under a retirement system, but whose system was later dissolved by action taken prior to enactment of the bill. (It is necessary to do this because these employees could not be covered by means of a referendum, since there would be no active members of a retirement system who could vote in a referendum.)

4. *Farmworkers.*—Under present law a farmworker is covered only if he is paid at least \$50 in a quarter by a single employer and is “regularly employed” by that employer. The test of “regular employment” is very cumbersome and complicated and is so restrictive that it covers only 700,000 workers—a small proportion of those who earn their living through farmwork. Before the worker can meet the “regularly employed” test for coverage he must first work for an employer continuously throughout an entire calendar quarter. He is then “regularly employed” in each succeeding quarter if he does full-time farmwork for the employer on as many as 60 days in that quarter or in the preceding quarter. If during any quarter he fails to work for 60 days for the same employer, the chain is broken

and he must serve another qualifying quarter before he can again be covered.

The problem facing your committee was that of amending this restrictive provision in such a way as to bring in more people who earn their living through hired farmwork and yet to exclude incidental and temporary employees and avoid imposing an impossible burden on the farm operator at the peak harvest period. Your committee believes that this problem has been solved.

Under the bill a farmworker would be covered in his work for any one employer if he receives cash wages of \$200 or more in the year from that employer. This provision would bring into the program about 1.3 million workers in addition to those now covered, while continuing to exclude those farm employees who are normally engaged in other activities—housewives and schoolchildren, for example—and who do farmwork only in the peak harvest periods. The use of an annual test, rather than a quarterly one, would avoid the artificial and arbitrary splitting up of the seasons for the various crops, so that the farm operator would not, in the midst of his busiest season, have to make out social-security reports for his covered farmworkers.

Under this provision farmworkers' earnings would be reported annually. Therefore, it is necessary to make some provision for converting annual earnings into quarters of coverage. Your committee proposes that farmworkers be given two quarters of coverage for annual earnings amounting to \$200 but less than \$300; three quarters of coverage for annual earnings amounting to \$300 but less than \$400; and four quarters of coverage for annual earnings amounting to \$400 or more. Since a farmworker would never be covered unless he had \$200, he would be assured of two quarters of coverage for each year in which he was covered and, therefore, could acquire and retain insured status even though covered on only the minimum basis.

5. *Domestic workers in private homes and others who perform work not in the course of the employer's business.*—The bill would cover all domestic workers who work in nonfarm private homes and who are paid \$50 in cash wages by an employer in a calendar quarter. It would delete the unnecessary and complicated requirement of present law limiting the coverage of domestic workers to those who work for a single employer on 24 days during a calendar quarter. The simplified test of coverage for domestic services in private homes provided by the bill would cover, during the course of a year, about 200,000 more household workers than does the present law. It would also afford additional coverage for from 50,000 to 100,000 workers who under present law are covered on some but not all of their domestic jobs.

Most of the domestic workers who would continue to be excluded from coverage would be students, housewives, and others who spend comparatively little time working for pay. Under the bill almost 90 percent of the persons whose major activity is domestic employment would be covered.

Persons performing other types of service not in the course of the employer's trade or business would, like domestic workers, be covered by the bill if they are paid \$50 in cash wages by an employer in a calendar quarter. This would give coverage to perhaps 50,000 persons. Your committee proposes this provision to improve and simplify the coverage of such services and to retain the principle, now in the present law, of applying the same coverage test for these non-

business services as is applied to domestic services performed in private homes. It is important to establish uniform tests for these two types of work because there are certain kinds of nonbusiness services which are not, strictly speaking, domestic service in private homes but which are difficult to distinguish from domestic service.

6. *Ministers and members of religious orders.*—The bill provides for covering employed ministers and members of religious orders (other than those who have taken a vow of poverty) under provisions which are essentially the same as those under which lay employees of non-profit organizations are now covered. Ministerial employees and lay employees would be separate groups for purposes of coverage but an organization which has both lay employees and ministerial employees could not cover the ministerial employees unless the lay employees were also covered.

In order for a minister or member of a religious order to be covered the employing organization would have to file a certificate indicating its desire to cover the ministers and members of religious orders in its employ, and at least two-thirds of its employees who are ministers or members of religious orders would have to sign a certificate indicating their desire for coverage. Only those employees who sign the original certificate would be covered initially. Employees who do not sign the original certificate may secure coverage by filing a supplemental certificate at any later date. Any minister or member of a religious order who is employed by the organization after its ministers and members of religious orders have been covered would be covered automatically. As indicated elsewhere in this report, the bill would cover self-employed ministers on the same basis as other self-employed persons now covered and other self-employed groups covered under the bill. Some ministers and members of religious orders may have part of their income covered as self-employment income even though the major part of their income is received in the form of salary. Fees and honorariums paid to the minister as an individual and income from any other activities in which the minister may engage on a self-employment basis would not be reported by the nonprofit organization covering the minister as an employee, but would be reported by the minister with his income-tax return if they amounted to as much as \$400 in a year.

Your committee gave careful consideration to suggestions that ministers of churches and those employed by religious institutions, as well as those who are actually self-employed, be allowed to participate in old-age and survivors insurance as self-employed persons on an individual voluntary basis. Your committee recognizes that the terms "employer" and "employee" are not usually used to describe the relationship between a minister and his church, and the bill provides that nothing in the relevant sections of the law shall be construed to mean that a minister is an employee of any organization for any purpose other than for social security. Nevertheless the services of the minister are usually performed under conditions more like those of employment than of self-employment. It does not seem desirable to cover any group of employees as self-employed persons either from the standpoint of the old-age and survivors insurance program or from the standpoint of the employees, if they would be required to pay a higher rate than other employees for the same benefits, while the organization that employs them would pay no contributions at all.

Moreover, as we have indicated earlier in this report, there are fundamental objections to covering any group of workers under provisions which permit an individual to obtain coverage solely at his own option.

7. *Civilian employees of the Federal Government not covered by a retirement system.*—The bill would extend coverage to approximately 150,000 civilian employees of the Federal Government and its instrumentalities who are not now covered by retirement systems. Your committee believes that any Federal employee now lacking retirement protection should be covered by old-age and survivors insurance if the services he performs for the Government are of a type that would be covered if performed for a private employer. Accordingly, the bill extends coverage to all Federal employees not covered by retirement systems, with the following exceptions: the President, the Vice President, Members of Congress, employees in the legislative branch, inmates of Federal prisons, interns, student nurses, and other student employees of Federal hospitals, and persons employed on a temporary basis during emergencies such as earthquakes or floods.

The bill would also extend coverage to about 200 employees of district Federal Home Loan Banks and about 10,000 employees of the Tennessee Valley Authority. These employees are covered by retirement systems that are, or will be, designed to be supplementary to the old-age and survivors insurance program.

8. *United States citizens employed outside of the United States by foreign subsidiaries of American employers.*—The bill would make old-age and survivors insurance coverage possible for about 100,000 United States citizens who are employed outside of the United States by foreign subsidiaries of parent American companies.

For various reasons, American employers frequently operate in other countries through subsidiaries incorporated or otherwise established under the laws of the foreign country. Under present law American citizens working for American employers in foreign countries are covered under old-age and survivors insurance. The United States citizens employed by the subsidiaries of American employers are likely to have the same close connection with the United States, and the same expectation of returning to the United States, as United States citizens employed outside the United States by the parent company.

The United States cannot impose the employer tax of the old-age and survivors insurance program upon the foreign subsidiaries of American employers. Accordingly, the United States citizens employed by these subsidiaries must be covered under special provisions which will avoid the levy of a tax on these subsidiaries. Your committee proposes that the United States citizens in question be covered, at the option of the American employer involved, if the latter makes an agreement with the Secretary of the Treasury to pay social security tax for these employees. In order to avoid adverse selection, the bill provides that all of the American citizens employed by a given subsidiary would have to be covered if any were covered.

9. *Home workers.*—The bill would extend employee coverage to about 100,000 additional home workers. Home workers who have the status of employees under the usual common-law rules applicable in determining employer-employee relationship have been covered since 1937. In addition, under the 1950 amendments, home workers

who do not have employee status under the usual common-law rules are covered as employees if they work according to specifications of the person for whom the work is done on materials or goods furnished by that person and required to be returned to him or his designee, if they are paid cash wages of \$50 or more during a calendar quarter by a given employer, and if they are subject to State licensing laws. The bill would cover as employees those home workers who meet all the conditions specified in the 1950 amendments except the condition that the services be subject to licensing requirements under State law. By eliminating the licensing requirement, the bill provides employee coverage to all home workers who perform service under substantially the same conditions irrespective of the State in which the individual is located. On the other hand, for example, any home worker in a rural area who is not subject to any supervision or control by any person whomsoever, and who buys raw materials and makes and completes any article and sells the same to any person, even though it is made according to specifications and the requirements of some single purchaser, would continue to be excluded from coverage as an employee.

10. *Employees engaged in fishing and related activities.*—Under present law, employees engaged in the catching of fish, shellfish, and other aquatic species (except salmon and halibut), either from the shore or as officers or crew members of vessels of 10 net tons or less, are excluded from old-age and survivors insurance coverage. Under this provision the protection of the program is denied to many of the lower-paid workers in the fishing industry. This gap in protection has been particularly evident since self-employed owners of fishing vessels were covered in 1951. The bill would correct this situation by covering those employee fishermen, clam diggers, etc., who are now excluded. About 50,000 additional people would be covered in the course of a year under this provision.

11. *United States citizens employed by American employers on vessels and aircraft of foreign registry.*—The Social Security Act amendments of 1950 extended old-age and survivors insurance coverage to most United States citizens working outside the United States for American employers. The 1950 amendments failed, however, to bring in American citizens employed by American employers on vessels and aircraft of foreign registry. The bill would correct this situation by covering this small group of American citizens on the same basis as other American citizens working outside the United States for American employers.

IV. AVERAGE MONTHLY WAGE

The bill changes the method for computing the average monthly wage, on which the primary insurance amount (and thus, the amount of every dependent's and survivor's benefit) is based. For individuals who qualify for benefits after the effective date of the bill, or who meet certain other conditions after that date, up to 5 years in which their earnings were lowest (or nonexistent) will be eliminated from the computation of the average monthly wage. In general, every individual who first qualified for benefits after the effective date, or who had at least 6 quarters of coverage after June 1953 (which means that the 6th quarter of coverage must be earned after

September 1954), or who qualified for certain types of benefit recomputations after the effective date, could eliminate up to 4 years of lowest or no earnings from the computation. If, in addition to meeting the applicable requirements stated above, he had at least 20 quarters of coverage (acquired at any time), he could eliminate an additional low year.

This "dropout" of years of low earnings will benefit both those individuals to whom coverage is extended by this bill, and those who were covered in the past. Without such a provision, individuals first brought under coverage on January 1, 1955, would be under a severe handicap, in that all the months in the years 1951-54, during which they had no covered earnings, would be included as divisor months in the computation of their average monthly wage. Under the change proposed in the bill, as the newly covered qualify for benefits, their benefits would be based entirely on their covered earnings after 1954. After 5 years of work in covered employment, they can drop an additional year, which would be the year in which their covered earnings were lowest.

Individuals who are already covered by the program would also be able to drop the 4 or 5 years of lowest or no covered earnings whenever they occurred. Years in which their earnings were low because of short periods of sickness or unemployment would no longer reduce their average monthly wage and benefit amount. The "drop-out" proposal would thus also be of material advantage to the persons who have been contributing to the program for longer periods of time.

The bill would also simplify the computation of the average monthly wage by the use of standard first-of-the-year starting and closing dates, with all computations based on calendar years, for both wage earners and self-employed persons.

V. EARNINGS BASE

Under the provisions of the bill, the maximum amount of covered earnings considered, for both tax and benefit purposes, would be raised from \$3,600 to \$4,200 a year, effective January 1, 1955.

The major reason for this proposal is to maintain the principle of old-age and survivors insurance (as embodied in the statutory benefit provisions) that benefits should, within limits, vary with the individual's previous earnings. Since the benefits paid upon retirement or death are related to past earnings, it follows that the basic factor in the determination of benefit amounts is the level of previous earnings. Over three-fifths of the male workers regularly covered by the program now earn more than \$3,600, the maximum amount counted for benefit purposes. Your committee believes that if the principle that benefits should vary with earnings is to be maintained, additional earnings above the \$3,600 limit must be counted toward benefits. It follows that those who earn above that amount should receive higher benefits than those whose earnings are smaller.

Earnings somewhat above \$3,600 do not, under present conditions, mark a man as high paid but are typical earnings in major sections of commerce and industry. Average annual full-time earnings in manu-

facturing industries in 1953 were about \$4,000. The average for mining was about \$4,400 and for transportation, almost \$4,400. Skilled workers in any industry earn more than the average for the industry.

For workers who have earned maximum wages under the program, the benefit increases in the amendments of 1950 and 1952 did not quite compensate for the increase in prices which has taken place since the benefit levels were set in 1939. No recognition has been given to the substantial increase in the level of living as measured by the extent to which increases in wages have exceeded increases in prices. Under the formula provided in the 1939 law, a worker who earned maximum wages under the program and who retired now would be getting a benefit of \$47.20. The increase in prices since 1939 has been such that this benefit of \$47.20 would now need to be over \$90 (rather than the \$85 provided by present law) in order for this retired worker to buy the same level of living that was contemplated by the 1939 act. If benefits were to be increased in proportion to the increase which has occurred in wages, this benefit of \$47.20 would now need to be somewhat over \$110 a month. The bill would raise the benefit for the worker earning the maximum creditable wages to \$108.50.

Raising the wage base to \$4,200 would restore approximately the same relationship between general earnings levels and the maximum wage base that existed in 1951. In 1953, approximately 43 percent of regularly covered male workers had earnings of more than \$4,200.

An increase in benefit amounts to compensate for the general increase in the level of earnings could be made by a revision of the benefit formula, without any increase in the wage base, but such a step would have a major disadvantage. The percentage of workers receiving benefits at or near the maximum would remain at least as high as at present, thus weakening the basic principle that benefits should vary with past earnings.

VI. INCREASE IN OLD-AGE AND SURVIVORS INSURANCE BENEFITS

A. *General*

A general improvement in benefit levels will result from extension of coverage, elimination of up to 5 years of lowest or no earnings in computing the average monthly wage, from the provision to preserve the benefit rights of persons with extended total disability, and from the increase in the maximum annual earnings which can be included in the computation of benefits. In addition, the bill provides for an increase in the percentage of average monthly wage yielded by the benefit formula. The level of benefits thus established will represent a realistic floor of protection in line with current price and wage levels.

Benefit payments are increased for beneficiaries presently on the rolls as well as for those qualifying in the future. For present retired workers, monthly payments will range from \$30 to \$98.50, as compared with \$25 to \$85 under present law, with the average increase in benefit amounts being about \$6. For those coming on the rolls in the future, the range of benefit payments, taking into account the increased earnings base, will be from \$30 to \$108.50.

B. Revised benefit formula

The benefit formula provides the highest relative benefits in relation to earnings at the lowest levels of income. This is in recognition of the fact that low-income workers have less opportunity to supplement their benefits from private savings and insurance. As wages rise, the money amounts which very low-paid workers earn rise also. For this reason it becomes necessary to extend upward the level of earnings to which the first factor in the benefit formula applies. Accordingly, the bill increases from \$100 to \$110 the amount of average earnings to which the 55-percent factor in the present formula is applicable.

A further amendment in the formula is made by increasing the factor for the second step from 15 percent to 20 percent, and raising the maximum earnings to which the formula applies from \$300 a month to \$350 in line with the increase in the annual earnings base from \$3,600 to \$4,200. (See table 1 for illustrative benefits for a retired worker under this bill as compared with present law.) To maintain the relative protection the average earner can expect to obtain from benefits under the old-age and survivors insurance system, a higher percentage of the upper earnings must be provided. At the same time, the fact that higher paid workers can be expected to make more adequate supplementary provision for themselves and their families than can the lowest paid is taken into account. Under the revised formula, benefits for an individual with average earnings of \$350 a month will represent only 31 percent of his earnings as compared to 55 percent for workers in the very lowest group.

Finally, it may be noted that previous legislation has increased the lower step of the formula twice, but the upper step only once. Under the 1939 law, the benefit formula was 40 percent of the first \$50 of average earnings plus 10 percent of the next \$200. In 1950 the formula was amended to provide 50 percent of the first \$100 plus 15 percent of the next \$200. The 1952 amendments increased the first step to 55 percent, but made no change in the second step.

The revised formula, which will be applicable to average earnings computed over the period since 1950, will apply for workers coming on the rolls in the future who are eligible for dropping out low years of earnings from the average wage computation. Where, however, the individual's benefit would be larger if computed through the conversion table (described hereafter) which will be used to raise the benefits of persons now on the rolls, he will receive the larger amount.

TABLE 1.—*Illustrative monthly benefits for retired workers*
ASSUMING LEVEL EARNINGS

Average monthly wage		Present law		Bill	
On basis of present law	With drop-out as provided in bill	Single	Married ¹	Single	Married ¹
\$50.....	\$50	\$27.50	² \$41.30	\$30.00	⁴ \$45.00
\$100.....	100	55.00	³ 80.00	55.00	⁴ 82.50
\$150.....	150	62.50	93.80	68.50	102.80
\$200.....	200	70.00	105.00	78.50	117.80
\$250.....	250	77.50	116.30	88.50	132.80
\$300.....	300	85.00	127.50	98.50	147.80
\$350.....	350	(⁵)	(⁵)	108.50	162.80

ASSUMING SPECIFIED INCREASE IN EARNINGS ARISING FROM DROP-OUT PROVIDED IN BILL					
\$50.....	\$70	\$27.50	² \$41.30	\$38.50	⁴ \$57.80
\$100.....	120	55.00	³ 80.00	62.50	93.80
\$150.....	170	62.50	93.80	72.50	108.80
\$200.....	220	70.00	105.00	82.50	123.80
\$250.....	270	77.50	116.30	92.50	138.80
\$300.....	310	85.00	127.50	100.50	150.80
\$350.....	350	(⁵)	(⁵)	108.50	162.80

¹ With wife aged 65 or over.

² Application of 80 percent maximum may not reduce benefits below \$45.

³ Reduced to 80 percent of average wage.

⁴ Application of 80 percent maximum may not reduce benefits below 1½ times primary insurance amount.

⁵ Present law includes earnings only up to \$300 a month.

C. Increase for present beneficiaries

The bill provides increases in benefits for the 6.3 million present beneficiaries under the system. In thus making benefit increases effective for those already on the rolls, the bill follows the precedent of the 1950 and 1952 amendments. The purpose of helping beneficiaries to meet their current living needs through their benefit payments is served only if the value of the benefits being paid is kept adjusted to changes in economic conditions.

The increase in old-age insurance benefits (or primary insurance amounts on which dependents and survivors benefits are based) is accomplished through a conversion table establishing a new higher amount for each primary insurance amount under present law (see table 2). In effect the new amounts are derived by applying the new formula to the average monthly wage on which the present benefit is based, except where application of the formula yields an increase in benefits of less than \$5 over present law. In such cases, an increase to \$5 will be made, thus assuring a minimum increase of this amount in all present old-age insurance benefits. The minimum benefit will be \$30 and the maximum \$98.50. This maximum is consistent with the maximum average wage of \$300 which can be computed under present law.

TABLE 2.—*Summary of conversion table for computing new monthly benefits for those now on the roll*

<i>Present primary insurance amount</i>	<i>New primary insurance amount</i>
\$25.00	\$30.00
30.00	35.00
40.00	45.00
50.00	55.00
60.00	67.90
70.00	78.50
80.10	91.90
85.00	98.50

The conversion table will also be applicable in certain cases for workers coming on the rolls in the future. These will include any workers who are not eligible for dropping out low years from the computation of their average monthly wage, as well as workers who do not have their benefits increased by at least \$5 (over what present law would provide) by use of the dropout and the new benefit formula. This alternative will produce a larger benefit in cases where dropping out the low years does not produce a significant increase in the average wage and the wage is at the relatively low level where the new formula does not in itself increase benefits by as much as \$5. As another alternative, in those cases—relatively few in number—where a worker eligible for the dropout would get a higher benefit on the basis of average earnings computed over the period since 1936, the low 4 or 5 years will be dropped from the computation based on the modified 1939 act formula and the conversion table applied.

D. Family benefits

Dependents' and survivors' monthly benefits will be increased automatically in line with the increase in primary insurance amounts, since they are computed as percentages of the primary insurance amount. The bill further provides that the maximum amount of benefits that may be paid on an individual's record shall be raised from \$168.75 to \$200.

The present provision that family benefits may not exceed 80 percent of the average monthly wage on which they are based is retained. The bill provides, however, that in no case shall application of the 80-percent maximum reduce total benefits below the larger of 1½ times the primary insurance amount or \$50. In this way the benefits for a retired worker and wife, as well as for any two survivor beneficiaries will always be payable in their full proportions. Under present law there are cases, for example, where application of the 80-percent maximum prevents a wife from getting the full one-half of the husband's benefit amount. The new provision replaces the present stipulation that family benefits may not be reduced below \$45.

Finally, the bill provides that the minimum amount payable where only one survivor beneficiary is drawing payments on an individual's record shall be \$30 a month, the same as the minimum old-age insurance benefit. This amount will thus become the minimum payment for any single surviving widow, widower, child, or parent, instead of a proportion of the minimum primary amount as provided under present law. Your committee believes it reasonable that the minimum payment on any individual's record be \$30, regardless of whether it is his own benefit or that for a survivor. See table 3 for illustrative survivor benefits under the bill as contrasted with those under present law.

TABLE 3.—Illustrative monthly benefits for survivors of insured workers
ASSUMING LEVEL EARNINGS

Average monthly wage	Aged widow or widower 1		Widow and 1 child 2		Widow and 2 children		Widow and 3 children	
	With dropout as provided in bill	Present law	Bill	Present law	Bill	Present law	Bill	Present law
\$50	\$50	\$20.70	\$30.00	\$41.30	\$45.00	\$45.00	\$50.00	\$45.00
\$100	100	41.30	41.30	80.00	82.50	80.00	82.50	80.00
\$150	150	46.90	51.40	93.80	102.80	120.00	120.00	120.00
\$200	200	52.50	58.90	117.80	140.00	140.00	157.00	160.00
\$250	250	58.20	66.40	132.80	155.00	155.00	177.00	168.80
\$300	300	63.80	73.90	147.80	168.80	168.80	197.00	168.80
\$350	350	(*)	81.40	(*)	(*)	(*)	200.00	(*)
ASSUMING SPECIFIED INCREASE IN EARNINGS ARISING FROM DROPOUT PROVIDED IN BILL								
\$50	\$70	\$20.70	\$30.00	\$41.30	\$57.80	\$45.00	\$57.80	\$45.00
\$100	120	41.30	46.90	80.00	93.80	80.00	96.00	80.00
\$150	170	46.90	54.40	93.80	108.80	120.00	136.00	120.00
\$200	220	52.50	61.90	123.80	140.00	140.00	165.00	160.00
\$250	270	58.20	69.40	138.80	155.00	155.00	185.00	168.80
\$300	310	63.80	75.40	150.80	168.80	168.80	197.00	168.80
\$350	350	(*)	81.40	(*)	(*)	(*)	200.00	(*)

1 Also single surviving parent or child.
 2 Also 2 aged parents.
 3 Application of \$30 minimum family benefit.
 4 Application of 80 percent maximum may not reduce benefits below \$45.
 5 Application of 80 percent maximum may not reduce benefits below \$50.
 6 Reduced to 80 percent of average wage.
 7 Application of 80 percent maximum may not reduce benefits below 1 1/4 times primary insurance amount.
 8 Dollar maximum on benefits.
 9 Maximum average wage under present law is \$300.

E. Lump-sum death payment

The bill retains the present provision that the lump-sum death payment be computed as 3 times the primary insurance amount, but sets a maximum of \$255 that can be paid. This maximum is equal to the present maximum lump-sum payment (3 times the present maximum primary insurance amount of \$85). The lump-sum is intended to be only a modest amount to help meet the special expenses connected with the worker's last illness and death, and there appears to be no compelling necessity for increasing the amount beyond the maximum payable under present law.

VII. IMPROVEMENT OF THE RETIREMENT TEST

Monthly benefits under the old-age and survivors insurance system are paid upon the retirement or death of the family earner. Consequently the law provides that benefits are not payable to persons otherwise eligible for benefits if they have substantial employment or self-employment earnings, as determined under the retirement test set out in the act.

Your committee seeks to maintain this principle, but has determined that certain amendments should be made to increase the equity of the retirement test and to afford greater opportunities to retired individuals to supplement their benefits through earnings from part-time or intermittent work.

A. Establishment of uniform annual test for wage earners and self-employed persons

Two separate tests of earnings are provided under present law, applicable to beneficiaries under age 75. Wage earners are subject to an "all or none" monthly test under which benefits for the individual and for any dependents drawing benefits on his record are withheld for any month in which he earns covered wages of more than \$75. The present test for self-employed persons is on an annual basis under which 1 month's benefit is withheld for each \$75 (or fraction thereof) of self-employment earnings in excess of \$900 in a year, except that no benefit is withheld for any month in which the self-employed person did not render substantial services in his trade or business.

Under the bill, the test is put on an annual basis for both wages and self-employment earnings, and the two types of income are combined for purposes of determining the individual's total earnings. The bill also provides an increase in the amount of earnings which individuals may have without loss of benefits. The annual exempt amount is set at \$1,000. One month's benefit would be withheld for each \$80 or fraction thereof in excess of \$1,000, but no benefit would be suspended for any month in which the individual neither earned wages of more than \$80 nor rendered substantial services as a self-employed person in his trade or business.

Under the new test, wage earners will not lose a benefit each month they earn above a specified amount but will be able to take intermittent full-time work or more regular part-time work than at present without the loss of benefits or with the loss of only a few months' benefits, depending on what they earn. For example, a beneficiary could work throughout the year at \$90 a month and lose only 1

month's benefit, whereas under present law he would lose all 12. As another example, a beneficiary could earn \$300 a month for 3 months (such as at Christmas) without losing any benefits, whereas under present law he would lose 3 months' benefits.

The combination of wage and self-employment earnings for retirement test purposes will eliminate the present discriminatory dual exemption possible in some cases for individuals having both types of earnings, by reason of the separate tests presently in the law.

B. Extension of test to earnings in noncovered work

The present retirement test applies only to earnings in work covered by the old-age and survivors insurance system, thereby enabling individuals who work in noncovered employment to continue to draw their benefits regardless of their earnings. The bill eliminates this anomaly by providing that earnings from any type of employment or self-employment in the United States, whether or not covered by the system, would be taken into account in determining whether or not benefits should be withheld. Such a provision is now administratively feasible, since coverage of the system will be nearly universal.

C. Extension of retirement test to employment outside the United States

The retirement test under the bill would continue to apply to covered earnings outside the United States in the same way as in this country. In addition, a test is established for employment in noncovered work outside the United States. Thus beneficiaries residing abroad will be on a generally comparable basis with those in the United States.

No specific earnings amount could possibly differentiate between full-time and part-time work in all countries where beneficiaries might be working. For this reason a different type of test is provided. Under this test benefits would be withheld for any month in which a beneficiary under age 75 engages in noncovered remunerative activity (either employment or self-employment) outside the United States on 7 or more different calendar days. For administrative reasons, a monthly test, rather than an annual test, is recommended.

VIII. INSURED STATUS

The Social Security Act amendments of 1950 greatly liberalized the requirements for insured status by granting a "new start" whereby an individual was fully insured if he had quarters of coverage (acquired at any time) equal in number to half the calendar quarters elapsing after 1950 (rather than 1936). Your committee believes that it is unnecessary, in this bill, to provide for another "new start" in the requirements for insured status. Successive "new starts," reducing the insured status requirements to the absolute minimum of six quarters of coverage, tend to weaken the principle that benefits should be payable only on the basis of a substantial degree of attachment to employment covered by the system.

There is, however, good reason to grant a temporary measure of relief to those newly covered workers who, although they are continuously engaged in covered work after 1954, die or retire before they can meet the requirements for insured status in present law. For this reason, the bill provides that an individual is deemed to be fully insured at the time of his death or attainment of age 65, whichever is

earlier, if all of the quarters elapsing after 1954 and up to that time are quarters of coverage, provided that at least six of the quarters after 1954 are quarters of coverage. This provision ceases to be applicable to those reaching age 65 or dying after the second quarter of 1958, since any newly covered individual who worked continuously in covered employment after 1954 and through that quarter would meet the requirements of present law with regard to fully insured status.

IX. PRESERVATION OF BENEFIT RIGHTS FOR DISABLED

A. Need for disability freeze

Under present law old-age and survivors insurance rights are impaired or may be lost entirely when workers have periods of total disability before reaching retirement age. Unless the worker is already permanently insured when he becomes disabled, he may have lost his fully insured status when he reaches retirement age because the entire period of his disability is included in the elapsed time which is the basis for determining his insured status. When benefit amounts are computed under present law, whether for retirement benefits or survivors benefits, his total earnings after a specified starting date and up to age 65 or death are divided by the total elapsed time, including any periods of total disability, in determining his average monthly wage, on which monthly benefits are based. A freeze of old-age and survivors insurance status during extended total disability would remove this disadvantage by preventing such periods of disability from reducing or denying retirement and survivors benefits. In addition there is available to the disabled individual the 4- or 5-year dropout period provided by this bill for all persons.

Such a freeze provision is analogous to the "waiver of premium" commonly used in life insurance and endowment annuity policies to maintain the protection of these policies for the duration of the policyholder's disability. About 200 life-insurance companies (many of the largest) operating in the United States offer a "waiver of premium" clause to individuals purchasing ordinary life insurance. It has been estimated that about half of the standard ordinary life insurance issued currently is protected through "waiver of premium" in the event of the disability of the insured.

B. Emphasis on rehabilitation

Your committee recognizes the great advances in rehabilitation techniques made in recent years and appreciates the importance of rehabilitation efforts on behalf of disabled persons. It is a well-recognized truth that prompt referral of disabled persons for appropriate vocational rehabilitation services increases the effectiveness of such services and enhances the probability of success. The bill is framed to carry out your committee's objective that disabled individuals applying for disability determinations be promptly referred to State vocational rehabilitation agencies, to the end that as many disabled individuals as possible may be restored to gainful work.

C. Earnings requirements

The earnings requirements which must be met to qualify for the freeze are intended to limit the application of this provision to individuals who have had a reasonably long, as well as recent, record of

covered earnings. They operate to screen out those who have not established a reasonably substantial attachment to the labor force and those who had voluntarily retired from gainful activity, and had not been compelled to leave the labor force by reason of their disability.

D. Definition of disability

Only those individuals who are totally disabled by illness, injury, or other physical or mental impairment which can be expected to be of long-continued and indefinite duration may qualify for the freeze. The impairment must be medically determinable and preclude the individual from performing any substantially gainful work. An individual would also be disabled, by definition, if he is blind within the meaning of that term as used in the bill. A person who does not meet the statutory definition, but who nevertheless has a severe visual impairment would be in the same position as all other disabled persons, that is, he may qualify for a period of disability under the general definition of disability if he is unable to engage in any substantially gainful activity by reason of his impairment.

There are two aspects to disability evaluation: (1) There must be a medically determinable impairment of serious proportions which is expected to be of long-continued and indefinite duration or to result in death, and (2) there must be a present inability to engage in substantially gainful work by reason of such impairment (recognizing, of course, that efforts toward rehabilitation will not be considered to interrupt a period of disability until the restoration of the individual to gainful activity is an accomplished fact). The physical or mental impairment must be of a nature and degree of severity sufficient to justify its consideration as the cause of failure to obtain any substantially gainful work. Standards for evaluating the severity of disabling conditions will be worked out in consultation with the State agencies. They will reflect the requirement that the individual be disabled not only for his usual work but also for any type of substantially gainful activity.

Disability must have lasted for 6 months before it may be considered. This provision is intended to exclude from consideration temporary conditions which terminate within 6 months.

In prescribing that the freeze apply only in the case of impairments "which can be expected to be of long-continued and indefinite duration" your committee seeks to assure that only long-lasting impairments are covered. This provision is not inconsistent with efforts toward rehabilitation since it refers only to the duration of the impairment and does not require a prediction of continued inability to work. An individual would not meet the definition of disability if he can, by reasonable effort and with safety to himself, achieve recovery or substantial reduction of the symptoms of his condition.

E. Determinations of disability

By and large, determinations of disability will be made by State agencies, administering plans approved under the Vocational Rehabilitation Act. This would serve the dual purpose of encouraging rehabilitation contacts by disabled persons and would offer the advantages of the medical and vocational case development undertaken routinely by the rehabilitation agencies. These agencies have well-established relationships with the medical profession and would remove the major load of case development from the Department.

By agreement, the State agencies will apply the standards developed for evaluating severity of impairments for purposes of the freeze. This will promote equal treatment of all disabled individuals under the old-age and survivors' insurance system in all States. The cost to these agencies for their services in making disability determinations will be met out of the trust fund.

In the relatively few cases where there may be no agreement with a State or there is delay in obtaining agreement, disability determinations will be made by the Department of Health, Education, and Welfare. Such determinations will also be made in certain types or classes of cases, which, because of their characteristics or their volume (e. g., the backlog), are excluded from the agreement at the State's request.

F. Effective dates

January 1, 1955, has been specified as the earliest date a disability freeze application can be accepted in order to give the Department of Health, Education, and Welfare time to prepare its forms and procedures and negotiate necessary agreements with State agencies. An individual who files a freeze application before July 1, 1955, must, however, be alive on July 1, 1955, in order to get a period of disability.

Until July 1, 1957, a disability "freeze" application could establish a period of disability beginning on the earliest date the individual was disabled and met the covered work requirements described above. This means that an individual who was disabled as early as the fourth quarter of 1941 could have had sufficient qualifying earnings and could establish a period of disability provided he was continuously disabled and filed a disability freeze application before July 1, 1957. Despite the administrative difficulties created, your committee believes that the large number of persons who have been totally disabled for the years before the enactment of this provision should be included in the group receiving the advantages of the freeze provision, but only for periods of disability continuing to the date of application.

Benefit increases for disabled individuals already on the benefit rolls would be payable beginning July 1955. Newly entitled persons would be able to have their benefits computed with the exclusion of a period of disability, beginning with the month of July 1955. Survivors of workers who died after having qualified for a period of disability would receive increased benefits.

X. PAYMENT OF BENEFITS TO PERSONS RESIDING ABROAD

Under present law, old-age insurance benefits may be paid to an insured worker regardless of his country of residence (except for limitations imposed by the Treasury Department on payments to persons residing in certain countries). Benefits are also payable to otherwise eligible dependents and survivors of insured individuals, regardless of country of residence, even though such dependents and survivors may never have lived in the United States, and may have had no personal contact with the insured worker over a long period of years, other than receiving contributions for their support.

Your committee believes that the insured person himself, who has earned his right to benefits on the basis of his work in American industry and his contributions to the national economy, should be

able to have those benefits regardless of the place of his residence. However, the bill contains a provision restricting the payment of dependents' and survivors' benefits outside the United States to those cases in which such persons can show a fairly substantial period of recent residence in the United States, or in which the insured person was currently insured on the basis of wage credits for service in the Armed Forces or on the basis of his earnings as an American citizen working abroad for an American employer or for a foreign subsidiary of an American employer.

Under this provision, the benefit of a dependent or survivor would be suspended for any month during which such person was not a resident of the United States, unless: (1) he had been a resident of the United States for at least 3 years out of the 5-year period just prior to his eligibility for benefits; or (2) in the case of a child who became eligible for child's benefits prior to attainment of age 3, he had been born in the United States. The provision would also be inapplicable to those cases in which the insured individual acquired his currently insured status by reason of service in the Armed Forces of the United States or by reason of employment outside the United States which is covered under the act.

Further, the provision for suspension of benefits would not apply to any dependent or survivor who was entitled to or eligible for a benefit for any month prior to the month following the effective date of the bill. This exception to the provision would assure that individuals who qualified for benefits under the provisions of present law, or who could qualify for such benefits by application prior to the effective date of the bill, would not be deprived of rights already established.

XI. MISCELLANEOUS PROVISIONS

Earnings during periods of unlawful residence in the United States.—The bill provides that earnings derived by an individual during such periods as are certified by the Attorney General to have been periods in which he was unlawfully resident in the United States may not be used in establishing eligibility for or the amount of any benefits payable on the basis of his wage record.

Termination of benefits on deportation.—The bill provides that all benefits payable on the earnings record of an individual who is deported from the United States because of illegal entry, conviction of a crime, or subversive activity shall be terminated. Termination of the benefit would be effective on receipt of a notice from the Attorney General that the individual is under notice of deportation.

Recomputation because of continued work after entitlement.—The bill changes the provisions under which an individual's primary insurance amount may be recomputed because of continued covered employment after his entitlement to old-age insurance benefits.

The present requirement is that an individual have 6 quarters of coverage after 1950, and must have lost at least 12 of his monthly benefits because of work in covered employment within a 36-month period since the last previous effective computation or recomputation of his benefit amount. This provision served to avoid frequent requests for recomputation of the benefit amount where little or no increase in the benefit rate would result.

In view of the application of the retirement test to earnings in noncovered employment, suspension of benefits because of work may not be reflective of an individual's earnings creditable toward benefit amounts. Your committee believes, therefore, that it is necessary to revise the condition determining when an individual may have his benefit recomputed because of additional earnings. Under the proposed change an individual may qualify for the recomputation if he has been credited with covered wages and self-employment income of \$1,000 or more in a completed calendar year after 1953 and after the year in which the individual's benefit was last computed or recomputed. As under present law, the requirement that the individual have at least six quarters of coverage after 1950 will be retained.

This changed provision will also remove certain present restrictions on the recomputation of benefit amounts of persons aged 75 and over who, while continuing to work in covered employment for substantial earnings, cannot meet the requirement for the recomputation because their benefits have not been suspended because of such work.

XII. ACTUARIAL COST ESTIMATES FOR OLD-AGE AND SURVIVORS INSURANCE SYSTEM

A. *Financing policy*

The Congress very carefully considered the problems of cost in determining the benefit provisions of both the 1950 and 1952 acts and was of the belief that the old-age and survivors insurance program should be on a completely self-supporting basis from contributions of covered individuals and employers, with employers and employees sharing equally. Accordingly, the law under those acts contained a tax schedule which it was believed would, under a level-wage assumption, make the system self-supporting as nearly as could be foreseen under circumstances then existing. The 1952 act did not affect the program's actuarial balance, which was estimated to remain virtually the same as in the estimates made at the time the 1950 act was enacted; this was the case because of the rise in earnings levels in the 3 or 4 years preceding the enactment of the 1952 act, which rise was taken into account in the estimates for the 1952 act. It was recognized that future experience may be expected to differ from the conditions assumed in the estimates so that any tax schedule, at least in the distant future, might have to be modified.

Subsequent to the enactment of the 1952 act, new cost estimates were developed to take into account the considerable change in economic conditions during the last few years and the additional actuarial and statistical data available from the program's operations and from the 1950 census. According to these new estimates (contained in Actuarial Study No. 36 of the Social Security Administration, Department of Health, Education, and Welfare) the level-premium cost of the benefit disbursements and administrative expenses is somewhat more than one-half percent of payroll higher than the level-premium equivalent of the scheduled taxes (including allowance for the existing trust fund).

The net effect of the changes we have recommended, some of which would increase long-range costs and some of which would decrease them, is an increase in the long-range cost of the program by slightly over one-half percent of covered payroll.

While we recognize that future costs estimates, particularly if earnings continue to rise, may indicate that a lower schedule of contribution rates will provide for a self-supporting system, we believe that our policy should be one of utmost prudence in this area. Consequently the long-range schedule of old-age and survivors insurance contributions should be adjusted so as to meet the additional costs of the changes now proposed and also to cover fully the deficiency which the new estimates indicate in the financing of the present program. With this in mind we have proposed that the scheduled rates on employer and employee in 1970 be raised from $3\frac{1}{4}$ to $3\frac{1}{2}$ percent and that in 1975 and thereafter the rate be increased to 4 percent, with corresponding changes for the self-employed.

B. Basic assumptions for cost estimates

Estimates of the future cost of the old-age and survivors insurance program are affected by many factors that are difficult to determine. Accordingly, the assumptions used in the actuarial cost estimates may differ widely and yet be reasonable. Because of numerous factors, such as the aging of the population of the country and the inherent slow but steady growth of the benefit roll in any retirement program, benefit payments may be expected to increase continuously for at least the next 50 to 75 years.

The cost estimates for the bill are presented here first on a range basis so as to indicate the plausible variation in future costs depending upon the actual trend developing for the various cost factors in the future. Both the low-cost and high-cost estimates are based on high economic assumptions, intended to represent close to full employment, with average annual earnings at about the level prevailing in 1951-52, or somewhat below current experience. Following the presentation of the cost estimates on a range basis, intermediate estimates developed directly from the low-cost and high-cost estimates (by averaging them) are shown so as to indicate the basis for the financing provisions.

In general, the costs are shown as a percentage of covered payroll. It is believed that this is the best measure of the financial cost of the program. Dollar figures taken alone are misleading, because, for example, extension of coverage will increase not only the outgo but also to a greater extent the income of the system with the result that the cost relative to payroll will decrease.

The low-cost and high-cost assumptions relate to the cost as a percent of payroll in the aggregate and not to the dollar costs. The two cost assumptions are based on possible variations in fertility rates, mortality rates, retirement rates, remarriage rates, and so forth.

In general, the cost estimates have been prepared on the basis of the same assumptions and techniques as those contained in the Social Security Administration's Actuarial Study No. 36 (relating to present law) and Actuarial Study No. 38 (relating to H. R. 7199).

In the previous cost estimates (prepared from 1939 on) it had always been assumed that the system would mature in the year 2000 or, in other words, that benefit payments and contributions would be level thereafter. In the new cost estimates of Actuarial Study No. 36 and subsequently, this assumption is revised by maturing any trends, such as mortality, in the year 2000 but going on with the estimates for another 50 years. This is necessary because the aged population itself cannot mature by the year 2000. The reason for this is that the

number of births in the 1930's was very low as compared with subsequent experience, and, as a result, there is a dip in the relative proportion of the aged from 1995 to about 2010, which, in itself, would be reflected in benefit costs for that period. Accordingly, the year 2000 is by no means a typical ultimate year.

An important measure of long-range cost is the level-premium contribution rate required to support the system into perpetuity, based on discounting at interest and assuming that benefit payments and taxable payrolls remain level after the year 2050 (actually the relationship between benefits and payroll is virtually constant after about 2020). If such a level rate were adopted, relatively large accumulations in the trust fund would result, and in consequence there would also be sizable eventual income from interest. Even though such a method of financing is not followed, this concept may nevertheless be used as a convenient measure of long-range costs. This is a valuable cost concept, especially in comparing various possible alternative plans and provisions, since it takes into account the heavy deferred load, although some may feel it unrealistic because it deals with periods beyond the year 2050, and also because it is dubious to assume a leveling-off or stabilization at any time.

The estimates are based on level earnings assumptions (slightly below the present level). If in the future the earnings level should be considerably above that which now prevails, and if the benefits for those on the roll are at some time adjusted upward so that the annual costs relative to payroll will remain the same, then the increased dollar outgo resulting will offset the increased dollar income. This is an important reason for considering costs relative to payroll rather than in dollars.

The cost estimates have not taken into account the possibility of a rise in earnings levels, although such a rise has characterized the past history of this country. If such an assumption were used in the cost estimates, along with the unlikely assumption that the benefits nevertheless would not be changed, the cost relative to payroll would, of course, be lower. If benefits are adjusted to keep pace with rising earnings trends, the year-by-year costs as a percentage of payroll would be unaffected. However, in such case this would not be true as to the level-premium cost which would be higher, since under such circumstances the relative value of the interest earnings of the trust fund would gradually diminish with the passage of time. If earnings do consistently rise, thorough consideration will need to be given to the financing basis of the system because then the interest earnings on the trust fund will not meet as large a proportion of the benefit costs as would be anticipated if the earnings level had not risen.

Financial interchange provisions with the railroad retirement system are, under present law, in effect such that the old-age and survivors insurance trust fund is to be placed in the same financial position as if railroad employment had always been covered under the old-age and survivors insurance program. It is estimated that the net effect of these provisions will be a relatively small net gain to the old-age and survivors insurance system since the reimbursements from the railroad retirement system will be somewhat larger than the net additional benefits paid on the basis of railroad earnings. The long-range costs developed here are for the operation of the trust fund on the basis, as provided in current law, that all railroad employment will be (and beginning with 1937 has been) covered employment.

The balance in the fund thus corresponds exactly to the actual situation arising. But the contribution income and benefit disbursement figures shown (as well as the numbers of beneficiaries) are slightly higher (by less than 5 percent) than the payments which will actually be made directly to the trust fund from contributors and the payments which will actually be made from the trust fund to the individual beneficiaries. This is the case because the figures here include both the additional contributions which would have been collected if railroad employment had always been covered and the additional benefits that would have been paid under such circumstances. The balance for these two elements is to be accounted for in actual practice by the operation of the financial interchange provisions.

C. Results of cost estimates on range basis

Table 4 presents costs as a percentage of payroll for each of the various types of benefits. The level-premium cost for the benefits provided in the bill, on the basis of 2¼ percent interest, is roughly 6.3 to 8.3 percent of payroll, while at 2½ percent interest the corresponding figures are 6.2 percent and 8.0 percent, respectively.

TABLE 4.—Estimated benefit payments as percent of taxable payroll for bill, by type of benefit

ACTUAL DATA ¹									
[In percent]									
Calendar year	Monthly benefits						Lump-sum death payments	Disability freeze ²	Total benefits
	Old-age	Wife's ³	Widow's ³	Parent's	Mother's	Child's			
1951.....	0.99	0.15	0.14	0.01	0.07	0.24	0.05	-----	1.65
1952.....	1.11	.17	.16	.01	.08	.26	.05	-----	1.83
1953.....	1.50	.22	.20	.01	.09	.30	.07	-----	2.39
LOW-COST ASSUMPTIONS									
1960.....	2.42	0.30	0.51	0.01	0.16	0.43	0.10	0.04	3.96
1970.....	3.26	.35	.93	.01	.16	.40	.11	.05	5.28
1980.....	4.19	.39	1.18	.01	.15	.38	.13	.06	6.48
1990.....	4.82	.38	1.27	.01	.14	.37	.13	.07	7.20
2000.....	4.67	.36	1.17	.01	.14	.36	.13	.07	6.90
2020.....	5.22	.39	1.12	.01	.14	.36	.14	.07	7.45
Level-premium: ⁴									
2¼ percent interest.....	4.22	.36	1.02	.01	.14	.37	.12	.06	6.32
2½ percent interest.....	4.13	.36	1.00	.01	.14	.37	.12	.06	6.20
HIGH-COST ASSUMPTIONS									
1960.....	2.94	0.36	0.54	0.01	0.19	0.43	0.10	0.05	4.61
1970.....	4.01	.42	1.01	.01	.19	.39	.12	.06	6.22
1980.....	5.19	.46	1.29	.02	.17	.35	.13	.08	7.68
1990.....	6.29	.46	1.41	.02	.16	.33	.14	.09	8.90
2000.....	6.57	.46	1.31	.02	.15	.29	.15	.09	9.04
2020.....	8.67	.60	1.46	.02	.14	.29	.17	.11	11.46
Level-premium: ⁴									
2¼ percent interest.....	5.88	.49	1.18	.02	.16	.34	.14	.08	8.27
2½ percent interest.....	5.68	.48	1.15	.02	.16	.34	.14	.08	8.03

¹ Excluding effect of railroad coverage under financial interchange provisions.

² Included are excesses of wife's and widow's benefits over old-age benefits for female old-age beneficiaries also eligible for wife's and widow's benefits. Also includes husband's and widower's benefits, respectively.

³ The cost of the "disability freeze" is here shown separately, although in actual practice it is spread among the various types of benefits.

⁴ Level-premium contribution rate for benefit payments after 1952 and in perpetuity, not taking into account (a) lower contribution rate for self-employed compared with employer-employee rate; (b) existing trust fund; and (c) administrative expenses. These level-premium rates assume benefits and payrolls remain level after the year 2050.

NOTE.—All estimates are based on high-employment assumptions.

Table 5 presents the estimated operations of the trust fund under the bill on the basis of a 2.4 percent interest rate, which is about what is currently being earned. Under the low-cost estimate, the trust fund builds up quite rapidly and even some 50 years hence is growing at a rate of \$5 billion per year and at that time is about \$200 billion in magnitude; in fact, under this estimate, benefit disbursements never exceed contribution income and even in the year 2000 are almost 10 percent smaller. On the other hand, under the high-cost estimate the trust fund builds up to a maximum of about \$38 billion in 1980-85, but decreases thereafter until it is exhausted in the year 2000. Benefit disbursements exceed contribution income during 1958-69 and again after 1980. Accordingly, the trust fund remains more or less stable at about \$25 billion during 1958-69 (since interest income offsets the excess of disbursements over contribution income).

TABLE 5.—*Estimated progress of trust fund under bill, 2.4 percent interest*

ACTUAL DATA FOR PRESENT LAW					
[In millions]					
Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
1953.....	\$3,945	\$3,006	\$88	\$414	\$18,707
LOW-COST ESTIMATE					
1955.....	\$6,258	\$4,350	\$100	\$531	\$23,579
1960.....	7,836	6,745	115	710	30,781
1970.....	12,592	10,191	143	1,190	51,883
1980.....	16,352	13,801	172	2,191	94,659
2000.....	19,867	17,853	216	4,394	188,374
2020.....	23,411	22,701	265	8,312	354,855
HIGH-COST ESTIMATE					
1955.....	\$6,227	\$4,910	\$128	\$517	\$22,604
1960.....	7,765	7,786	151	583	24,768
1970.....	12,460	11,871	193	613	26,372
1980.....	15,923	15,919	232	881	37,463
2000.....	17,870	21,034	289		(Fund exhausted in 2000)
2020.....	18,513	27,631	348		

NOTE.—All estimates are based on high-employment assumptions.

These results are consistent and reasonable, since the system on an intermediate-cost estimate basis is intended to be approximately self-supporting, as will be indicated hereafter. Accordingly, a low-cost estimate should show that the system is more than self-supporting, whereas a high-cost estimate should show that a deficiency would arise later on. In actual practice, under the philosophy in the 1950 and 1952 acts, as set forth in the committee reports therefor and as continued in this bill by your committee, the tax schedule would be adjusted in future years so that neither of the developments of the trust fund shown in table 5 would ever eventuate. Thus, if experience followed the low-cost estimate, the contribution rates would probably be adjusted downward or perhaps would not be increased, in future years according to schedule. On the other hand, if the experience followed the high-cost estimate, the contribu-

tion rates would have to be raised above those scheduled. At any rate, the high-cost estimate does indicate that under the tax schedule adopted, there would be ample funds to meet benefit disbursements for several decades even under relatively high-cost experience.

D. Results of intermediate-cost estimate

This section will present the intermediate-cost estimate, developed from the low-cost and high-cost estimates of this report, by averaging them (using the dollar estimates and developing therefrom the corresponding estimates relative to payroll). This intermediate-cost estimate does not represent the most probable estimate, since it is impossible to develop any such figures. Rather, it has been set down as a convenient and readily available single set of figures to use for comparative purposes.

The Congress, in enacting the 1950 and 1952 acts, was of the belief that the old-age and survivors insurance program should be on a completely self-supporting basis. This belief is reiterated in this report. Therefore, a single estimate is necessary in the development of a tax schedule intended to make the system self-supporting. Any specific schedule will be different from what will actually be required to obtain exact balance between contributions and benefits. However, this procedure does make the intention specific, even though in actual practice future changes in the tax schedule might be necessary. Likewise, exact self-support cannot be obtained from a specific set of integral or rounded fractional tax rates, but rather this principle of self-support should be aimed at as closely as possible.

The tax schedules contained in the 1950 act (left unchanged in the 1952 act) and in the bill are as follows:

Calendar year	1950 act			Bill		
	Employee	Employer	Self-employed	Employee	Employer	Self-employed
	Percent	Percent	Percent	Percent	Percent	Percent
1951-53.....	1½	1½	2¼	1½	1½	2¼
1954-59.....	2	2	3	2	2	3
1960-64.....	2½	2½	3¾	2½	2½	3¾
1965-69.....	3	3	4½	3	3	4½
1970-74.....	3¾	3¾	4¾	3½	3½	5¼
1975 and after.....	3¾	3¾	4¾	4	4	6

The tax schedule for the 1950 act was determined to be roughly equivalent to the level-premium cost under the intermediate estimate for the 1950 act when enacted, and continued to be so for the 1952 act for the estimates made at the time of its enactment. As mentioned previously, new estimates made subsequently indicated that this situation was changed. The new schedule contained in the bill both takes account of this situation for present law and provides for the increased cost of the bill arising from the several liberalizing benefit changes.

Table 6 gives an estimate of the level-premium cost of the bill tracing through the increase in cost over the present act according to the major changes proposed.

TABLE 6.—Changes in estimated level-premium costs of benefit payments as percent age of payroll, by type of change, intermediate-cost estimate, high-employment-assumptions

Item	Level-premium cost
Cost of present act: ¹	<i>Percent</i>
1952 estimate, using 2¼ percent interest.....	6.00
Current estimate, using 2¼ percent interest.....	6.74
Current estimate, using 2.4 percent interest.....	6.62
Effect of proposed changes:	
Extension of coverage.....	-.18
Raising earnings base to \$4,200.....	-.15
Increase in benefits ¹	+.82
Liberalization of retirement test.....	+.03
Elimination of lowest years of earnings.....	+.13
"Disability freeze" provision.....	+.07
Cost of bill, ² using 2.4 percent interest.....	7.34

¹ Primarily reflects effect of new benefit formula and conversion table, but also includes effect of revised minimum and maximum benefit provisions and the minor changes in insured status provisions.

² Including adjustments (a) to reflect lower contribution rate for self-employed compared with employer-employee rate; (b) for existing trust fund; and (c) for administrative expenses.

It should be emphasized that in 1950 the Congress did not recommend that the system be financed by a high, level tax rate from 1951 on but rather recommended an increasing schedule, which—of necessity—ultimately rises higher than the level-premium rate. Nonetheless, this graded tax schedule will produce a considerable excess of income over outgo for many years so that a sizable trust fund will develop, although not as large as would arise under a level-premium tax rate; this fund will be invested in Government securities (just as is much of the reserves of life-insurance companies and banks, and as is also the case for the trust funds of the civil-service retirement, railroad retirement, national service life insurance, and United States Government life insurance systems), and the resulting interest income will help to bear part of the increased benefit costs of the future.

As will be seen from table 6, the level-premium cost of the benefits of the present act—based on 2.4 percent interest—is about 6.6 percent of payroll, while the corresponding figure for the bill is 7.3 percent.

The level-premium contribution rates equivalent to the graded schedules in the present law and in the bill may be computed in the same manner as level-premium benefit costs. These are shown in the table below (on the basis of the intermediate-cost estimate at 2.4 percent interest):

Level-premium equivalent	Present law	Bill
	<i>Percent</i>	<i>Percent</i>
Benefit costs ¹	6.62	7.34
Contributions.....	6.05	7.12
Net difference, or lack of actuarial balance.....	.57	.22

¹ Including adjustments (a) to reflect lower contribution rate for self-employed compared with employer-employee rate, (b) for existing trust fund, and (c) for administrative expenses.

The 1½ percent increase in the ultimate employer-employee rate in the bill represents an equivalent level increase of slightly over 1 percent, of which about two-thirds is needed to meet the increased cost of the bill, while the remaining one-third is used to reduce the lack of actuarial balance to the point where, for all practical purposes, it may be said to be sufficiently provided for.

Table 7 shows the year-by-year cost of the benefit payments according to the intermediate-cost estimate, not only for the bill but also for the present act. These figures are based on a future level-earnings assumption and do not consider business cycles (booms and depressions), which over a long period of years tend to average out. The benefit disbursements under the bill for 1955 are estimated at about \$4.6 billion, with a range of \$4.3 to \$4.9 billion (as contrasted with contribution income of about \$6.2 billion). The dollar amount of the increased cost in 1955 of the bill over the present act is about \$600 million, although the cost as a percentage of payroll is slightly lower because of the higher payroll in the bill due to the extended coverage. In subsequent years, the benefit cost of the bill as a percentage of payroll increasingly exceeds the cost of present law, with such excess being somewhat more than one-half of 1 percent after 1970.

TABLE 7.—Estimated cost of benefit payments under present law and under bill—intermediate-cost estimate, high-employment assumptions

Calendar year	Amount (in millions)		In percent of payroll	
	Present law	Bill	Present law	Bill
1955.....	\$4,075	\$4,630	3.05	2.85
1960.....	5,716	7,266	4.10	4.29
1970.....	8,318	11,031	5.26	5.75
1980.....	11,116	14,861	6.40	7.07
2000.....	14,812	19,444	7.30	7.91
2020.....	19,475	25,166	8.63	9.22
Level-premium: ¹				
At 2¼ percent interest.....			6.69	7.22
At 2.4 percent interest.....			6.60	7.12
At 2½ percent interest.....			6.54	7.05

¹ Level-premium contribution rate for benefit payments in 1953 and after and into perpetuity, not taking into account (a) lower contribution rate for self-employed compared with employer-employee rate, (b) existing trust fund, and (c) administrative expenses.

Table 8 presents the costs of the benefits under the bill as a percentage of payroll for each of the various types of benefits and is comparable with table 4 of the previous section.

TABLE 8.—*Estimated benefit payments as percent of taxable payroll under bill, intermediate cost estimate*

[In percent]

Calendar year	Monthly benefits						Lump-sum death payments	Disability freeze ²	Total benefits
	Old-age	Wife's ¹	Widow's ¹	Parent's	Mother's	Child's			
1960.....	2.68	0.33	0.53	0.01	0.17	0.43	0.10	0.04	4.29
1970.....	3.63	.38	.97	.01	.18	.40	.11	.06	5.75
1980.....	4.68	.42	1.24	.01	.16	.36	.13	.07	7.07
1990.....	5.53	.42	1.34	.02	.15	.35	.14	.08	8.02
2000.....	5.57	.40	1.24	.02	.14	.33	.14	.08	7.91
2020.....	6.74	.48	1.27	.01	.14	.33	.15	.09	9.22
Level premium: ³									
2¼ percent interest.....	4.99	.42	1.10	.01	.15	.35	.13	.07	7.22
2½ percent interest.....	4.85	.42	1.07	.01	.15	.35	.13	.07	7.05

¹ Included are excesses of wife's and widow's benefits over old-age benefits for female old-age beneficiaries also eligible for wife's and widow's benefits. Also includes husband's and widower's benefits, respectively.

² The cost of the "disability freeze" is here shown separately, although in actual practice it is spread among the various types of benefits.

³ Level-premium contribution rate for benefit payments after 1952 and in perpetuity, not taking into account (a) lower contribution rate for self-employed compared with employee-employee rate, (b) existing trust fund, and (c) administrative expenses. These level-premium rates assume benefits and payrolls remain level after the year 2050.

NOTE.—All estimates are based on high-employment assumptions.

Table 9 shows the estimated operation of the trust fund under the bill according to the intermediate estimate (using a 2.4 percent interest rate) and is comparable with table 5 of the previous section. According to this estimate, contribution income generally exceeds benefit disbursements for the next 30 years, although in 1959 and 1964 (the years preceding the next two scheduled increases in the contribution rates) there is a slight excess of benefits over contributions. This difference is more than counterbalanced by interest income so that the fund is estimated to grow steadily until reaching a maximum of \$115 billion in 2015, and then decrease. This decline in the long-distant future indicates that, under the bill, the proposed tax schedule is not quite self-supporting under a level-earnings assumption but is sufficiently close, for all practical purposes, considering the uncertainties and variations possible in the cost estimates and considering that current earnings are somewhat above the assumptions made.

TABLE 9.—*Estimated progress of trust fund under bill, 2.4 percent interest, intermediate-cost estimate*

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
1955.....	\$6,242	\$4,630	\$114	\$524	\$23,092
1960.....	7,800	7,266	133	646	27,774
1970.....	12,526	11,031	168	902	39,128
1980.....	16,138	14,861	202	1,536	66,061
2000.....	18,868	19,444	252	2,202	94,120
2020.....	20,962	25,166	306	2,640	110,358

NOTE.—All estimates are based on high-employment assumptions.

This same situation applied for the 1950 and 1952 acts according to estimates made at the times they were being considered. In regard to the ultimate 6½-percent employer-employee rate under the 1950 act, your committee stated as follows:

If a 7-percent ultimate employer-employee rate had been chosen, the cost estimates developed would have indicated that the system would be slightly overfinanced. Your committee believes that it is not necessary in such a long-range matter to attempt to be unduly conservative and provide an intentional overcharge—especially when it is considered that it will be many, many years before any deficit or excess in the ultimate rate will be determined and even at that time it will probably be of only a small amount.

In the same manner, the system under the provisions of the bill is not quite in actuarial balance under the contribution schedule therein, although very close to such balance. Yet, it would not seem advisable to have a higher ultimate employer-employee rate, like 8½ percent, which according to these estimates would overfinance the system.

E. Summary of actuarial cost estimates

The old-age and survivors insurance system as modified by the bill has a benefit cost (on the basis of the continuation of 1951-52 wage levels and current interest rates) which is about as closely in balance with contribution income as was the case for the 1950 and 1952 acts at the time they were enacted. In other words, the system as now amended is as nearly in actuarial balance, according to the estimates made, as the 1950 and 1952 acts when they were considered by the Congress. Although in all three instances the system is shown to be not quite self-supporting under the intermediate estimate, there is very close to an exact balance, especially considering that a range of error is necessarily present in long-range actuarial cost estimates and that rounded tax rates are used in actual practice and hence an exact balance would not seem practicable even if exact future conditions were known.

XIII. PUBLIC ASSISTANCE

The bill extends through September 30, 1955, the provisions of the 1952 amendments, presently scheduled to expire at the close of September 30, 1954, with respect to Federal payments to States for public assistance programs. Until that date, the Federal share in old-age assistance, aid to the blind, and aid to the permanently and totally disabled will continue to be four-fifths of the first \$25 of a State's average monthly payment per recipient, plus one-half of the remainder, within individual maximums of \$55. For aid to dependent children the Federal share will be four-fifths of the first \$15 of a State's average monthly payment per recipient, plus one-half of the remainder within individual maximums of \$30 for the adult, \$30 for the first child, and \$21 for each additional child in a family. This action is taken pending possible consideration of basic amendments in the Federal matching formula. If such amendments are enacted, the temporary extension of present provisions will allow time for States to plan for operations under the revised law. The cost of continuing

such increased Federal payments is about \$210 million for the 12-month period.

The bill extends from June 30, 1955, to June 30, 1957, the provision in section 344 of the Social Security Act amendments of 1950 which provided for the approval of certain State plans for aid to the blind which did not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act. The amendment provided that such plans could be approved for the period from October 1, 1950, and ending June 30, 1955. Only two States are now affected by the provision (Pennsylvania and Missouri). Extending the time to June 30, 1957, will enable these two States to have sufficient time to enable them to make the modifications in their State laws necessary so they, like all other States, will comply with the income and resources provision in the act as a condition for Federal grants to the States.

SECTION-BY-SECTION ANALYSIS

The first section of the bill contains a short title, "Social Security Amendments of 1954." The remainder of the bill is divided into four titles: Title I, which amends title II of the Social Security Act; title II, which amends the Internal Revenue Code; Title III, which makes certain amendments relating to public assistance; and title IV, which makes several conforming amendments in the Railroad Retirement Act and other laws.

TITLE I—AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT

EXTENSION OF COVERAGE

Section 101 of the bill amends sections 205, 209, 210, 211, and 218 of the Social Security Act so as to extend coverage under the old-age and survivors insurance system to additional groups of employed and self-employed individuals.

DOMESTIC SERVICE, SERVICE NOT IN COURSE OF EMPLOYER'S BUSINESS, AND AGRICULTURAL LABOR

Domestic service

Section 101 (a) (1) of the bill amends paragraph (2) of section 209 (g) of the Social Security Act, which relates to domestic service. This paragraph now provides for the exclusion from wages, for purposes of old-age and survivors insurance, of cash remuneration paid in a quarter for domestic service in a private home unless such remuneration paid in such quarter for the service is \$50 or more and the employee is regularly employed by the employer in the quarter. He is "regularly employed" if he performs such service for that employer on at least 24 days in the same quarter or the preceding quarter. The amendment would eliminate the 24-day test, thus making coverage of domestic service depend solely on receipt by the employee, in a quarter, of \$50 in cash remuneration from one employer for such service.

As under existing law, domestic service (as well as service not in the course of the employer's trade or business, which is described below) will not include any service described in section 210 (f) (5) (service performed on a farm operated for profit).

Service not in course of employer's business

Section 101 (a) (2) of the bill amends section 209 (g) of the Social Security Act by adding a new paragraph (3). This paragraph relates to cash remuneration received for service not in the course of the employer's trade or business and should be considered together with the repeal of section 210 (a) (3) of the Social Security Act which would be accomplished by section 101 (a) (5) of the bill. Section 210 (a) (3) of the act now excludes, from employment covered by it, service not in the course of the employer's trade or business performed by an

employee in a calendar quarter unless the cash remuneration paid by the employer for such service in that quarter is \$50 or more and the service is performed by an individual on at least 24 days in that quarter or the preceding quarter for that employer. The 24-day test for this purpose is the same as the test used under existing law (and described above) for domestic service in a private home. The effect of the new paragraph (3) of section 209 (g), plus the repeal of paragraph (3) of section 210 (a), is to eliminate the 24-day requirement and to make coverage under old-age and survivors insurance of service not in the course of the employer's trade or business depend solely on receipt by the employee of \$50 in cash remuneration for the service from that employer.

The \$50 test is also changed slightly. Under existing law the \$50 must be paid for service performed in a quarter for the employer, and the time of payment is unimportant. Under the new section 209 (g) (3), the test is payment of \$50 in a quarter for the service, and the time of performance of the service is unimportant. This change (which parallels a change made in the Internal Revenue Code by the bill) should ease the burden on the employer for reporting purposes.

Agricultural labor

Section 101 (a) (3) of the bill amends section 209 (h) of the Social Security Act by inserting a new paragraph (2) (the existing provisions of section 209 (h) becoming paragraph (1) thereof). The new paragraph would exclude from wages, for purposes of old-age and survivors insurance, cash remuneration paid by an employer to an employee in any calendar year for agricultural labor unless such remuneration is \$200 or more. This amendment should be considered with the amendment to paragraph (1) of section 210 (a) of the Social Security Act which would be effected by section 101 (a) (4) of the bill.

Under the existing provisions of section 210 (a) (1) of the Social Security Act the criteria which determine whether agricultural labor performed for an employer is covered by old-age and survivors insurance are tied in with the calendar quarter. Under these provisions agricultural labor performed in a calendar quarter is excluded from employment covered by old-age and survivors insurance unless the cash remuneration paid for such labor is \$50 or more and such labor is performed for the employer by an individual regularly employed by him to perform such labor. The "regularly employed" test for this purpose is both more substantial and more complex than the 24-day test now applicable to domestic service and service not in the course of the employer's trade or business. For purposes of section 210 (a) (1)—

an individual is deemed to be regularly employed by an employer during a calendar quarter * * * only if (i) such individual performs agricultural labor * * * for such employer on a full-time basis on 60 days * * * during the quarter, and (ii) the quarter was immediately preceded by a qualifying quarter. A qualifying quarter is defined as (I) any quarter during all of which the individual was continuously employed by the employer, or (II) any subsequent quarter meeting the test of clause (i) above if, after the last quarter during all of which the individual was continuously employed by the employer, each intervening quarter met the test of clause (i). An individual is also deemed to be regularly employed by an employer during a calendar quarter if he was regularly employed (upon application of clauses (i) and (ii)) by the employer during the preceding calendar quarter (H. Rept. No. 2771, 81st Cong., 2d sess. (Conference Report on H. R. 6000), p. 95).

The main effects of the amendments made by paragraphs (3) and (4) of section 101 (a) of the bill are to eliminate the present "regularly employed" test as a requirement for the coverage of an individual's agricultural labor under old-age and survivors insurance; to place the coverage test for agricultural labor on a calendar-year basis, instead of on a calendar-quarter basis as at present; and to make coverage of an individual's agricultural labor depend solely on the payment to him of cash remuneration of \$200 or more in a calendar year by the same employer for such labor. Employers of individuals performing agricultural labor who meet this coverage test would report the wages of such employees annually.

At the present time, services performed in connection with the ginning of cotton and services performed in connection with the production or harvesting of crude gum (oleo-resin) from a living tree or the processing of such crude gum into gum spirits of turpentine and gum resin, if such processing is carried on by the original producer of the crude gum, are excluded from coverage under old-age and survivors insurance (sec. 210 (a) (1) (B) of the Social Security Act). Also, these services may not be counted in determining whether an individual meets the 60-day-\$50 test in connection with other agricultural labor, discussed above, although it may be counted for purposes of a "qualifying quarter." The amendment to section 210 (a) (1) of the Social Security Act would remove the specific exclusion of these services and would have the effect of covering such services under old-age and survivors insurance on the same basis as other agricultural labor.

The exclusion of services performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended (Public Law 78, 82d Cong.), would be continued in section 210 (a) (1) of the Social Security Act, as amended by section 101 (a) (4) of the bill. Title V of the Agricultural Act of 1949 now provides that no workers may be made available under it for employment after December 31, 1955. The exclusion in section 210 (a) (1) of the Social Security Act would be inoperative when title V of the Agricultural Act of 1949 ceases to have any effect.

Redesignation of paragraphs of section 210 (a)

As indicated above, paragraph (5) of section 101 (a) of the bill repeals paragraph (3) (exclusion of service not in the course of the employer's business) of section 210 (a) of the Social Security Act. This paragraph of the bill would also make the necessary technical change of redesignating paragraphs (4) through (14) of that section, and any references thereto contained in the Social Security Act to the redesignated paragraphs. This paragraph of the bill does not redesignate paragraphs (15), (16), and (17) of section 210 (a) of the Social Security Act since they are dealt with by later provisions of the bill.

Exclusion of agricultural labor from State coverage agreements

Under section 218 (c) (5) of the Social Security Act, an agreement with a State for covering State and local employees under old-age and survivors insurance may, at the option of the State, exclude agricultural labor or service performed by a student, but only in the case of "service which is excluded from employment by any provision

of section 210 (a) other than paragraph (8) of such section." Since, under the bill, agricultural labor (other than contract labor under title V of the Agricultural Act of 1949) would no longer be excluded from employment and there would be substituted in the definition of "wages" the \$200 cash requirement, a conforming change is necessary in section 218 (c) (5). Paragraph (6) of section 101 (a) of the bill would make this conforming change.

AMERICAN CITIZENS EMPLOYED BY AMERICAN EMPLOYERS ON FOREIGN-FLAG VESSELS

Under section 210 (a) (5) of the Social Security Act (redesignated by the bill as sec. 210 (a) (4)), individuals employed on and in connection with foreign-flag vessels and individuals employed on and in connection with foreign-flag aircraft are excluded from employment covered by old-age and survivors insurance both with respect to services performed on and in connection with the vessel or aircraft outside the United States and (except in the case of an individual who performs no part of such services outside the United States) with respect to services performed in this country. Section 101 (b) of the bill would amend this section of the act so as to make the exclusion apply only if the individual is not an American citizen or the employer is not an American employer. Consequently, if the individual is an American citizen and the employer is an American employer the services of such individual on foreign-flag vessels or foreign-flag aircraft will be covered whether performed here or abroad. This change would have the effect of treating services performed by these individuals the same as other services performed by American citizens as employees for American employers, which are now covered whether performed here or abroad.

CERTAIN FEDERAL EMPLOYEES

Section 101 (c) of the bill amends the present paragraph (7) of section 210 (a) of the Social Security Act (redesignated as par. (6) by the bill) to extend the coverage of old-age and survivors insurance to certain services performed for the Federal Government.

The present subparagraph (B) of such paragraph excludes service performed in the employ of any instrumentality of the United States which was exempt from the old-age and survivors insurance employer tax on December 31, 1950 (with certain specified exceptions). Section 101 (c) (1) of the bill would amend subparagraph (B) to provide that service performed by an individual in the employ of any such instrumentality would be excluded from old-age and survivors insurance coverage only if it is covered by a retirement system established by the instrumentality, thereby covering employees of such instrumentalities who are not under a retirement system. (Service of Federal employees covered by a retirement system established by a law of the United States would continue to be excluded under subparagraph (A) of the same paragraph.) The bill would also add to the specified exceptions in subparagraph (B) service performed in the employ of a Federal Home Loan Bank and service performed by civilians for Coast Guard Exchanges and other Coast Guard activities. The effect of adding these exceptions would be to cover such service under old-age and survivors insurance.

Section 101 (c) (2) of the bill would amend subparagraph (C) of the present section 210 (a) (7) of the Social Security Act (redesignated as sec. 210 (a) (6) by the bill). Section 210 (a) (7) (C) now excludes from coverage 13 specific categories of Federal employees. The amendment deletes the following seven categories: Temporary employees in the field service of the Post Office Department (who are now excluded from both the old-age and survivors insurance system and the civil service retirement system); temporary census-taking employees of the Bureau of the Census; Federal employees who are paid on a contract or fee basis; Federal employees who receive compensation of \$12 a year or less; certain consular agents; and individuals employed under Federal unemployment relief programs to relieve them from unemployment; and members of State, county, or community committees under the Production and Marketing Administration and similar bodies, unless such bodies are composed exclusively of full-time Federal employees. The practical effect of these deletions is to extend coverage to the temporary employees in the Post Office field service and the Bureau of the Census, the contract or fee-basis employees, the \$12-a-year employees, and the committee members referred to in the deleted exclusions. There are at present no Federal unemployment relief programs, so that the deletion of this exclusion has no immediate effect. The consular agents now excluded are generally alien employees working outside the United States; such aliens would be excluded from coverage by other provisions of law, although United States citizens so employed would be covered.

Section 101 (c) (2) also amends 2 of the remaining 6 exclusions in section 210 (a) (7) (C). The present exclusion of service performed in hospitals, homes, or other institutions of the United States by patients or inmates of those institutions would be amended to exclude only service performed by inmates of penal institutions, thereby extending coverage to patient-employees of Federal hospitals and homes. The present exclusion of individuals who are excluded from the civil service retirement system because they are covered by another retirement system would be amended by making an exception to the exclusion in the case of individuals covered under the retirement system of the Tennessee Valley Authority. This change would extend coverage to these individuals.

Paragraph (3) of section 101 (c) of the bill would amend paragraph (3) of section 205 (p) of the Social Security Act to apply the provisions of that section to service performed by civilian employees of Coast Guard exchanges and other Coast Guard activities, who would be brought under coverage by the bill. Section 205 (p) deals with determinations respecting employment and wages for old-age and survivors insurance purposes in the case of Federal employees.

MINISTERS

Section 101 (d) (1) of the bill amends the present paragraph (9) of section 210 (a) of the Social Security Act (redesignated as par. (8) by the bill) to permit coverage of certain ministers and members of religious orders employed by nonprofit religious, charitable, educational, or other organizations exempt from income tax under section 101 (6) of the Internal Revenue Code, if the organization has filed a certificate under section 1426 (l) of the Internal Revenue Code waiv-

ing its exemption from the taxes imposed pursuant to the Federal Insurance Contributions Act. The concurrence of two-thirds of the clergymen employees is required for the filing of such a certificate.

The present subparagraph (B) of section 210 (a) (9) of the Social Security Act excludes lay employees of any such organization unless the organization files a certificate of waiver under section 1426 (l) of the Internal Revenue Code. This provision would be retained without any substantive change and would be redesignated as subparagraph (A). The present subparagraph (A) excludes services 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. This exclusion would be eliminated and in its place would be substituted a new subparagraph (B) excluding such services only if performed in the employ of an organization exempt from income tax under section 101 (6) of the Internal Revenue Code. The new subparagraph (B), however, would permit coverage under old-age and survivors insurance of ministers and members of religious orders (not including any member of a religious order who has taken a vow of poverty as a member of such order) employed by any such organization if the organization has filed with the Internal Revenue Service a certificate indicating its desire to cover its ministers and members of religious orders. (The conditions governing the filing of such a certificate are contained in the Internal Revenue Code, and are explained in the portions of this analysis applying to amendments in the code.) The clergymen who concur in the filing of the certificate, and those employed after the certificate becomes effective (or after the certificate was filed, if the certificate was made effective retroactively), would be covered.

The new subparagraph (B) would have the effect of covering under old-age and survivors insurance, without any option on the part of the employing organization or the employees, any services performed by a minister or member of a religious order as an employee of an organization other than an organization exempt from income tax under section 101 (6) of the Internal Revenue Code. Services performed under such circumstances were covered prior to the Social Security Act Amendments of 1950, and this change merely restores the situation which existed prior to 1951.

Paragraph (2) of section 101 (d) of the bill would repeal paragraph (4) of section 211 (c) of the Social Security Act (defining "trade or business"). Such paragraph (4) now excludes, for purposes of determining net earnings from self-employment and self-employment income on which old-age and survivors insurance coverage is based, income from 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. The repeal of this exclusion would result in covering the income of ministers and members of religious orders for old-age and survivors insurance purposes, to the extent that such income is derived from self-employment, on a compulsory basis. Any income of an employed minister which is derived from self-employment (such as the performance of weddings) rather than from his regular employment by a church would also be covered under the old-age and survivors insurance system by such repeal if his total self-employment income

amounted to \$400 or more in a year. As indicated above, however, an employed minister could be covered with respect to remuneration paid for his services by his church only through an election by the church and the minister made in accordance with section 1426 (1) of the Internal Revenue Code (discussed below).

Paragraph (3) of section 101 (d) of the bill provides that nothing in the proposed changes relating to ministers is to be construed as meaning that any minister is an employee of an organization for any purpose other than the purposes of the old-age and survivors insurance program. This provision is not intended to affect the status of any minister under title II of the Social Security Act or under the Federal Insurance Contributions Act; it is included in order to make it clear that treating ministers as employees for social-security purposes is not to have any effect for other purposes.

FISHING AND RELATED SERVICE

Section 210 (a) (15) of the Social Security Act now excludes, from employment covered by old-age and survivors insurance, services performed by employees in fishing and similar activities (except when performed in connection with commercial salmon or halibut fishing or on a vessel of more than 10 net tons). Section 101 (e) of the bill would repeal this exclusion and renumber the succeeding paragraphs of section 210 (a) accordingly.

HOMEWORKERS

Section 210 (k) (3) (C) of the Social Security Act now includes as an employee, for purposes of employment covered by old-age and survivors insurance, any individual performing services for remuneration for any person as a homemaker, according to specifications and on materials furnished by such person, which materials are to be returned to him or his designee, but only if the performance of such services is subject to State licensing laws. (Under section 209 (j), which would not be changed by the bill, the remuneration for homework in any quarter is not counted unless the employee received \$50 or more in cash in such quarter from the same employer for such work.) Section 101 (f) of the bill would amend section 210 (k) (3) (C) of the act so as to eliminate the requirement that the services be subject to State licensing laws in order to constitute covered employment.

This amendment would not include, however, as employees, homeworkers who are not subject to supervision or control by any person with respect to their home work activities, and who buy raw material and make any article and sell such article to any person, even though it is made according to specifications provided by some single purchaser.

FARMERS AND PROFESSIONAL SELF-EMPLOYED

Section 101 (g) of the bill amends section 211 of the Social Security Act to provide coverage for farm operators and professional self-employed people (other than physicians) who have net earnings from self-employment of at least \$400 annually.

At the present time, paragraph (2) of section 211 (a) of the Social Security Act excludes from the definition of "net earnings from self-

employment", for purposes of coverage under old-age and survivors insurance, income from any trade or business in which, if it was carried on exclusively by employees, the major portion of their services would constitute agricultural labor. Section 101 (g) (1) of the bill would repeal this paragraph (thereby covering such income under old-age and survivors insurance to the same extent as other income from self-employment) and renumber the succeeding paragraphs accordingly. In addition, it would add at the end of section 211 (a) a new sentence providing that, in the case of any such trade or business carried on by an individual who reports his income on a cash receipts and disbursements basis, the net earnings from self-employment may, at his option, be presumed to be 50 percent of the gross income therefrom instead of the amount as otherwise computed under the section. This option will be available, however, only if the gross income (as computed under the section) from the trade or business is \$1,800 or less. If such gross income is more than \$1,800 and the net earnings therefrom (as computed under the section) are less than \$900, the farmer may at his option presume such net earnings to be \$900 for purposes of old-age and survivors insurance.

In determining his income for purposes of this provision, the farmer would use, as his gross income, the gross receipts from his farm business reduced by the cost or other basis of any property which was purchased and sold in carrying on that business. His gross receipts as so reduced would then be adjusted in accordance with the preceding provisions of section 211 (a).

Paragraph (2) of section 101 (g) of the bill would amend the existing paragraph (1) of section 211 (a) of the Social Security Act. Such paragraph (1) now excludes from the computation of gross income, for purposes of determining net earnings from self-employment, rentals, from real estate unless received in the course of a trade or business as a real-estate dealer. The amendment makes it clear that rentals paid in crop shares would be excluded as being rentals from real estate, whether paid in cash or in kind.

Section 101 (g) (3) of the bill would amend the present section 211 (a) (4) of the Social Security Act (redesignated as sec. 211 (a) (3) by the bill) so as to exclude from "net earnings from self-employment" the gain or loss derived from coal royalties under certain conditions. This is a technical amendment needed to bring this definition in title II of the Social Security Act into line with the definition of the term in the Internal Revenue Code. Section 325 (d) of the Revenue Act of 1951 amended section 481 (a) (4) of the Internal Revenue Code (relating to the old-age and survivors insurance tax on self-employment income) but failed to amend the corresponding provision in the present section 211 (a) (4) of the Social Security Act.

Section 211 (c) (5) of the Social Security Act now excludes, for purposes of determining net earnings from self-employment and self-employment income on which old-age and survivors insurance coverage is based, income from the performance of service by an individual (or a partnership) in the exercise of designated professions. The professional self-employed persons now excluded are physicians, lawyers, dentists, osteopaths, veterinarians, chiropractors, naturopaths, optometrists, Christian Science practitioners, architects, certified, registered, licensed, or full-time practicing public accountants, funeral directors, and professional engineers. Section 101 (g) (4) of the bill

would repeal this exclusion except in the case of physicians, thereby covering the self-employment income from the practice of all of the other professions which are presently excluded (if the net earnings from the trade or business for the year are not less than \$400).

EMPLOYEES COVERED BY STATE OR LOCAL RETIREMENT SYSTEMS

Subsection (h) of section 101 of the bill amends section 218 of the Social Security Act to permit service performed in positions covered by a State or local retirement system to be included, under prescribed conditions, under an agreement between a State and the Secretary of Health, Education, and Welfare covering State and local government employees for old-age and survivors insurance purposes.

Paragraph (1) of subsection (h) would amend the heading of section 218 (d) (which now reads "Exclusion of Positions Covered by Retirement Systems") by striking out "Exclusion of". It also redesignates the present subsection (d) as paragraph (1) of subsection (d), and amends the new paragraph (1) in several respects. The present provision prohibits old-age and survivors insurance coverage, under any agreement, of employees in positions covered by State or local retirement systems on the date when the agreement is made applicable to their coverage group. To this would be added a prohibition against old-age and survivors insurance coverage of employees in positions covered by retirement systems on the date of the enactment of the new paragraph (2) of the subsection. This change, taken in conjunction with the new provisions added by the bill (as described below), would have the general effect of providing that individuals in positions subject to a State or local retirement system either on the date of the enactment of the bill or on the date the agreement is made applicable to their coverage group could be covered under the agreement only if the members of the system vote in favor of coverage.

This prohibition of coverage of service in positions covered by retirement systems on the date specified would not apply, however, to service in policeman's and fireman's positions; individuals in such positions could still be brought under an agreement if the positions were no longer under a retirement system on the date when the agreement was made applicable to the coverage group which included employees in such positions, even if the positions were under a retirement system on the date of the enactment of the new provisions. Similarly, this prohibition does not apply to employees in positions (other than a policeman's or fireman's position) which were covered by a retirement system on the date an agreement was made applicable to the coverage group which included employees in such positions if on that date (or, in any given case, on such later date as the employee first occupies such a position) the individual in the position is ineligible for membership in the system. Finally, the prohibition does not apply to service in positions which, though covered by a retirement system on the enactment date, were, by reason of action taken prior to the enactment date by the appropriate governmental unit, no longer covered by a retirement system when the coverage group which included employees in such positions was brought under an agreement.

Paragraph (2) of subsection (h) of the bill would add five new paragraphs to section 218 (d).

The new paragraph (2) of section 218 (d) contains a statement that it is the policy of the Congress, in enacting the new provisions permitting the coverage under old-age and survivors insurance of employees under a State or local retirement system, that the protection afforded employees in positions covered under a retirement system on the date a coverage agreement is made applicable to service in such positions, or receiving periodic benefits under the retirement system at that time, will not be impaired as a result of their coverage under old-age and survivors insurance or as a result of legislative enactment in anticipation of such coverage.

The new paragraph (3) permits coverage under an agreement of service performed by employees in positions covered by a retirement system (other than policeman's and fireman's positions and certain other classes of positions which can be excluded at the option of the State (for example, part-time and elective positions, agricultural labor, and student services) if the Governor of the State certifies 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 the retirement system should be included under an agreement;

B. An opportunity to vote in the referendum was given (and was limited) to eligible employees;

C. Ninety days' notice of the referendum was given to all such employees;

D. The referendum was conducted under the supervision of the governor or an agency or individual designated by him;

E. A majority of the eligible employees voted in the referendum; and

F. Two-thirds or more of the employees who voted in the referendum voted in favor of including service in such positions under an agreement under section 218.

The bill provides that an employee would be deemed an "eligible employee" for purposes of the referendum if, at the time the referendum was held, he was in a position covered by the retirement system and was a member of the system, and if he was in such a position at the time when notice of the referendum was given. He would not be an eligible employee, however, if at the time of the referendum he was in a position already covered under the agreement, or if he was in a policeman's or fireman's position, or if he was in a position excluded by the State from coverage under the agreement when it was made applicable to the retirement system involved. In short, the State would have to decide before holding the referendum which of the optional groups it proposed to exclude and then exclude occupants of those positions from participation in the referendum. Any occupants of positions in such groups which were not excluded by the State from the agreement would have to be given the opportunity to participate in the referendum if such referendum is to be valid for purposes of the new provisions of section 218 (d).

No referendum would be valid for the purposes of paragraph (3) unless held within the 2-year period which ends on the date of execution of the agreement (or modification thereof) which extends coverage to the retirement system involved, nor would any referendum be valid if held less than 1 year after any prior referendum with respect to the same retirement system.

The new paragraph (4) of section 218 (d) of the Social Security Act establishes, for purposes of the existing section 218 (c), a separate coverage group consisting of all three of the following categories of employees:

A. All employees in positions covered by the same retirement system on the date when the agreement under section 218 with the State was made applicable to such system in accordance with the conditions in paragraph (3). The employees in this category are those to whose services an agreement cannot be made applicable under existing law because the services are performed in positions covered by a retirement system.

B. All employees in positions which were covered by that retirement system at any time after the date when the agreement was made applicable to the system. The employees in this category are those in positions which are brought under the retirement system after the agreement is made applicable to the system.

C. All employees in positions which were covered by the same retirement system at any time prior to the date when the agreement was made applicable to the system, and to which the old-age and survivors insurance system was not extended because of the existing provisions of section 218 (d) (which, under the bill, are contained in section 218 (d) (1)). The employees in this category are those in positions which were covered by the retirement system at the time the agreement was made applicable to the coverage group of which they were members, but which were later removed from coverage under the retirement system. The category includes employees in covered positions who are not themselves eligible for membership in the retirement system. These employees are excluded from coverage under present law; under the bill they could be covered, or, if the State so desired, they could be excluded from coverage when other employees who are not members of the retirement system are brought in.

Subparagraph (A) of the new paragraph (5) provides that the new provisions permitting extension of old-age and survivors insurance coverage to positions covered by retirement systems after a referendum are not applicable to any policeman's or fireman's position covered by a retirement system. By reason of the provisions of existing law which continue to be applicable to such policeman's or fireman's positions, services in such positions cannot be covered under an agreement if the positions are covered under a State or local retirement system at the time when the coverage group which includes employees performing services in such positions is brought under the agreement.

Subparagraph (B) of the new paragraph (5) provides that, 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 section 218 (c) and to which the agreement does not already apply, except those specified in paragraph (3) (C) of section 218 (c), may be excluded from the agreement at the time it is made applicable to the retirement system. Under this paragraph, the State may exclude emergency services and services in any classes of elective, part-time, or fee-basis positions, and also agricultural labor and student services which, if the services involved were performed for an employer other than a State or political subdivision, would be excluded from the program. Each such class so excluded

would constitute a separate retirement system in the event that the agreement was later modified to bring that class in. The services referred to in paragraph (3) (C) of section 218 (c), which could not be excluded under this paragraph when the agreement is made applicable to the retirement system, are services performed by individuals in positions covered by the system who are ineligible for membership in the system. Employees in these positions not already included under the agreement would have to be brought under it at the time it is made applicable to the retirement system covering those positions.

The new paragraph (6) provides that a retirement system which covers positions of employees of the State and positions of employees of 1 or more political subdivisions thereof, or covers positions of employees of 2 or more political subdivisions of the State, may be deemed, at the option of the State, to constitute a separate retirement system with respect to each such political subdivision, and where applicable, a separate retirement system with respect to the State. If the State determines that the retirement system shall not be deemed to constitute separate retirement systems, then any referendum must apply to the entire retirement system and any agreement or modification entered into must be made applicable to service performed by all employees in positions covered by the system.

Paragraph (3) of section 101 (h) of the bill amends section 218 (c) (3) of the Social Security Act, which provides that an agreement shall, at the request of the State, exclude certain specifically designated positions. The amendment adds another such optional exclusion. This new provision permits a State to exclude from coverage under an agreement all services performed by individuals as members of any coverage group who are in positions covered by a retirement system on the date when the group is brought under the agreement if these individuals are not eligible to become members of the system on that date (or on any later date when they first occupy the positions) and if they have not already been included under the agreement by means of a referendum. This optional exclusion does not apply, however, in the event that the coverage group brought under the agreement consists of the retirement system covering the positions of these ineligible employees; under paragraph (5) (B) of the new section 218 (d) they would have to be brought under the agreement.

Paragraph (4) of section 101 (h) of the bill amends section 218 (c) (4) of the Social Security Act, which provides that services in positions excluded at the option of the State under section 218 (c) (3) may later be brought under coverage. The amendment would add a new sentence providing that individuals in positions covered by a retirement system but ineligible for membership in the system when their coverage group is brought under an agreement may be brought under the agreement at any later time—either without a referendum, if they are still ineligible for membership at the time or after a favorable referendum, if they have since become members of the retirement system.

Paragraph (5) of section 101 (h) amends section 218 (c) of the Social Security Act by adding to it a new paragraph (7). The new paragraph provides that, in order to bring under an agreement individuals in positions covered by a retirement system but not eligible for membership in the system, the State must make a choice. It must either agree that all such ineligible individuals in a single cover-

age group who later become eligible for membership in the retirement system will continue to be included under the agreement for old-age and survivors insurance, or it must agree that all such individuals in the group who later become eligible will cease to be included under the agreement. If, however, the agreement had been made applicable to the retirement system in the meantime, all such individuals would have to remain under the agreement when they became eligible for membership in the system.

Paragraph (6) of section 101 (h) of the bill amends section 218 (f) of the Social Security Act, which relates to the effective dates of agreements and modifications thereof. Under the existing language agreements or modifications executed prior to January 1, 1954, could be made effective retroactively to January 1, 1951, thus enabling the States to negotiate agreements in the early days of the provisions relating to coverage of State and local employees without unduly penalizing the employees under the eligibility and benefit-computation provisions of old-age and survivors insurance because of unavoidable delay in this process. In the case of agreements or modifications executed after December 31, 1953, the coverage provided thereby may be made retroactive only to the beginning of the calendar year in which the agreement or modification is consummated. This provision would be modified by the bill to permit agreements or modifications entered into during 1955, 1956, and 1957 to be made retroactive to January 1, 1955. This will give the States 3 years within which to enact any legislation necessary to enable them to enter into agreements or modifications of agreements designed to take advantage of the new provisions of section 218 (d) of the Social Security Act which have been added by the bill.

An agreement or modification retroactive to a date prior to its execution, either under existing law or by reason of the provisions of section 101 (h) of the bill, may not be made applicable with respect to service in the retroactive period performed by any individual who is not a member of a coverage group to which the agreement or modification applies on the date of the execution of the agreement or modification. Thus, service performed by individuals who die, retire, or otherwise leave the employ of the State or political subdivision prior to the date of execution of an agreement or modification would not be covered for retroactive periods.

Paragraph (7) of section 101 (h) of the bill amends section 218 (m) of the act (relating to coverage of employees under the Wisconsin retirement fund) by changing the reference to "subsection (d)" to "paragraph (1) of subsection (d)".

Paragraph (8) of section 101 (h) adds to section 218 of the act a new subsection (n), which provides that an agreement may, prior to January 1, 1958, be modified so as to apply to services performed by employees, as members of any coverage group to which the agreement already applies, in positions which were covered by a retirement system on the date the agreement was made applicable to the coverage group but which, by reason of action taken prior to the date of enactment of the bill, are no longer covered by a retirement system on the date when the agreement is made applicable to such services. The employees referred to are those who, after their coverage group was included under an agreement, had their retirement system dissolved or their positions removed from the coverage of a retirement

system by reason of action taken by the State or political subdivision thereof prior to the date of enactment of the bill. A referendum would not be required for covering these employees.

The amendments to section 218 of the Social Security Act made by section 101 (h) of the bill would become effective January 1, 1955.

CIVILIAN EMPLOYEES OF STATE NATIONAL GUARD UNITS

Paragraph (1) of section 101 (i) of the bill amends paragraph (5) of section 218 (b) of the Social Security Act (which defines "coverage group") by adding a new provision. This provision would establish as a separate coverage group civilian employees of State National Guard units who are employed pursuant to section 90 of the National Defense Act of June 3, 1916 (32 U. S. C., sec. 42), and paid from funds allotted to such units by the Department of Defense. These employees would also be deemed to be employees of the State. The Department of Defense does not regard these employees as Federal employees and has made provision for the payment of the employer's share of the old-age and survivors insurance taxes where the State is willing to cover the employees under its agreement. This amendment would be effective as of January 1, 1951.

Paragraph (2) of section 101 (i) provides that, notwithstanding section 218 (f) of the Social Security Act, any agreement or modification covering the services performed by members of the coverage group which consists of these civilian employees of State National Guard units may have an effective date as early as December 31, 1950, provided the modification or agreement is agreed to prior to January 1, 1956.

PRESUMED WORK DEDUCTIONS IN CASE OF CERTAIN RETROACTIVE STATE AGREEMENTS

Section 101 (j) (1) of the bill establishes a presumption that work deductions have been made from benefits of certain State and local employees whose services have been covered retroactively by a State under an agreement entered into under section 218 of the Social Security Act. Under section 218 an agreement with a State for coverage of the services of State and local employees under the old-age and survivors insurance system may be made retroactive to January 1, 1951, if the agreement was entered into before January 1, 1954. Where such an agreement has been made, any employees performing services covered retroactively, who were, at the time of the performance of the services, entitled to benefits under old-age and survivors insurance did not suffer deductions under section 203 (b) (1) or (2) of the Social Security Act, even though the remuneration received for such services exceeds the amount permitted under such section. In some cases this prevents an employee whose services are thus covered retroactively from qualifying for a recomputation of his benefit amount under section 215 (f) (2) of the Social Security Act since under that section a recomputation is authorized only if the primary beneficiary has had deductions from benefits on account of services performed during 12 months out of a period of 36 months.

This section of the bill would establish a presumption that such deductions have been made if they would have been imposed under section 203 (b) of the Social Security Act had the agreement been entered into on its effective date. Such a presumption would be made, however, only for purposes of determining whether on the basis of an application filed after the month in which the bill is enacted and prior to 1956 any person is entitled to a recomputation, under section 215 (f) of the Social Security Act, of the primary insurance amount of the individual who performed the services covered retroactively by the State agreement. The presumption would not be made if the individual's primary insurance amount had previously been recomputed under section 215 (f) (2) of the Social Security Act.

The recomputation provided for in this section of the bill would be made as though the individual who performed the services had filed his application therefor in whichever of the following months yields the higher primary insurance amount: (1) The month for which the last of the deductions is deemed to have been made under this section of the bill, or (2) the first month thereafter (but before the month in which the bill is enacted) in which his old-age insurance benefits were no longer subject to deductions for work under paragraphs (1) and (2) of section 203 (b) of the act (as in effect prior to the enactment of the bill). The recomputation would be made only under the provisions of the act as in effect prior to the enactment of the bill and would be effective beginning with the first month in which the application for recomputation referred to in the preceding paragraph was actually filed.

If any recomputation is made under section 215 (f) of the Social Security Act by reason of deductions which are presumed under paragraph (1) of section 101 (j) of the bill to have been imposed with respect to benefits based on the wages and self-employment income of any individual, the total of benefits based on such wages and self-employment income for the months for which such deductions were presumed to have been imposed is to be recovered, under paragraph (2) of the subsection, by making deductions, in addition to any others required by section 203 of the Social Security Act, from any increase in benefits based on such wages and self-employment income and resulting from such recomputation.

SERVICE BY AMERICAN CITIZENS FOR FOREIGN SUBSIDIARY OF DOMESTIC CORPORATION

Section 101 (k) of the bill amends the introductory language of section 210 (a) of the Social Security Act to include in the definition of "employment" service performed outside of the United States by a citizen of the United States as an employee of a foreign subsidiary (as defined in the new sec. 1426 (m) of the Internal Revenue Code) of a domestic corporation (as determined in accordance with the provisions of sec. 3797 (a) of the Internal Revenue Code) during any period for which there is in effect an agreement with respect to such subsidiary between the domestic corporation and the Secretary of the Treasury entered into under section 1426 (m) of the Internal Revenue Code (discussed below).

EFFECTIVE DATES

Section 101 (l) provides effective dates for the amendments made by section 101 of the bill. The exclusion of coal royalties from "net earnings from self-employment" under section 211 (a) of the Social Security Act (sec. 101 (g) (3) of the bill) would be effective for taxable years beginning after 1950. The extension of coverage to farm operators, self-employed professional groups, and self-employed ministers (secs. 101 (d) (2) and 101 (g) (1), (2), and (4) of the bill) would be effective, except for purposes of section 203 of the Social Security Act, for taxable years ending after 1954. The provisions relating to the coverage of agricultural labor and service not in the course of the employer's trade or business (sec. 101 (a) (2), (3), (4), (5), and (6) of the bill) would be effective with respect to remuneration paid after 1954 (in the case of the amendments to the definition of "wages") and with respect to service for which the remuneration is paid after 1954 (in the case of the amendments to the definition of "employment"). The provisions relating to coverage of domestic service (sec. 101 (a) (1) of the bill) would be effective with respect to remuneration paid after 1954. The amendment making applicable to Coast Guard Exchanges and similar activities the administrative provisions of section 205 (p) of the Social Security Act (sec. 101 (c) (3) of the bill), which are now applicable in the case of other service for the Federal Government covered under old-age and survivors insurance, would become effective January 1, 1955. The amendments made by the rest of section 101 of the bill (other than subsecs. (h) and (i), relating to employees covered by State or local retirement systems, and subsec. (k), relating to coverage of service performed for foreign subsidiaries of domestic corporations by employees who are United States citizens), would be effective with respect to services performed after 1954. In the case of the amendments made by paragraphs (1), (2), and (4) of section 101 (g) and paragraph (2) of section 101 (d) (extending coverage to farm operators, self-employed professional groups, and self-employed ministers), a special effective date (self-employment income derived after 1954) is provided for purposes of section 203 of the Social Security Act in order to avoid work deductions retroactive before 1955 where an individual is on a fiscal-year basis.

INCREASE IN BENEFIT AMOUNTS

Section 102 of the bill amends section 215 of the Social Security Act (relating to the computation of the primary insurance amount) to provide increases in benefit amounts, both for individuals already on the benefit rolls and those who will come on the rolls after the effective date.

Primary insurance amount.

Paragraph (1) of section 215 (a) of the act, as amended by the bill, sets forth a new benefit formula to be used in computation of the primary insurance amount of individuals who (1) have acquired at least six quarters of coverage after 1950 and either do not become eligible for old-age insurance benefits until after the last day of the

month following the month of enactment of the bill or die after that day and prior to becoming eligible for old-age insurance benefits, or (2) acquire at least six quarters of coverage after June 30, 1953. The new benefit formula would be used if it resulted in a higher primary insurance amount than would result for such individual if his benefit amount were computed under the new conversion table provided in section 215 (c) as amended by the bill.

The benefit formula provided by the bill would be 55 percent of the first \$110 of average monthly wage plus 20 percent of the next \$240 of such wage. Under present law, the formula is 55 percent of the first \$100 of average monthly wage plus 15 percent of the next \$200.

Paragraph (2) of section 215 (a) as amended by the bill provides that any other individual shall have his primary insurance amount computed through the conversion table in section 215 (c) as amended by the bill.

Average monthly wage

Section 102 (b) of the bill amends section 215 (b) of the Social Security Act to provide standard end-of-the-year starting and beginning-of-the-year closing dates, applicable to both wage earners and self-employed individuals, for computation of the average monthly wage, and to provide for the exclusion of up to 5 years in which earnings were lowest (or nonexistent) from the average monthly wage computation.

Paragraph (1) of the subsection amends paragraphs (1), (2), and (3) of subsection 215 (b) of the act (relating to computation of the average monthly wage).

The amended paragraph (1) of section 215 (b) eliminates the distinction, in present law, between the "wage closing date" and the "self-employment income closing date," and the provision that the individual's "divisor closing date" shall be the later of his "wage closing date" or "self-employment income closing date." An individual's average monthly wage, under the amended paragraph, would be the quotient obtained by dividing the total of his wages and self-employment income after his "starting date" and prior to his "closing date" by the number of months elapsing between those dates. Excluded from this computation would be the months in any year after an individual's starting date, but prior to the year in which he attained age 22, in which he did not have at least 2 quarters of coverage. Under present law, the months in any quarter prior to the quarter of attainment of age 22 which is not a quarter of coverage are excluded from the computation. As in present law, the minimum divisor used for the computation would be 18.

Paragraph (2) of section 215 (b) as amended by the bill provides that an individual's "starting date" shall be December 31, 1950, or, if later, the last day of the year in which the individual attains age 21, whichever results in the higher average monthly wage.

Paragraph (3) of section 215 (b) as amended by the bill provides that an individual's "closing date" shall be whichever of the following results in the higher average monthly wage: (1) the first day of the year in which he died or became entitled to old-age insurance benefits, whichever first occurred; or (2) the first day of the year in which he

first became eligible for old-age insurance benefits (i. e., was both fully insured and attained retirement age). In those cases where adequate evidence of earnings in the year of death or entitlement is available to the Secretary at the time of benefit computation, an alternative computation using as the closing date the first day of the year following the year of death or entitlement may be made. Where the alternative closing date would increase the individual's average monthly wage, the higher amount would be paid at that time.

Evidence would be considered to be available when it can be readily obtained as, for example, where the individual brings such evidence with him or can obtain it with reasonable promptness or such evidence can be readily obtained from the employer. If the earnings in the year of death or entitlement are not used in the initial computation of the benefit, provision is made in section 215 (f) (3) of the act as amended by the bill, whereby the individual (or his survivor in the event of his death) can have the benefits recomputed upon application after the year of death or entitlement. In such a recomputation the closing date becomes the first day of the year after the year of death or entitlement so that earnings in such year of death or entitlement may be used in the benefit computation. They will be used, however, only if they produce a higher average monthly wage and, therefore, a higher benefit amount.

Paragraph (2) of section 102 (b) of the bill deletes paragraph (4) of section 215 (b) of present law and replaces it with a new paragraph which directs the Secretary to determine, and to exclude from the computation of an individual's average monthly wage, the four or fewer full calendar years which, if the months thereof elapsing after the individual's starting date and prior to his closing date, and the wages and self-employment income for such years, were excluded from the computation, would produce the highest primary insurance amount. In the case of any individual who had at least 20 quarters of coverage in the period ending with the calendar quarter before his closing date, the maximum number of years to be dropped would be 5, instead of 4.

Determinations made by use of the conversion table

Section 102 (c) of the bill amends section 215 (c) of present law to provide a new conversion table to be used to increase the benefits of individuals already on the rolls and to compute the primary insurance amount of certain individuals who come on the rolls after the enactment of the bill.

Paragraph (1) of the amended section sets forth the new conversion table, as follows:

"I "If the primary insurance benefit (as determined under subsection (d)) is--	II Or the primary insurance amount (as determined under subsection (d)) is--	III The amount referred to in paragraphs (1) (B) and (2) of subsection (a) shall be--	IV And the average monthly wage for purposes of computing maximum benefits shall be--
\$10-----	\$25.00	\$30.00	\$55.00
\$11-----	27.00	32.00	58.00
\$12-----	29.00	34.00	62.00
\$13-----	31.00	36.00	65.00
\$14-----	33.00	38.00	69.00
\$15-----	35.00	40.00	73.00
\$16-----	36.70	41.70	76.00
\$17-----	38.20	43.20	79.00
\$18-----	39.50	44.50	81.00
\$19-----	40.70	45.70	83.00
\$20-----	42.00	47.00	85.00
\$21-----	43.50	48.50	88.00
\$22-----	45.30	50.30	91.00
\$23-----	47.50	52.50	95.00
\$24-----	50.10	55.10	100.00
\$25-----	52.40	57.40	104.00
\$26-----	54.40	59.40	108.00
\$27-----	56.30	61.30	114.00
\$28-----	58.00	63.00	123.00
\$29-----	59.40	64.40	130.00
\$30-----	60.80	66.30	139.00
\$31-----	62.00	67.90	147.00
\$32-----	63.30	69.50	155.00
\$33-----	64.40	71.10	163.00
\$34-----	65.50	72.50	170.00
\$35-----	66.60	73.90	177.00
\$36-----	67.80	75.50	185.00
\$37-----	68.90	77.10	193.00
\$38-----	70.00	78.50	200.00
\$39-----	71.00	79.90	207.00
\$40-----	72.00	81.10	213.00
\$41-----	73.10	82.70	221.00
\$42-----	74.10	83.90	227.00
\$43-----	75.10	85.30	234.00
\$44-----	76.10	86.70	241.00
\$45-----	77.10	88.50	250.00
\$46-----	77.10	88.50	250.00
	77.20	88.50	250.00
	77.30	88.50	250.00
	77.40	88.50	250.00
	77.50	88.50	250.00
	78.00	89.10	253.00
	79.00	90.50	260.00
	80.10	91.90	267.00
	81.00	93.10	273.00
	82.00	94.50	280.00
	83.10	95.90	287.00
	84.00	97.10	293.00
	85.00	98.50	300.00

Column I of the table contains amounts of primary insurance benefits computed on the basis of average earnings from January 1, 1937, and under the benefit formula provided in the Social Security Act before the 1950 amendments. Column II contains primary insurance amounts computed under the present act, either through the conversion table in the act, or through the benefit formula provided therein in cases where average earnings after 1950 are used in the computation. Column III sets forth the new primary insurance amounts to which the amounts on corresponding lines in columns I and II are to be increased. Column IV sets forth the average monthly wage to be used in setting the maximum amount of benefits payable to the family.

The table is designed to provide an increase of at least \$5 in primary insurance amounts. The amounts in column III of the table for which there is in column I a corresponding primary insurance benefit

were computed by applying the new benefit formula in the bill to the amounts of average monthly wage in column III of the conversion table in present law, and further increasing any of the resultant primary insurance amounts so that they were at least \$5 more than the primary insurance amounts in the present conversion table corresponding to such average monthly wage. The table is so constructed that at average monthly wage levels of \$130 or more, benefit amounts for individuals having the same average monthly wage will be identical, regardless of whether the benefit is computed through the conversion table or the new formula. Where the individual's average monthly wage, even after a dropout of low years, is less than \$130, the conversion table may give a more favorable result. The amounts in column II for which there are corresponding amounts of primary insurance benefits in column I are derived by applying to such primary insurance benefits the conversion table in present law. The amounts in column II for which there are no corresponding primary insurance benefits (i. e., amounts above \$77.10) are derived from actual average monthly wages on the basis of earnings after 1950 under the formula in section 215 (a) (2) of present law.

The amounts in column IV are amounts of average monthly wage which would yield the primary insurance amount on the corresponding line in column III by applying the revised benefit formula in section 215 (a) (1) (A) of the act as amended by the bill. Such amounts in column IV will determine the maximum amount of the benefits payable on the basis of an individual's wages and self-employment income under section 203 (a) of the act, as amended by the bill.

Paragraph (2) sets forth the methods to be used for computation of the new primary insurance amount for amounts that fall between the amounts on any two consecutive lines of column I or II of the table. Subparagraph (A) of the paragraph provides that when the primary insurance benefit falls between the amounts on any two consecutive lines in column I of the table, the new primary insurance amount is to be determined by applying the new benefit formula to the average monthly wage which would be determined for the individual under the applicable provisions of present law relating to the determination of benefits under the conversion table where the old primary insurance benefit falls between the amounts on two consecutive lines of the existing table. The primary insurance amount thus obtained, if not already a multiple of 10 cents, would be rounded upward to the next higher multiple of 10 cents and would then be increased, if necessary, to the extent that it is less than \$5 greater than the primary insurance amount that would be derived from the individual's primary insurance benefit under the provisions of present law.

Subparagraph (B) of the paragraph provides that when an individual's primary insurance amount (computed under the benefit formula in present law) falls between any two consecutive lines in column II of the table, the new primary insurance amount shall be computed as in subparagraph (A) in those cases where the primary insurance amount under present law can be derived from a primary insurance benefit in accordance with the applicable provisions in present law. Where it cannot be so derived, or where the primary insurance amount derived under present law is more than \$77.10, the new primary insurance amount would be derived by applying the new benefit formula in the bill to the average monthly wage from which the

present primary insurance amount was determined. The resultant amount would be rounded to the next higher multiple of 10 cents if it is not already a multiple of 10 cents and would then be increased to the extent, if any, that it is less than \$5 greater than the primary insurance amount computed under present law.

Subparagraph (C) of paragraph (2) provides that in cases where the individual's primary insurance amount can be computed under the provisions of both subparagraph (A) and subparagraph (B), the subparagraph that yields the larger primary insurance amount shall be used.

Section 215 (c) (3) of the Social Security Act is repeated in the bill. It is designed to facilitate the mechanical processing of the increases provided by the bill by providing for an assumed primary insurance benefit 1 or 2 cents more or less than the actual primary insurance benefit from which a benefit under section 202 has been computed.

Section 215 (c) (4) of the Social Security Act as amended by the bill provides that, for purposes of section 203 (a) (setting the maximum monthly amount of benefits payable on a single wage record), the average monthly wage of an individual whose primary insurance amount is determined under paragraph (2) of the amended subsection (providing a method for computing the new primary insurance amount for persons whose primary insurance benefits or present-law primary insurance amounts fall between the amounts on any two consecutive lines in column I or II of the conversion table) shall be a sum equal to the average monthly wage which would result in such new primary insurance amount if the new benefit formula provided in the amended section 215 (a) (1) (A) were applied to such average monthly wage. However, if such average monthly wage is not already a multiple of \$1, in lieu of being rounded to the next lower multiple of \$1 as it is under existing law, it would be rounded to the nearest multiple of \$1 (or to the next higher multiple of \$1 if it was a multiple of \$0.50).

Primary insurance benefit and primary insurance amount for purposes of conversion table

Section 102 (d) of the bill amends section 215 (d) of present law to add provisions for computation of a primary insurance amount for purposes of the conversion table to the present provisions for computation of a primary insurance benefit for such purposes.

Paragraph (1) changes the heading of section 215 (d) to read "Primary Insurance Benefit and Primary Insurance Amount for Purposes of Conversion Table."

Paragraph (2) changes the introductory sentence of subsection (d) of section 215 to provide that primary insurance amounts required by the conversion table procedures would be computed under the provisions of the subsection.

Paragraph (3) amends paragraph (4) of subsection 215 (d) of the Social Security Act to provide that a primary insurance benefit would not be computed in the case of any individual who attained age 22 after 1950 and with respect to whom not less than 6 of the quarters elapsing after 1950 are quarters of coverage. Such an individual is not eligible for a primary insurance benefit computation under present law. He could still have a primary insurance amount, based on earnings after 1950, computed for purposes of the conversion table.

Paragraph (4) of section 102 (d) of the bill adds a new paragraph (6) to section 215 (d) of the Social Security Act, to provide that an individual's primary insurance amount for purposes of the conversion table shall be computed under the provisions of present law, except that the provisions of the bill relating to the new standard starting and closing dates for computation of average monthly wage, to increase in earnings counted after 1954, and to elimination of periods of disability from the computation, would be applicable. The provisions for dropping up to 5 lowest years, however, would not be applicable to computations made under this paragraph, although they would be applicable to computations of primary insurance benefits for purposes of the conversion table.

Recomputation of benefits

Section 102 (e) (1) of the bill amends section 215 (e) of the act (relating to wages and self-employment income not to be counted in the computation of the average monthly wage) by adding a new paragraph (3) to provide that if an individual's closing date is the first day of the year in which he became entitled to old-age insurance benefits, and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he becomes entitled to old-age insurance benefits, his self-employment income in such taxable year may not be counted, except as provided in section 215 (f) (3) (C) of the act as amended by the bill (relating to a special recomputation for such individuals after the close of the taxable year).

Paragraph (2) of section 102 (e) amends section 215 (f) (2) of the act (relating to recomputation of benefits to take account of earnings after entitlement). Under section 215 (f) (2) (A) of present law, one of the requirements for an individual to qualify for such a recomputation is that his benefits must have been suspended, on account of earnings in excess of the amount permitted by the retirement test, in 12 months out of a 36-month period. Because of the liberalizations in the retirement test made by the bill and the application of that test to noncovered as well as to covered earnings, benefit suspensions would no longer serve as a valid test for determining eligibility for a recomputation to take into account additional earnings after entitlement.

Subparagraph (A) of the amended section 215 (f) (2) would provide that an old-age insurance beneficiary could have his benefit recomputed upon an application for a recomputation of his benefits filed after 1954 if (1) he had at least 6 quarters of coverage after 1950 and before the quarter in which he filed application, (2) he had covered earnings of not less than \$1,000 in a calendar year occurring after 1953 and after the year in which he became entitled to old-age insurance benefits, or filed an effective application for a recomputation under section 102 (e) (5) or 102 (f) (2) (B) of the bill (relating, respectively, to the work recomputation under present law to take into account earnings after entitlement and to the dropout recomputation, i. e., dropping of up to 5 years of lowest earnings or no earnings, provided for in the bill), whichever of these 3 events is the latest; and (3) he filed the application for recomputation under the subparagraph no earlier than 6 months after the end of the calendar year referred to

in item (2) above. The increased benefits resulting from an effective recomputation would be payable retroactively for up to 12 months prior to the month in which the application was filed, but in no case for any month prior to the month following the calendar year referred to in item (2), above.

Subparagraph (B) provides that (except for the first work recomputation under the new subparagraph (A)) a recomputation under subparagraph (A) shall be made only under the new benefit formula provided in the new section 215 (a) (1) (A) of the act, as amended by the bill, with computation of the average monthly wage based on a closing date of the first day of the year in which the application was filed.

Subparagraph (C) provides that if the recomputation is the first for which the individual has qualified under subparagraph (A), the recomputation will be made as though the individual first became entitled to benefits in the month in which he filed application for the recomputation. Thus, his benefit will be computed under all applicable methods specified in section 215 (a) as amended by the bill. For purposes of determining whether a recomputation is the first under this subparagraph, a recomputation under section 102 (e) (5) (B) or 102 (f) (2) (B) of the bill (relating, respectively, to certain types of work recomputations and to the dropout recomputation provided for in this bill), would be deemed to be a recomputation under this subparagraph.

Subsection (3) (A) of section 102 (e) of the bill amends section 215 (f) (3) of the act (relating to recomputation of benefits) to provide that an individual's primary insurance amount shall be recomputed to take into account earnings in the year (1) in which he became entitled to old-age insurance benefits if he became entitled to such benefits after the effective date of the bill (the end of the month following the month of enactment), or (2) had a recomputation of his benefit under section 102 (e) (5) or 102 (f) (2) (B) of the bill (relating, respectively, to certain work recomputations and the dropout recomputation, or (3) whose primary insurance amount was recomputed for the first time under the provisions of paragraph (2) of the new section 215 (f) (relating to work recomputations for individuals who have earnings of \$1,000 in a year), but only if application for such recomputation was filed after the year in which he became entitled to old-age insurance benefits, or in which he filed an effective application for the last recomputation of the type referred to above. The closing date for the recomputation provided by this subsection would be the first day of the year following the year in which he became entitled to old-age insurance benefits or filed his application for the last previous recomputation referred to above, whichever is the later. Any increase in benefit amount resulting from the recomputation would be payable retroactively to the first month for which the last previous computation of his benefit amount was effective, but in no case for more than 24 months prior to the month in which the application for this recomputation is filed.

Where an individual would have been entitled, in the month of his death, to a recomputation of his benefits under the provisions of the preceding paragraph had he filed application therefor, his primary insurance amount may be recomputed upon application filed by a

person entitled to monthly benefits or a lump-sum death payment on the individual's record. The closing date for the recomputation would be the first day of the year following the year in which the individual died, or in which he filed his application for the last previous computation of his primary insurance amount under the situations enumerated in the first sentence of the preceding paragraph, whichever first occurred. Any increase in monthly survivors benefits resulting from the recomputation would be payable retroactively to the month in which the survivor first became entitled to such benefits but in no event for more than 24 months prior to the month the application for recomputation was filed.

Paragraph (3) (B) of section 102 (e) of the bill further amends section 215 (f) (3) to provide (in a new subparagraph (C)) that if an individual's closing date is the first day of the year in which he became entitled to old-age insurance benefits, and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he became entitled to old-age insurance benefits, a recomputation of the individual's primary insurance amount shall be made, after the close of the taxable year, to include in the calculation so much of the self-employment income for such taxable year as is allocated to calendar quarters prior to the closing date. No application would be required for a recomputation under this subparagraph. The recomputed amount would be effective for and after the first month in which the individual became entitled to old-age insurance benefits.

Paragraph (4) of section 103 (e) of the bill amends paragraph (4) of section 215 (f) of the act (relating to the recomputation of the primary insurance amount of a deceased individual) to provide for recomputation of the primary insurance amount on the death after 1954 of an old-age insurance beneficiary, if any person is entitled to monthly survivors benefits or to a lump-sum death payment on the basis of his wages and self-employment income. The recomputation would be made only if the decedent (A) would have been entitled to a recomputation under subparagraph (A) of the section 215 (f) (2), as amended by this bill (relating to a work recomputation for individuals who have earnings of \$1,000 in a year), had he filed an application therefor in the month in which he died (without regard to the provision in such subparagraph (A) which requires that the application be filed after the sixth month following the year in which the earnings of \$1,000 were derived), or (B) he was paid compensation for services covered under the Railroad Retirement Act which is treated as remuneration for employment under the Social Security Act. If the recomputation is permitted by (A), above, the recomputation would be made as though the individual had filed an application for a work recomputation under section 215 (f) (2) (A) in the month in which he died, and would include, in addition, any railroad compensation paid prior to the applicable closing date used in the computation. If recomputation is permitted by (B), above, the closing date for the recomputation would be the same as that used in the last previous computation of his primary insurance amount, and would include, in addition, only railroad compensation paid prior to such closing date. If the recomputation is permitted by both (A) and (B), the method giving the higher primary insurance amount would be used.

Paragraph (5) (A) of subsection (e) of section 102 of the bill provides that where an individual would have been entitled to a recomputation of his primary insurance amount on account of deductions from benefits or attainment of age 75 and acquisition of 6 quarters of coverage after 1950 under subparagraph (A) or (B) of section 215 (f) (2) of present law (except for the provision that such recomputation must result in a higher primary insurance amount to be effective), his primary insurance amount shall be recomputed on application by him or by a survivor filing application for monthly benefits or a lump-sum death payment on his record. In such recomputation the primary insurance amount would be determined only under the provisions of the bill relating to the conversion table through the use of the benefit formula in section 215 (a) (1) of the present law which provides for a computation on the basis of earnings after 1950. The recomputation would be effective for and after the month in which the application for recomputation is filed.

Paragraph (5) (B) of this subsection provides, in the case of an individual who is entitled, on the basis of an application filed after the effective date of the bill, to a work recomputation under the provisions of subparagraph (A) or (B) of section 215 (f) (2) of present law and who either has less than 6 quarters of coverage after 1950 and prior to the day following the effective date, or first qualified for the recomputation after the month following the month of enactment (i. e., had the 12th deduction under section 203 (b) (1) or (2) of the present law or attained age 75 after that month), that the computation of his primary insurance amount shall be made under all applicable provisions of section 215 of the law as amended by the bill, except that the closing date would be determined as though he became entitled to old-age insurance benefits in the month in which he filed such application for recomputation. The recomputation would be effective for and after the month in which the application was filed.

Subparagraph (C) of paragraph (5) of section 102 (e) of the bill provides that no individual shall be entitled to a work (or age 75) recomputation of his primary insurance amount under subparagraph (A) or (B) of section 215 (f) (2) of present law, unless (1) he had not less than 6 quarters of coverage in the period after 1950 and prior to January 1, 1955, and (2) either the 12th qualifying deduction occurred prior to January 1, 1955, or he attained the age of 75 prior to 1955, and (3) he meets the other conditions of entitlement to such a recomputation. This subparagraph also provides that if an individual has had a recomputation under either subparagraph (A) or (B) of section 102 (e) (5) of the bill, he shall not be entitled to another recomputation under either of these subparagraphs.

Paragraph (6) of section 102 (e) of the bill provides a special closing date of July 1, 1956, in the case of an individual who dies or becomes entitled to old-age insurance benefits in 1956, provided such individual has not less than 6 quarters of coverage after 1954, and prior to the quarter following the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred. The July 1, 1956, closing date would be used in such cases instead of the first-of-the-year closing dates provided in the bill, but only if it would result in a higher primary insurance amount.

The determination of an individual's closing date in accordance with the above provision would be considered as a determination of his closing date under section 215 (b) (3) (A) of the act as amended by this bill (relating to the closing date of the first day of the year of death or entitlement to old-age insurance benefits), and the recom-

putation provided in section 215 (f) (3) (C) (relating to self-employment income in a taxable year which begins prior to an individual's closing date and ends after the last day of the month preceding the month in which he became entitled to benefits), would be made using the closing date of July 1, 1956, if it would result in a higher primary insurance amount.

In any computation based on the July 1, 1956, closing date, the total of wages and self-employment income after December 31, 1955, which may be used in such computation would be reduced to \$2,100, if it is in excess of that amount.

Maximum family benefits

Paragraph (7) of section 103 (e) of the bill amends section 203 (a) of the Social Security Act to provide new maximum limitations on the total monthly amount of benefits payable on the basis of the wages and self-employment income of an insured individual. Whenever such total of monthly benefits is more than \$50 and exceeds the larger of 80 percent of the insured individual's average monthly wage or $1\frac{1}{2}$ times his primary insurance amount, such total of benefits would, after any deductions made under section 203 of the act, be reduced to the larger of 80 percent of the insured individual's average monthly wage or $1\frac{1}{2}$ times his primary insurance amount, but in no case to less than \$50. If any of the individuals entitled to such benefits would (but for the provisions of section 202 (k) (2) (A) of the act limiting the benefit payments of a child to the benefit payable on the record yielding the largest primary insurance amount) be entitled to benefits on the basis of the wages and self-employment income of more than one insured individual, the benefits could not be reduced to less than 80 percent of the sum of the average monthly wages of all such insured individuals. The maximum amount of family benefits payable could also not exceed \$200 a month. Whenever a reduction in family benefits is made under this subsection, each benefit, except the old-age insurance benefit, would be proportionately decreased.

Paragraph (8) of section 102 (e) of the bill provides that in the case of an individual who became entitled (without the application of the retroactive provisions of section 202 (j) (1) of the Social Security Act) to old-age insurance benefits, or died, prior to the day following the month after the month of enactment, the provisions of section 215 (f) (3) of the existing law (regarding recomputation of benefits on application filed 6 months after the month of entitlement or death) would be applicable as though the bill had not been enacted.

Effective date

Section 102 (f) of the bill sets forth the effective date of the provisions of section 102 (a), (b), (c), (d), and (e) of the bill.

Subsection (f) (1) provides that the amendments made by sections 102 (a), (c), (d), and (e) (7) of the bill shall apply, notwithstanding the restrictions on recomputation of benefits in section 215 (f) (1) of the act, in the case of lump-sum death payments with respect to deaths after, and in the case of monthly benefits for months after, the effective date of the bill (the last day of the month following the month in which the bill is enacted).

Under the provisions of subsection (f) (2) (A), the amendment made by subsection (b) (2) (providing for a dropout of up to 5 years

of lowest earnings in computing benefits) becomes applicable in the case of monthly benefits and the lump-sum death payment based on the earnings of an individual only in the following cases:

(1) He first becomes eligible for old-age insurance benefits (i. e., attains age 65 and is fully insured) after the effective date; or

(2) He dies after the effective date without becoming eligible for old-age insurance benefits; or

(3) He is or has been entitled to have a recomputation of his primary insurance amount under section 215 (f) (2) of the act as amended by the bill (relating to work recomputations to take account of earnings after entitlement to old-age insurance benefits) or under subsection (e) (5) (B) of section 102 of the bill (relating to work recomputations of benefits under the present provisions of law in certain cases where application for the recomputation is filed after the effective date of the bill); or

(4) He acquires 6 quarters of coverage after June 1953; or

(5) He files, after the effective date, an application for a disability determination which is accepted as an application under the provisions of section 216 (i) of the act as amended by the bill; or

(6) He dies after the effective date and his survivors are entitled (or would be entitled except for the requirement that the recomputation result in a higher primary insurance amount) to a recomputation of his primary insurance amount under section 215 (f) (4) (A) of the act as amended by the bill.

Subsection (f) (2) (B) provides that the primary insurance amount of an individual who was entitled to old-age insurance benefits or who was 65 or over and fully insured in the month in which the effective date occurs and who has 6 quarters of coverage after June 1953 shall be recomputed upon his application, or if he dies without applying, upon the application of any person entitled on his record to monthly survivors benefits. This recomputation is to be made under section 215 of the act, but without regard to the recomputation provisions in subsection (f) thereof (other than paragraph 3 (C), relating to special recomputations for certain individuals who become entitled to old-age insurance benefits prior to the close of their taxable years), except that in computing his average monthly wage his closing dates shall be the same as if he became entitled to old-age insurance benefits in the month in which he filed his application for such recomputation or in which he died. This recomputation is made effective beginning with the month in which he filed such application, or if he has died, beginning with the first month for which the survivor who filed the application was entitled to monthly survivors benefits. It would not be effective unless it increased the primary insurance amount or if there had been a previous recomputation under the subsection.

Subsection (f) (3) provides that the amendments made by subsections (b) (1), (e) (1), and (e) (3) (B) of section 102 of the bill (relating to computation of the average monthly wage) shall be applicable only in the case of monthly benefits based on the wages and self-employment income of an individual who does not become entitled to old-age insurance benefits until after the effective date, or who dies after the effective date without becoming entitled to such benefits, or who files an application after the effective date and is entitled to certain work recomputations or a dropout recomputation.

Subsection (f) (4) provides that the amendments made by section 102 (e) (2) of the bill (relating to work recomputations) shall be applicable only in the case of applications for such recomputations filed after 1954. It also provides that the amendment made by section 102 (e) (4) (relating to survivors recomputations) shall be applicable only in the case of deaths after 1954.

Subsection (f) (5) provides that the amendments made by section 102 (e) (3) (A) of the bill (relating to recomputation of benefits to take account of earnings in the year of entitlement) shall be applicable only in the case of applications for recomputation filed, or deaths occurring, after the effective date.

Subsection (f) (6) provides that no increase in benefits by reason of the amendments to the Social Security Act made by section 102 of the bill or the dropout recomputation provided in subparagraph (B) of subsection (f) (2) of the bill shall be regarded as a recomputation for purposes of section 215 (f) of the act (except for the amendments made by section 102 (i) of the bill, described below).

Section 102 (g) of the bill amends section 2 (c) (2) (B) of the Social Security Act amendments of 1952 (designed to facilitate the computation of benefit increases under that act for dependents and survivors on the benefit rolls), to provide that that section would become inapplicable after the effective date of the bill. The section would be made unnecessary by the amendments in this bill.

Saving provisions

Section 102 (h) of the bill contains saving provisions to prevent the reduction of benefits in certain cases.

Subsection (h) (1) provides that where an old-age insurance beneficiary and one or more dependents are receiving benefits on the basis of his wages and self-employment income in the month in which the effective date occurs, and the total family benefits would otherwise be reduced by reason of the maximum limitation on total family benefits in section 203 (a) of the Social Security Act, as amended by the bill, the family shall be guaranteed the largest of the following total amounts: (a) The maximum amount permitted by such section 203 (a); or (b) the maximum amount permitted under present law plus the increase provided by the bill for the old-age insurance beneficiary; or (c) the amount being paid to the family under the saving provisions of the Social Security Act amendments of 1952 plus the increase provided by the bill for the old-age insurance beneficiary. Thus, even though the increase made in the retired worker's old-age insurance benefit resulted in a total family benefit in excess of the maximum allowable under the law, the benefits paid to his dependents would not be reduced for months subsequent to enactment of the bill.

Subsection (h) (2) provides that where two or more individuals are receiving survivors benefits on the basis of a deceased individual's wages and self-employment income for the month in which the effective date occurs, and the total of their benefits would otherwise be reduced, under the provisions of section 203 (a) of the Social Security Act, as amended by the bill, to either 80 percent of the deceased individual's average monthly wage or $1\frac{1}{2}$ times the individual's primary insurance amount, the average monthly wage shall be the larger of his average monthly wage as determined under the bill, or the average monthly wage as determined under present law, plus \$7. The pro-

visions of this subsection will permit the total of survivors benefits, in cases of reduction as described above, to be raised by about \$5.

Minimum survivor's or dependent's benefit

Section 102 (i) (1) of the bill amends section 202 of the Social Security Act to add a new subsection (m). The new subsection would provide that in any case in which the benefit of any individual for any month under section 202 (other than subsection (a)) is, prior to reduction under section 202 (k) (3), less than \$30, and no other individual is entitled (without the application of section 202 (j) (1), relating to retroactivity of applications) to a benefit under section 202 for such month, such benefit for such month shall, prior to reduction under section 202 (k) (3), be increased to \$30.

Paragraph (2) of section 102 (i) of the bill amends section 202 (i) of the act to provide that the lump-sum death payment under such section may not exceed \$255 (the maximum possible under existing law).

AMENDMENTS RELATING TO DEDUCTIONS FROM BENEFITS

Deductions on account of work by beneficiary

Section 103 (a) of the bill amends section 203 (b) of the Social Security Act (relating to deductions from benefits) to put into effect an annual retirement test for beneficiaries whether they have wage or self-employment earnings, or both, and to add a provision for making deductions on account of noncovered remunerative activity outside the United States.

It should be noted for purposes of this analysis of the amendments made by section 103 of the bill that the deductions from an individual's benefits because of an event occurring in any month (including the charging of earnings to such month) are both under the existing law and the amendments, equal to his benefits for such month.

Paragraph (1) of section 103 (a) strikes out paragraphs (1) and (2) of section 203 (b) (relating to deductions from benefits on account of wages and net earnings from self-employment, respectively) and replaces them with a new paragraph (1) to provide for deductions for any month in which he is under age 75 and is charged with any earnings under the provisions of subsection (e) of section 203 as revised by the bill.

Paragraph (2) of section 103 (a) of the bill inserts a new paragraph (2) in section 203 (b) of the law to provide that deductions from benefits shall be made for any month in which an individual is under age 75 and on 7 or more calendar days of which he engaged in non-covered remunerative activity outside the United States (defined in a new section 203 (k) of the act).

Deductions from dependents' benefits on account of work by primary beneficiary

Section 103 (b) of the bill amends section 203 (c) of the act (relating to deductions from dependents' benefits because of work by an old-age insurance beneficiary) by striking out paragraphs (1) and (2) and replacing them with paragraphs that provide that deductions shall be made from the benefits of a wife, husband, or child for any month

in which the old-age beneficiary on whose record of earnings the wife's, husband's, or child's benefit was payable:

- (1) was under the age of 75, and for which month he was charged with any earnings for work deduction purposes under the provisions of section 203 (e) as amended by the bill; or
- (2) was under the age of 75 and on 7 or more different calendar days of which he engaged in noncovered remunerative activity outside the United States.

Charging of earnings treated as event occurring in month

Section 103 (c) of the bill amends section 203 (d) of the Social Security Act to provide that the charging of any earnings (rather than net earnings from self-employment only, as in present law) shall be treated as an event occurring in the month to which such earnings are charged.

Months to which earnings are charged

Section 103 (d) of the bill amends section 203 (e) of the law to provide a method for charging earnings to particular months of the year for purposes of determining the deductions required under the provisions of sections 203 (b) and 203 (c) of the act as amended by the bill.

Paragraph (1) of section 103 (d) of the bill changes the heading of section 203 (e) of the law to read "Months to Which Earnings Are Charged."

Paragraph (2) of such section 103 (d) amends paragraphs (1) and (2) of section 203 (e) of the law to provide that:

(1) If an individual's earnings for a taxable year of 12 months are not more than \$1,000, or if his earnings for a taxable year of less than 12 months are not more than the product of one-twelfth of \$1,000 times the number of months in such year, no month in the year shall be charged with any earnings.

(2) If an individual's earnings for a taxable year exceed the amounts stated in the preceding paragraph, the first \$80 of excess earnings would be charged to the last month of the taxable year and the balance, if any, of such excess would be charged at the rate of \$80 per month to each preceding month of the taxable year until the entire balance has been applied. However, no part of the excess earnings would be charged to any month (1) for which the individual whose earnings are involved was not entitled to a benefit; (2) in which his benefit was suspended because of noncovered remunerative activity outside the United States; (3) in which the beneficiary, if a wife or widow under retirement age or a former wife divorced, had her benefit suspended because of failure to have a child beneficiary in her care; (4) in which a dependent's or survivor's benefit is suspended by section 203 (m) because of residence outside the United States; (5) in which the individual was age 75 or over; or (6) in which the individual did not engage in self-employment and did not render services for wages (determined as provided in sec. 203 (e) (4) of the act, as amended) of more than \$80.

Section 103 (d) (3) amends paragraph (3) (B) of section 203 (e) of the law to provide, in addition to the present authority given the Secretary to presume that an individual has engaged in self-employment in a month, authority to presume (for purposes of charging earnings to calendar months) that an individual rendered services for wages of

more than \$80 in any month. In the case of self-employment such presumption will apply until it is shown to the satisfaction of the Secretary that the individual rendered no substantial services in such month with respect to any trade or business the net income or loss from which is includible in computing his net earnings or net loss for the taxable year as provided in paragraph (4) of section 203 (e), as amended. The presumption with respect to the rendering of services in a month for wages of more than \$80 (determined as provided in paragraph (4) of sec. 203 (e), as amended) will apply 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.

The amended paragraph continues the authority of the Secretary to prescribe by regulations the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

Paragraph (4) of section 103 (d) adds new paragraphs (4) and (5) to section 203 (e) of the act.

Subparagraph (A) of the new paragraph (4) defines an individual's earnings for a taxable year as the sum of his wages for services rendered in such year and his net earnings from self-employment for such year, minus any net loss from self-employment for such year.

Subparagraph (B) of the new paragraph (4) provides that in determining the amount of an individual's net earnings and net loss from self-employment, for purposes of charging earnings to months under section 203 (e), the provisions of section 211 (which define net earnings for coverage purposes) shall apply, except for the exclusion from the definition of "trade or business" of the performance of the functions of a public office and the performance of service by an individual in the exercise of his profession as a physician. Net earnings from self-employment is defined as the excess of income over deductions resulting from the computation and net loss from self-employment is defined as any excess of deductions over income so resulting.

Subparagraph (C) of the new paragraph (4) provides that an individual's wages, for purposes of charging earnings to months under section 203 (e), shall be computed without regard to certain limitations on the amount of remuneration imposed in section 209 of the act, and, if for services as an employee performed within the United States, without regard to whether the services constitute covered employment under title II of the Social Security Act. The limitations on amounts of remuneration referred to in the preceding sentence are those relating to the \$4,200 limit on wages in any calendar year and the exclusions from wages of remuneration paid to employees for domestic service in a private home, service not in the course of the employer's trade or business, agricultural labor, and service as an industrial homemaker if less than \$50 is received in the calendar quarter (\$200 per year in the case of agricultural labor) from a single employer for the service involved.

The new paragraph (5) provides that, for purposes of charging deductions, wages (determined as provided in sec. 203 (e) (4) (C) of the act as amended) which, according to reports received by the Secretary, are paid to an individual during a taxable year shall be presumed to have been paid for services performed in that year, unless it is shown to the satisfaction of the Secretary that they were paid for services performed in another taxable year. The paragraph

also provides that if such reports show the individual's wages for a calendar year, his taxable year will be presumed to be a calendar year until the contrary is shown to the satisfaction of the Secretary.

Penalty for failure to report certain events

Section 103 (e) of the bill amends section 203 (f) of the Social Security Act to provide that any individual who is receiving benefits (whether for himself or on behalf of another individual) subject to deduction because of the occurrence of an event other than earnings in excess of the permitted amount, who fails to report such event to the Secretary prior to the receipt and acceptance of a benefit for the second month following the month in which the event occurred, shall suffer a penalty of an additional deduction of 1 month's benefit for each month for which deductions are required because of the occurrence of the deduction event, and in an amount equal to the deduction imposed because of the occurrence of the event. For the first failure to report, however, only 1 penalty deduction is to be imposed, even though the failure to report is with respect to more than 1 month.

Report of earnings to Secretary

Section 103 (f) (1) of the bill changes the heading of section 203 (g) of the act to read: "Report of Earnings to Secretary".

Section 103 (f) (2) of the bill amends section 203 (g) (1) of the act to provide that if an individual entitled to any monthly benefit in a taxable year has earnings (or wages) in the taxable year in excess of the product of one-twelfth of \$1,000 times the number of months in such year, he (or the individual who is in receipt of benefits on his behalf) must make a report to the Secretary of his earnings (or wages) for such taxable year. As under the present provision for reports of net earnings from self-employment, the report must be filed on or before the 15th day of the 3d month following the close of the taxable year, and must contain such information and be made in such manner as the Secretary may by regulation require. A report would not be required for any taxable year if the individual attained the age of 75 in or before the first month thereof.

Section 103 (f) (3) amends section 203 (g) (2) to provide a schedule of penalty deductions for failure to make required reports within the time prescribed by paragraph (1) of section 203 (g) if any deduction is imposed because of earnings in such year. For the first failure to file a timely report for a taxable year with respect to which a deduction is imposed, the penalty would be an additional deduction equal to the individual's benefit (or benefits) for the last month (for which he was entitled to a benefit) of the year for which the report was required. For the second such failure, the penalty would be an additional deduction equal to twice the benefit (or benefits) for the last month of such year, and for the third and subsequent failures, to three times such benefits. In no case would the number of additional deductions with respect to a failure to report earnings for a taxable year exceed the number of months in that year for which the individual received and accepted monthly benefits and for which deductions are imposed by reason of his earnings. The amended paragraph also provides that in determining whether a failure to report earnings is the first or subsequent failure for any individual, the Secretary shall disregard all taxable years ending prior to the

imposition of the first penalty deduction imposed under the amended paragraph, except the latest such year. Thus, even though the failure to file timely returns had persisted over a period of years, only one additional deduction would be imposed, and that for the latest such year.

Section 103 (f) (4) of the bill amends paragraph (3) of section 203 (g) of the act (dealing with reporting of net earnings from self-employment) to make the provisions of such paragraph (3) applicable to earnings from both employment and self-employment (as defined in sec. 203 (e) (4) of the act as amended), rather than to net earnings from self-employment only, and to relate the paragraph to the provisions under which deductions are made because of earnings. A new sentence is added at the end of such paragraph (3) to provide that if, after the close of a taxable year, an individual fails to comply with a request of the Secretary for a report of his earnings for the taxable year or for any other information with respect to such earnings, the failure to comply would in itself constitute justification for a determination that the individual's benefits are subject to deduction because of earnings for each month in such taxable year, or for such months thereof as the Secretary may specify.

Noncovered remunerative activity outside the United States

Section 103 (g) of the bill adds a new subsection (k) to section 203 of the Social Security Act. The new subsection provides that an individual shall be considered to be engaged in noncovered remunerative activity outside the United States if he performs services as an employee outside the United States that are not covered employment as defined in section 210 of the Social Security Act, or if he carries on a trade or business outside the United States, the net income or loss of which cannot be included in computing his net earnings from self-employment for a taxable year, but which would be includible if the trade or business were carried on within the United States. The term "United States," when used with respect to a trade or business, would exclude Puerto Rico and the Virgin Islands in the case of an alien who is not a resident of the United States (including Puerto Rico and the Virgin Islands).

Good cause for failure to make reports required

Section 103 (h) of the bill adds a new subsection (1) to section 203 to provide that the failure of an individual to make any report within the time required by subsection (f) or (g) of section 203 as amended by the bill would not be regarded as a failure to file if it is shown to the satisfaction of the Secretary that the individual had good cause for failing to make the report. The Secretary would have authority to determine by regulation what constitutes "good cause" in such situations.

Deductions from benefits of dependents and survivors residing abroad

Section 103 (i) (1) of the bill adds a new subsection (m) to section 203 of the act, providing for deductions from benefits of dependents and survivors residing abroad. This new subsection provides that the benefits of an individual who is entitled to any dependent's or survivor's benefits under section 202 of the act shall be suspended for any month during which such individual was not a resident of the United States, unless (A) such dependent or survivor resided in

the United States for at least 3 years out of the 5 years immediately preceding the first month for which he was eligible for any monthly benefits under section 202 on the basis of the insured individual's wages and self-employment income; or (B) the insured individual on whose wages and self-employment the dependent's or survivor's benefits are based would be currently insured at the time he became eligible for or entitled to old-age or primary-insurance benefits (or at the time of death, if he never became eligible or entitled), even if only service outside the United States by a citizen of the United States for an American employer or a foreign subsidiary of a domestic corporation and deemed military service wage credits were counted; or (C) if, in the case of a child beneficiary, the child was born in the United States and first became eligible for such benefits before the month of attainment of age 3.

Section 103 (i) (2) of the bill amends section 203 (d) (which relates to the occurrence of more than one deduction event in any one month) to add a reference to the deduction event covered by subsection (m).

Section 103 (i) (3) of the bill amends section 214 (b) of the Act (which defines "currently insured individual") to provide that, for purposes of section 203 (m) only, an individual would be currently insured if he had 6 quarters of coverage within the 13-quarter period ending with the first quarter in which he became eligible for old-age insurance benefits (i. e. was fully insured and attained retirement age).

Section 103 (i) (4) of the bill amends sections 217 (a) (1) and 217 (e) (1) of the Act (relating to wage credits for service in the armed forces) to provide that, for purposes of section 203 (m) (1) (B), the limitation (in case other Federal non-veterans' benefits are payable on the basis of the credits) placed on deemed military service wage credits by clause (B) of sections 217 (a) (1) and 217 (e) (1) would not apply.

Section 103 (i) (5) provides that the amendments relating to deductions from benefits of dependents and survivors residing abroad shall be applicable only to individuals who become entitled to dependents' or survivors' benefits after the month of enactment and who were not eligible for such benefits in the month of enactment or in any earlier month.

Section 103 (j) provides effective dates for the various amendments made by the bill in section 203 of the Social Security Act.

Paragraph (1) of section 103 (j) provides that the amendments made with respect to deductions from an individual's benefits because of his own earnings shall be applicable in the case of monthly benefits for months in any taxable year (of the entitled individual) beginning after December 1954. With respect to dependents from whose benefits deductions are made because of earnings by the insured individual, the amended provisions would be applicable in the case of months in any taxable year (of such insured individual) beginning after December 1954. With respect to failure to file timely reports of the events causing deductions other than the charging of earnings, the new provisions would be applicable in the case of monthly benefits for months after December 1954. The remaining amendments made by section 103 of the bill (other than subsecs. (h) and (i), which would become effective on enactment of the bill) would be applicable, with respect to old-age insurance benefits, in the case of monthly benefits for months in any taxable year (of the individual) beginning after

December 1954, and with respect to secondary benefits, in the case of monthly benefits for months in any taxable year (of the insured individual on whose earnings those benefits are based) beginning after December 1954.

Paragraph (2) of section 103 (j) provides that, after enactment of the bill, no additional (penalty) deductions would be imposed under the provisions of present law for failure to file a report of an event which would give rise to deductions because of work under present law, and no deductions for such reasons imposed prior to enactment would be collected after enactment. Taxable years beginning prior to January 1955 would be disregarded in determining whether a failure to file a timely report occurred under section 203 (g) (2) as amended by the bill.

INCREASE IN EARNINGS COUNTED

Section 104 of the bill amends the Social Security Act so as to increase from \$3,600 to \$4,200 a year the maximum amount of earnings that may be counted in the computation of benefits under the old-age and survivors insurance program.

Section 104 (a) of the bill amends section 209 (a) of the act (relating to the definition of "wages") to provide that, for years after 1950 and prior to 1955, the term "wages" would exclude any remuneration in excess of \$3,600 paid to an individual with respect to employment in any calendar year, and for years after 1954 would exclude any remuneration in excess of \$4,200 paid to an individual with respect to employment during a calendar year.

Section 104 (b) of the bill amends section 211 (b) (1) of the act (relating to the definition of "self-employment income") to exclude from self-employment income, for taxable years ending after 1954, any amount in excess of \$4,200 minus the amount of the wages paid to an individual during the taxable year.

Section 104 (c) amends clauses (ii) and (iii) of section 213 (a) (2) (B) of the act (relating to the definition of "quarter of coverage") to provide that for calendar years after 1954, an individual shall be credited with a quarter of coverage for each quarter of the year if his wages for that year equal \$4,200. He would also be credited with a quarter of coverage for each quarter of a taxable year ending after 1954 in which the sum of his wages and self-employment income equal \$4,200. The crediting of quarters of coverage under those amended provisions would remain subject to the limitations in the law, such as that providing that no quarter occurring after the quarter in which an individual dies shall be a quarter of coverage, and the prohibition against counting a quarter as a quarter of coverage prior to the beginning of such quarter.

Section 104 (d) amends section 215 (e) (1) of the act to provide that earnings up to \$4,200, in any calendar year after 1954, shall be used in the computation of an individual's average monthly wage.

RETROACTIVE APPLICATIONS FOR BENEFITS

Section 105 (a) of the bill amends section 202 (j) (1) of the Social Security Act to increase from 6 to 12 the number of months for which benefits may be paid retroactively to individuals who fail to file their applications as soon as they are otherwise eligible.

Section 105 (b) of the bill provides that the liberalized provisions with regard to retroactivity of benefit payments are to become effective only in the case of applications filed after the effective date of the bill (the last day of the month following the month in which the bill is enacted) for monthly benefits for months after such effective date. However, no individual would be entitled to a retroactive benefit payment by reason of the amendment, for any month prior to the fifth month before the month of enactment of the bill.

PRESERVATION OF INSURANCE RIGHTS OF INDIVIDUALS WITH EXTENDED TOTAL DISABILITY

Under existing law entitlement to benefits depends upon insured status, and the amount of benefits depends, in general, upon average monthly wage. If an individual becomes disabled he may lose his insured status. If he does not lose his insured status, his average monthly wage will in nearly all cases be reduced.

Section 106 of the bill would protect certain individuals from having their insured status and their average monthly wage adversely affected while they are under an extended total disability.

Quarter of coverage

Section 106 (a) amends section 213 (a) (2) of the Social Security Act, which defines "quarter of coverage."

Paragraph (1) of this subsection amends subparagraph (A) of section 213 (a) (2) of the Social Security Act by redefining "quarter of coverage," in the case of quarters occurring before 1951, to exclude any quarter any part of which was included in a period of disability, other than the initial quarter of such period. In addition, any quarter any part of which was included in a period of disability (other than the first quarter of such period) could not be counted as a quarter of coverage in a calendar year in which wages of \$3,000 or more were paid. Existing law, as applied to calendar years before 1951, provides that each quarter of such year following the first quarter of coverage shall be deemed a quarter of coverage, except any quarter in such year in which the individual died or became entitled to a primary insurance benefit and any quarter following such quarter in which he died or became entitled.

Paragraph (2) amends subparagraph (B) (i) of section 213 (a) (2) of the Social Security Act by redefining "quarter of coverage," for quarters occurring after 1950, to exclude any quarter any part of which was included in a period of disability, other than the first and last quarters of such period. Since an individual's period of disability will not necessarily consist of full calendar quarters, a substantial amount of wages may have been paid to him in the early part of the calendar quarter in which his period of disability began or in the latter part of the calendar quarter in which his period of disability ended. This provision, while generally preventing the crediting of quarters of coverage for calendar quarters in a period of disability, recognizes that the first and last calendar quarters in such a period might help the individual, e. g., in meeting the insured status requirements.

Insured status

Section 106 (b) of the bill excludes from the elapsed period under section 214 (a) (2) (A) of the act (relating to fully insured status)

and from the elapsed period under section 214 (b) of the act (relating to currently insured status) any quarter any part of which was included in a period of disability, unless such quarter was a quarter of coverage.

Average monthly wage

Section 106 (c) amends section 215 (b) (1) of the act (defining average monthly wage) and section 215 (e) of the act (relating to certain wages and self-employment income not to be counted in computing the average monthly wage) to exclude from the divisor (the elapsed months) any month in any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage, and to exclude from the dividend (total of wages and self-employment income): (1) The wages paid in any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage, and (2) any self-employment income for any taxable year all of which was included in a period of disability.

In order to extend this protection to individuals whose benefits are computed in the future through the conversion table under section 215 (c) of the law and to those individuals who are now on the rolls and whose benefits were computed through the conversion table, section 106 (c) also amends section 215 (d) of the act so as to exclude, wherever necessary, in the computation of the primary insurance benefit of such individuals, any quarter prior to 1951 which was included in a period of disability unless it was a quarter of coverage, and to exclude from such computation any wages paid in any quarter so excluded.

Definition of disability and period of disability

Section 106 (d) of the bill amends section 216 of the act (relating to certain definitions) by adding new subsection (i) defining the terms "disability" and "period of disability."

Paragraph (1) of the new subsection (i) defines "disability" as inability to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration.

"Blindness" also constitutes "disability." "Blindness" is defined as central visual acuity of 5/200 or less in the better eye with a correcting lens; an eye in which the visual field is reduced to 5° or less concentric contraction is considered as having a central visual acuity of 5/200 or less. A medical finding of blindness, as defined, would alone be sufficient proof that an individual is under a "disability." Individuals with a visual handicap which does not meet this definition may, nevertheless, meet the general definition of disability if they are found unable to engage in any substantially gainful activity by reason of visual impairment which can be expected to be permanent.

The paragraph also requires an individual filing an application for a disability determination to submit such proof of the existence of his disability as may be required.

Paragraph (1) of the new section 216 (i) of the act also provides that nothing in title II shall be construed as authorizing the Secretary of Health, Education, and Welfare or any other officer or employee of the United States to interfere in any way with the practice of medicine or with relationships between practitioners of medicine and their patients, or to exercise any supervision or control over the administration or operation of any hospital.

Paragraph (2) of the new subsection (i) of the act defines a "period of disability" as being a continuous period of not less than six full calendar months during which an individual is under a disability. To qualify for a period of disability an individual must, while he is under a "disability," file an application for a disability determination and meet the requirements as to quarters of coverage contained in paragraph (3). While there will be cases in which regulations will permit the application to be filed on behalf of the disabled individual by someone else, because his impairment is of such a nature that he is unable to file it himself, the application cannot be filed on his behalf after his death. The paragraph further provides that a period of disability cannot begin after the individual attains retirement age (age 65).

A period of disability would start on the day the disability actually began, or on the first day of the 1-year period which ends with the day before the day on which the individual files his application, whichever occurs later, provided the individual satisfies the quarters of coverage requirements of paragraph (3) on such day. However, if the individual does not satisfy the quarters of coverage requirements of paragraph (3) on such day, his period of disability would begin on the first day of the first quarter thereafter in which he satisfies such requirements. A period of disability would end at the close of the month in which either the disability ceased or the individual attained retirement age. An application for a disability determination would remain effective for 3 months after its filing; if the individual has not in that time met the remaining conditions of eligibility, a new application would be required. The earliest date on which an application can be filed is January 1, 1955.

Paragraph (3) of subsection (i) provides that in order for a period of disability to begin with respect to any quarter, the individual must have not less than six quarters of coverage (as defined in sec. 213 (a) (2)) during the 13-quarter period which ends with such quarter; and 20 quarters of coverage during the 40-quarter period which ends with such quarter, not counting as part of the 13-quarter period or the 40-quarter period any quarter any part of which was included in a prior period of disability unless such quarter was a quarter of coverage.

Retroactivity

Paragraph (4) of section 216 (i) provides that, for applications filed after December 1954 and before July 1957, with respect to a disability which began before July 1956 and continued without interruption until the application was filed, an individual's period of disability shall begin on the day the disability began but only if he met on such day the requirements as to quarters of coverage set forth in paragraph (3). If he did not meet such requirements on such day, then such period shall begin on the first day of the first quarter thereafter in which he met such requirements. The provisions of this paragraph apply, however, only if the individual does not die prior to July 1, 1955.

Under this paragraph, a period of disability could begin as early as the fourth quarter of 1941, the earliest day the individual could have acquired 20 quarters of coverage (as required by paragraph (3)).

Wage credits for military service

Subsection (e) of section 106 of the bill amends section 217 of the act (relating to wage credits provided for service in the Armed

Forces) to provide that such wage credits may be used for purposes of determining an individual's eligibility for a period of disability whether or not they can be used for purposes of determining entitlement to and the amount of old-age and survivors insurance benefits. There is a prohibition against the use of military service wage credits for benefit purposes cases in which the wage credits are used as a basis for another Federal nonveterans benefit.

Use of railroad compensation for disability purposes

Subsection (f) of section 106 amends section 5 (k) of the Railroad Retirement Act of 1937, as amended (relating to the crediting of railroad industry service under the Social Security Act in certain cases) so that railroad compensation can also be used for purposes of determining an individual's eligibility for a period of disability.

Saving provision, disability determinations, and referral for rehabilitation services

Section 106 (g) of the bill amends title II of the Social Security Act by the addition of three new sections after section 219.

The new section 220 contains a saving provision which makes the disability provisions inapplicable if their application would result in the denial of monthly benefits or a lump-sum death payment otherwise payable, or would result in a reduction of any such benefit or payment. Under this section the provisions relating to periods of disability would not apply in the case of any monthly benefit or lump-sum death payment if such benefit or payment would be greater without the application of the provisions. Thus, for example, section 220 permits a blind individual who, subsequent to establishing a period of disability, receives wages or derives self-employment income to include the amount thereof in his benefit computation (with the months and quarters in the period being counted as elapsed months and quarters), if this would produce a higher benefit than if he was credited with a period of disability. He could not, however, include some periods of disability and not others. The choice is on an all or none basis.

The new section 221 sets forth the conditions under which disability determinations shall be made for individuals qualified under the provisions of this bill.

Subsection (a) provides that determinations of whether or not an individual is under a disability and of the day such disability began and determinations of the day such disability ceases shall, except as provided in subsection (g), be made by State agencies pursuant to agreements with the Secretary of Health, Education, and Welfare. These determinations would be considered as determinations of the Secretary, except as provided in subsections (c) and (d).

Subsection (b) of the new section 221 provides that the Secretary shall enter into agreements with States for the making of disability determinations by the vocational rehabilitation agencies or any other appropriate State agencies of such States. An agreement may cover all persons in the State or only certain classes of individuals in the State, as may be designated in the agreement at the State's request.

Subsection (c) gives the Secretary the authority to review, on his own motion, any determination made by a State agency that a disability exists, and authorizes the Secretary, as a result of such review, to a finding that no disability exists or that the disability began later

than determined by the State agency, or that the disability ceased earlier than determined by the State agency.

Subsection (d) of the new section 221 gives any individual, dissatisfied with a determination by a State or the Secretary, the right to a hearing by the Secretary and to judicial review of the final decision of the Secretary after such hearing, to the same extent as provided in section 205 (b) and section 205 (g) of present law.

Subsection (e) authorizes the Secretary to certify for payment from the trust fund the cost to the State of carrying out the terms of an agreement under this section. These payments may be made in advance or by way of reimbursement, and prior to audit or settlement by the General Accounting Office.

Subsection (f) requires that all money paid to a State under this section be used solely for the purposes for which it is paid and that any money not used for such purposes shall be returned for deposit in the trust fund.

Subsection (g) of the new section 221 authorizes the Secretary to make disability determinations for individuals in any State which has no agreement under subsection (b), for any classes of persons not included in an agreement with the State, and for persons outside the United States.

The new section 222 of the Social Security Act declares it to be the policy of the Congress that disabled individuals applying for determinations of disability be promptly referred to State vocational rehabilitation agencies for necessary rehabilitation services, so that the maximum number of disabled persons may be restored to productive activity.

Effective date

Section 106 (h) provides that the foregoing disability provisions will take effect with respect to monthly benefits payable for months after June 1955, and with respect to lump-sum death payments in the case of deaths after June 1955. Increases resulting from recalculation of benefits to exclude periods of disability will be excepted from the limitations placed on benefit recomputations by section 215 (f) of the law.

DELETION OF EARNINGS DURING UNLAWFUL RESIDENCE IN THE UNITED STATES

Section 107 (a) of the bill amends section 205 of the Social Security Act to redesignate subsection (n) as subsection (m) and to add a new subsection (n) to such section 205.

Paragraph (1) of the new subsection would provide that wages and self-employment income derived by an individual during any period that he is unlawfully in the United States shall be deleted from the individual's wage record and shall not be counted for purposes of determining entitlement to or the amount of any benefits or lump-sum death payments under section 202 of the act.

Paragraph (2) of the subsection would provide that the deletion of such wages and self-employment income would be made by the Secretary only if he has been notified by the Attorney General that the individual was unlawfully in the United States during any period of time. On receipt of such notice, the Secretary would not certify

further benefits for payment or would recompute the benefit amount after deletion from his records of earnings for the periods involved. Payments certified prior to receipt of the notice would not be deemed to be erroneous by reason of the provisions of the new subsection.

Section 107 (b) of the bill provides that the amendment made by section 107 (a) would be applicable with respect to monthly benefits under title II of the Social Security Act for months after, and in the case of lump-sum death payments with respect to deaths occurring after, the month following the month in which the bill is enacted.

TERMINATION OF BENEFITS UPON DEPORTATION

Section 108 (a) of the bill adds a new subsection (m) to section 202 of the act.

Paragraph (1) of the new subsection (m) would provide for the termination of any monthly benefits payable on the wages and self-employment income of any individual for any month after such individual has been deported under paragraph (1), (2), (4), (5), (6), (7), (10), (11), (12), (14), (15), (16), (17), or (18) (referring to deportation because of unlawful entry, conviction of a crime, or subversive activity) of section 241 (a) of the Immigration and Nationality Act. No lump-sum death payments would be made on the basis of the wages and self-employment income of any individual who died on or after the month of his deportation.

Paragraph (2) of the new subsection provides that decisions as to payment of monthly benefits and lump-sum death payments would be made without regard to paragraph (1) unless the Secretary has been notified by the Attorney General that the individual has been or is deported under one of the specified subsections of section 241 (a) of the Immigration and Nationality Act. The Attorney General would give such notice in any case in which an individual has been or is deported, and the Secretary, on receipt of such notice, would stop the certification of any further benefits. Any benefit certified prior to the receipt of such notice from the Attorney General would not be deemed to be an erroneous payment by reason of the new subsection.

Section 108 (b) of the bill provides that the amendment made by section 108 (a) shall be applicable in the case of monthly benefits under title II of the Social Security Act for months after, and in the case of lump-sum death payments with respect to deaths occurring after, the month following the month of enactment of the bill.

INSURED STATUS

Section 109 (a) of the bill amends the definition of fully insured individual (sec. 214 (a) of the Social Security Act) by redesignating paragraph (3) as paragraph (4) and inserting a new paragraph (3) to provide an alternative basis for meeting the fully insured status test, applicable to individuals who are living on January 1, 1955. Any such individual with respect to whom all the quarters elapsing after 1954 and prior to the later of (1) July 1, 1956, or (2) the quarter in which he attained retirement age or died, whichever first occurred, are quarters of coverage, would be fully insured. The amendment would permit individuals newly covered on January 1, 1955, who are steadily employed and have at least six quarters of coverage after

1954 to become fully insured at death or attainment of age 65 even though they cannot meet the requirement in present law that an individual must have quarters of coverage equal to at least half the number of quarters elapsing after 1950 and prior to the quarter of death or attainment of age 65. The provision will be operative only with respect to deaths or attainment of age 65 prior to July 1, 1958, since any individual all of whose elapsed quarters after 1954 and prior to the quarter of death or attainment of age 65, if such quarter occurs after June 1954, are quarters of coverage would meet the requirements in present law.

Section 109 (b) of the bill amends section 213 (a) (2) (B) of the act to provide for crediting quarters of coverage on the basis of annual amounts of wages received for agricultural labor. If an individual receives wages of less than \$300 in a year for agricultural labor (he must receive at least \$200 from a single employer in order to receive credit for such wages), the last two quarters of such year which can be, but are not otherwise quarters of coverage would be quarters of coverage. If his wages were at least \$300, but less than \$400, the last three such quarters which can be, but are not otherwise quarters of coverage would be quarters of coverage, and if his wages were at least \$400, each such quarter of such year would be a quarter of coverage. If, however, the individual has been paid wages for agricultural labor in the year in which he attained retirement age or died or in which he is under a disability and does not meet the requirements for insured status or for entitlement to a computation or recomputation of his primary insurance amount, or the insured status requirements for a disability determination by reason of the fact that the quarters of coverage derived from such agricultural labor are assigned as provided above, but he would meet such requirements if such quarters of coverage were assigned to different quarters in such year, then such quarters shall instead be assigned, for purposes only of determining compliance with such requirements, to such different quarters.

BENEFITS IN CERTAIN CASES OF DEATHS BEFORE SEPTEMBER 1950

Section 110 (a) of the bill provides that any individual who died prior to September 1, 1950, and was not fully insured under the provisions of the Social Security Act in effect at that time, and who had not less than 6 quarters of coverage, shall be deemed to be fully insured at the time of death (except for purposes of determining the entitlement of a former wife divorced to mother's insurance benefits).

The primary insurance amount of such an individual would be computed only through the conversion table in the bill, using the benefit formula and closing and starting dates contained in the act prior to the enactment of this bill. The requirement that proof of support by a deceased individual must be filed within 2 years of the date of his death would be waived, in cases to which the amendments made by section 110 are applicable, if such proof is filed within 2 years after the first month following the month of enactment of the bill.

Subsection (b) of section 110 of the bill provides that the provisions of subsection (a) shall be applicable only in the case of monthly benefits under section 202 of the act for months after the first month following the month of enactment of the bill, on the basis of applications filed after the month of enactment.

ELIMINATION OF REQUIREMENT OF FILING APPLICATION IN CERTAIN CASES

Section 111 of the bill amends several subsections of section 202 of the Social Security Act to eliminate the requirement of filing an application in the case of certain types of benefits in specified situations.

Subsection (a) of the section amends subsection (e) (1) (C) of section 202 of the act to provide that applications for widow's insurance benefits would not be required if the widow was entitled to a wife's insurance benefit for the month preceding the wage earners' death (this is existing law) or a mother's insurance benefit in the month prior to the month in which she attained retirement age.

Subsection (b) amends subsection (g) (1) (D) of section 202 to provide that applications for mother's insurance benefits would not be required if the widow was entitled to a wife's insurance benefit for the month preceding the month in which the insured individual died.

Subsection (c) amends subsection (i) of section 202 to provide that an application for a lump-sum death payment would not be required from an individual who was entitled to wife's or husband's insurance benefits for the month preceding the month in which the insured individual died.

TECHNICAL AMENDMENTS

Subsection (a) of section 112 of the bill amends section 204 (a) of the Social Security Act (dealing with adjustment of overpayments and underpayments) to insert the words "self-employment income" in one line of the subsection, thereby correcting an omission in the wording of the subsection.

Subsection (b) of section 112 amends section 208 of the Social Security Act to make it clear that the penalty provisions of that section extend to cases of false statements or representations as to the amount of net earnings from self-employment derived or the period during which derived.

REPEAL OF REQUIREMENT OF CERTAIN DEDUCTIONS

Section 113 (a) of the bill repeals section 203 (i) of the act, which requires deductions from monthly benefits of the amount of a lump sum paid under section 204 of the 1935 Social Security Act; such deductions would be discontinued effective with the month following the month of enactment.

Section 113 (b) of the bill amends section 907 of the Social Security Act Amendments of 1939, effective with the month following the month of enactment, to discontinue deductions from monthly benefits for unpaid taxes on wages for services performed in 1939 after the attainment of age 65.

PROOF OF SUPPORT BY HUSBAND OR WIDOWER IN CERTAIN CASES

Section 114 (a) of the bill provides that, for the purpose of determining the entitlement of the husband of an insured woman to husband's insurance benefits under section 202 (c) of the Social Security Act, he shall be deemed to meet the dependency requirements of paragraph (1) (D) of the section if (1) he was receiving at least one-half of his support (as determined in accordance with regulations prescribed by

the Secretary) from his wife on the first day of the first month in which she was both entitled to old-age insurance benefits and such benefits were not subject to deductions under paragraph (1) or (2) of section 203 (b) of such act (as in effect either before or after the enactment of the bill) by reason of earnings in excess of the amount permitted by the retirement test in such section; (2) he filed proof of such support within 2 years after the first month, mentioned in item (1), above; and (3) his wife was (without the application of the retroactive provisions of section 202 (j) (1) of such act) entitled to a primary insurance benefit under such act for August 1950.

Subsection (b) of section 114 provides that, for the purpose of determining the entitlement of the widower of an insured woman to widower's insurance benefits under section 202 (f) of the Social Security Act, he shall be deemed to meet the dependency requirements of paragraph (1) (E) (ii) of such section if (1) he was receiving at least one-half of his support from his wife, and she was a currently insured individual, on the first day of the first month in which she was both entitled to old-age insurance benefits and such benefits were not subject to deductions under paragraph (1) or (2) of section 203 (b) of such act (as in effect either before or after the enactment of the bill) by reason of earnings in excess of the amount permitted by the retirement test; (2) he has filed proof of such support within 2 years after the first month mentioned in item (1), above, and (3) his wife was entitled (without the application of the retroactive provisions of section 202 (j) (1) of such act) to a primary insurance benefit for August 1950.

Subsection (c) of section 114 provides that, for purposes of determining the entitlement of a widower under subsection (b) (1) of the section, and for purposes of determining the entitlement of a husband under section 202 (c) (1) of the Social Security Act in cases to which subsection (a) of section 114 of the bill is applicable, the wife of an individual shall be deemed to be a currently insured individual if she had not less than 6 quarters of coverage during the 13-quarter period ending with the calendar quarter in which occurs the first month in which she was both entitled to an old-age insurance benefit and such benefit was not subject to deductions under paragraph (1) or (2) of section 203 (b) of the Social Security Act because of earnings in excess of the amount permitted by the retirement test.

Subsection (d) of the section provides that the section shall apply only with respect to husband's insurance benefits under section 202 (c) of the Social Security Act, and widower's insurance benefits under section 202 (f) of such Act, for months after the first month following the month of enactment of the bill, and only with respect to benefits based on applications filed after such first month.

DEFINITION

Section 115 of the bill defines "Secretary," as used in the provisions of the Social Security Act amended by the bill, to mean the Secretary of Health, Education, and Welfare.

TITLE II—AMENDMENTS TO INTERNAL REVENUE CODE
AMENDMENTS TO DEFINITIONS OF SELF-EMPLOYMENT INCOME AND
RELATED DEFINITIONS

Section 201 (a) (2) of the bill would extend the application of the self-employment tax to self-employed farmers by eliminating paragraph (2) of section 481 (a) of the Internal Revenue Code. In addition, it would amend such section 481 (a) by establishing an optional method of reporting income for self-employed farmers. Under this amendment, a farmer who reports his income on the cash receipts and disbursements basis may deem 50 percent of his "gross income" from farming to be his net earnings from self-employment attributable to farming, provided such gross income is not more than \$1,800. If the gross income from farming is more than \$1,800 and the net earnings from self-employment as computed under the provisions of section 481 (a) are less than \$900, such net earnings, at his option, may be deemed to be \$900. For this purpose, "gross income" is the excess of gross receipts from farming over the cost or other basis of property which was purchased and sold in carrying on such trade or business, adjusted in accordance with the provisions of paragraphs (1) through (6) (to the extent applicable) of section 481 (a), as amended by the bill. This definition of "gross income" is for the purpose of computing net earnings from self-employment attributable to farming and does not affect the computation of gross income of a farmer for income-tax purposes. As an illustration, a farmer on a cash basis who received \$1,200 from the sale of produce raised on the farm, \$200 from the sale of livestock raised on the farm and not held for breeding or dairy purposes, and \$300 for the sale of a dairy cow which had an adjusted cost of \$200 and had been held for 1 year, would have gross receipts of \$1,700 which should be reduced by the adjusted cost of the dairy cow (\$200) and which should then be adjusted by eliminating the profit on the sale of the dairy cow (which under sec. 117 (j) would be treated as a gain from the sale of a capital asset and which under sec. 481 (a) (3) (sec. 481 (a) (4) of existing law) would be excluded from the term "gross income" from farming in arriving at gross income for self-employment tax purposes). Thus, the farmer's gross income in this case would be \$1,400.

Section 201 (a) also amends section 481 (a) (1) of the code to make it clear that the term "rentals" as used therein includes rentals paid in the form of crop shares.

Section 201 (b) (1) amends section 481 (b) of the code by increasing the limitation on self-employment income subject to the self-employment tax (for taxable years ending after 1954) from \$3,600 to \$4,200.

Section 201 (b) (2) amends section 481 (b) of the code to include as "wages", for purposes of computing "self-employment income", remuneration of United States citizens employed by a foreign subsidiary of a domestic corporation which has entered into an agreement pursuant to section 1426 (m) for the purpose of having the insurance system established by title II of the Social Security Act extended to service performed by such citizens.

Under the existing paragraphs (4) and (5) of section 481 (c) of the code, ministers of a church in the exercise of their ministry, members

of a religious order in the exercise of duties required by such order, physicians, lawyers, dentists, osteopaths; veterinarians, chiropractors, naturopaths, optometrists, Christian Science practitioners, architects, certified public accountants, accountants registered or licensed as accountants under State or municipal law, full-time practicing public accountants, funeral directors, and professional engineers, in the exercise of their respective professions, are not subject to the self-employment tax. Section 201 (c) of the bill would repeal these exclusions except in the case of physicians, thereby subjecting to self-employment tax the self-employment income from the practice of all of the professions now excluded.

The amendments made by section 201 will be applicable only with respect to taxable years ending after 1954.

REFUND OF CERTAIN TAXES DEDUCTED FROM WAGES

Section 202 (a) (1) of the bill amends section 1401 (d) (3) of the Internal Revenue Code, relating to special refunds of employee tax paid on aggregate wages in excess of \$3,600 received by an employee from more than one employer during a calendar year, so as to conform the special refund provisions to the increase made by the bill in the limitation on wages from \$3,600 to \$4,200.

Section 1401 (d) (3) of the Code presently provides that no special refund shall be made unless (A) the employee makes a claim, establishing his right thereto, after the calendar year in which were received the wages with respect to which refund of tax is claimed, and (B) such claim is made within 2 years after the calendar year in which such wages were received. Paragraph (2) of section 202 (a) of the bill amends section 1401 (d) (3) of the code so as to provide an exception to this provision in the case of an employee of a State or any political subdivision thereof whose services are covered for purposes of title II of the Social Security Act by reason of an agreement (or modification) pursuant to section 218 of the Social Security Act which is effective as of a date more than 2 years prior to the date such agreement (or modification) was agreed to. It would allow a special refund to be made in the case of such employees, if claim for such refund is made within a period of 2 years after the end of the calendar year in which such agreement (or modification) was agreed to by the State and the Secretary of Health, Education, and Welfare.

Paragraph (2) of section 202 (b) of the bill amends section 1401 (d) (4) (A) of the code, relating to special rules applicable to special refunds in the case of Federal employees, so as to conform the provisions thereof to the increase made by the bill in the limitation on wages from \$3,600 to \$4,200.

Paragraph (3) of section 202 (b) of the bill further amends such section 1401 (d) (4) of the code by adding at the end thereof a new subparagraph (C), relating to special refunds in the case of citizens of the United States performing services outside the United States for a foreign subsidiary corporation of a domestic corporation which has entered into an agreement under section 1426 (m) of the code (added by the bill) for the purpose of obtaining coverage under title II of the Social Security Act for such employees. (For a discussion of the circumstances and conditions under which a domestic corporation

may enter into such an agreement, see in this report the explanation of section 209 of the bill.) Such new subparagraph (C) would make the special refund provisions in section 1401 (d) of existing law applicable to amounts deducted in any calendar year after the calendar year 1954 from the remuneration of employees whose services are covered under title II of the Social Security Act by reason of such an agreement. For purposes of special refunds in the case of amounts paid pursuant to any such agreement the term "employer" includes a domestic corporation; the term "wages" includes remuneration for services covered by such an agreement; and the term "tax" or "tax imposed by section 1400" includes an amount equivalent to the employee tax which would be imposed if the services covered by the agreement constituted employment as defined in section 1426 of the code.

Subsection (c) of section 202 amends section 1420 (e) of the code so as to conform such section to the increase made by the bill in the limitation on wages from \$3,600 to \$4,200.

Subsection (d) of section 202 provides that the amendments made by subsections (a) (1), (b) (2), and (c), relating to the increase in the limitation on wages from \$3,600 to \$4,200, shall be applicable only with respect to remuneration paid after 1954.

COLLECTION AND PAYMENT OF TAXES WITH RESPECT TO COAST GUARD EXCHANGES

Section 203 (a) of the bill amends section 1420 (e) of the Internal Revenue Code, which relates to the employee and employer taxes imposed with respect to certain services performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States. Existing law provides, among other things, that the head of the Federal department, agency, or instrumentality having control over the services performed in its employ, or such agents as may be designated by him, shall (1) determine whether an individual has performed services which constitute employment as defined in section 1426 of the code, (2) determine the amount of remuneration which constitutes wages as defined in section 1426, and (3) make the required return and payment of the taxes imposed by sections 1400 and 1410.

A later section of the bill amends the definition of employment contained in section 1426 (b) of the code so as to remove the exclusion from employment of services performed by certain civilian employees in Coast Guard Exchanges and other Coast Guard activities. (For a further discussion of Federal services as affected by this bill, see in this report the explanation of section 205 (d) of the bill.) Section 203 (a) of the bill amends section 1420 (e) of the code so as to make the provisions of such section applicable to services performed by a civilian employee, who is 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 the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard. Section 203 (a) further provides that the Secretary

of the Treasury is deemed to be the head of the instrumentality for which civilian employees of Coast Guard Exchanges perform services.

Subsection (b) of section 203 of the bill provides that the amendment made by such section shall become effective January 1, 1955.

AMENDMENTS TO DEFINITION OF WAGES

Section 204 (applicable only with respect to remuneration paid after 1954) amends section 1426 (a) of the Internal Revenue Code which defines the term "wages" for purposes of the Federal Insurance Contributions Act.

Subsection (a) of this section of the bill amends section 1426 (a) (1) of the code, relating to the \$3,600 limitation on remuneration which constitutes wages. Subsection 1426 (a) (1) in existing law provides that the term "wages" does not include that part of the remuneration paid within any calendar year by an employer to an employee which exceeds the first \$3,600 of such remuneration (exclusive of remuneration excepted from wages by the succeeding paragraphs of sec. 1426 (a)) paid within such calendar year by such employer to such employee for employment. The amendment would increase the amount of the limitation from \$3,600 to \$4,200 but otherwise would make no change in the provisions of section 1426 (a) (1).

Subsection (b) (1) of this section of the bill amends subparagraph (B) of section 1426 (a) (7) of the code, which relates to cash remuneration for domestic service. Section 1426 (a) (7) (B) now provides for the exclusion from wages of cash remuneration paid in a calendar quarter for domestic service in a private home of the employer unless such remuneration paid in such calendar quarter for such service is \$50 or more and the employee is regularly employed by the employer in the calendar quarter in which the payment is made. The employee is "regularly employed" by an employer during a calendar quarter if he performed domestic service in a private home of the employer on at least 24 days in that calendar quarter or during the preceding calendar quarter. The amendment would eliminate the 24-day test, thus making coverage of domestic service dependent solely on receipt of \$50 in cash wages in a calendar quarter by an employee from an employer for such service.

As under existing law, domestic service does not include service described in section 1426 (h) (5) of the code (service performed on a farm operated for profit).

Paragraph (2) of subsection (b) of this section amends section 1426 (a) (7) by adding a new subparagraph (C). This new subparagraph relates to cash remuneration received for service not in the course of the employer's trade or business and should be considered together with the repeal of section 1426 (b) (3) of the code, which would be accomplished by section 205 (b) of the bill. Section 1426 (b) (3) of the code now excepts from employment service not in the course of the employer's trade or business performed by an employee in a calendar quarter unless the cash remuneration paid by the employer to the employee for such service is \$50 or more and the employee is regularly employed by the employer during the calendar quarter to perform such service. The effect of the new subparagraph (C) of section 1426 (a) (7), together with the repeal of paragraph (3) of sec-

tion 1426 (b), is to eliminate the 24-day test and to make coverage of service not in the course of the employer's trade or business depend solely on receipt of cash remuneration of \$50 or more in the calendar quarter.

The test relating to cash remuneration of \$50 or more also is changed slightly. Under existing law, the \$50 must be paid for service performed in a calendar quarter during which the employee is regularly employed by the employer to perform such service, and the time of payment is unimportant. Under the new section 1426 (a) (7) (C), the test is payment of \$50 in a calendar quarter for the service, and the time of performance of the service is unimportant.

The new subparagraph (C) of section 1426 (a) (7) incorporates the provision of section 1426 (b) (3) of existing law that "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 1426 (h) (5) (service performed on a farm operated for profit).

Paragraph (3) of subsection (b) of this section amends section 1426 (a) (8) of the Internal Revenue Code by inserting a new subparagraph (B) and by designating the existing provisions of section 1426 (a) (8) as subparagraph (A). The new subparagraph (B) would exclude from wages cash remuneration paid by an employer to an employee in any calendar year for agricultural labor unless such remuneration is \$200 or more. This amendment should be considered in connection with the amendment to paragraph (1) of section 1426 (b) of the code which would be effected by section 205 (a) of the bill.

Under the existing provisions of section 1426 (b) (1) of the Internal Revenue Code the criteria which determine whether agricultural labor performed for an employer is included in coverage under the Federal Insurance Contributions Act are tied in with the calendar quarter. Agricultural labor performed by an employee for an employer in a calendar quarter is excepted from employment under existing law unless the cash remuneration paid in that quarter by the employer to the employee for such labor is \$50 or more and the employee is regularly employed in that quarter by such employer to perform such agricultural labor. For purposes of section 1426 (a) (1), "an individual is deemed to be regularly employed by an employer during a calendar quarter * * * only if (i) such individual performs agricultural labor * * * for such employer on a full-time basis on 60 days * * * during the quarter, and (ii) the quarter was immediately preceded by a qualifying quarter. A qualifying quarter is defined as (I) any quarter during all of which the individual was continuously employed by the employer, or (II) any subsequent quarter meeting the test of clause (i) above if, after the last quarter during all of which the individual was continuously employed by the employer, each intervening quarter met the test of clause (i). An individual is also deemed to be regularly employed by an employer during a calendar quarter if he was regularly employed (upon application of clauses (i) and (ii)) by the employer during the preceding calendar quarter." (H. Rept. No. 2771, 81st Cong., 2d sess. (conference report on H. R. 6000), p. 95.)

The principal effects of the amendments made by paragraph (3) of section 204 (b) and by section 205 (a) of the bill are to eliminate the present "regularly employed" concept as a requirement for cover-

age of agricultural labor under the Federal Insurance Contributions Act; to place the coverage test for agricultural labor on a calendar-year basis instead of on a calendar-quarter basis as at present; and to make coverage depend solely on the payment of cash remuneration of \$200 or more in a calendar year by the same employer to the employee for such labor. It is contemplated that employers of individuals performing agricultural labor who meet this test would report wages annually.

At the present time, services performed in connection with the ginning of cotton and services performed in connection with the production or harvesting of crude gum (oleoresin) from a living tree or the processing of such crude gum into gum spirits of turpentine and gum resin, if such processing is carried on by the original producer of the crude gum, are excepted from employment under the existing section 1426 (b) (1) of the code. The amendment to section 1426 (b) (1) of the code made by section 205 (a) of the bill would remove the specific exception of these services from employment and would have the effect of covering such services under the Federal Insurance Contributions Act on the same basis as other agricultural labor.

AMENDMENTS TO DEFINITION OF EMPLOYMENT

Section 205 amends subsection (b) of section 1426 of the Internal Revenue Code, which defines "employment" for purposes of the Federal Insurance Contributions Act.

Subsection (a) of this section of the bill amends paragraph (1) of section 1426 (b) of the code by eliminating from the definition of employment the existing exception of agricultural labor, except in the case of service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended. Title V of such act now provides that no workers may be available under it for employment after December 31, 1955. The exception under section 1426 (b) (1) of the code will, of course, be inoperative when title V of the Agricultural Act ceases to be effective.

Subsection (b) of this section repeals paragraph (3) of section 1426 (b) of the code (which excepts from employment service not in the course of the employer's trade or business), and makes appropriate conforming changes in the remainder of the section.

Paragraph (5) of section 1426 (b) of the code now excepts from employment any 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 the individual is employed on and in connection with such vessel or aircraft when outside the United States. Subsection (c) of section 205 of the bill amends section 1426 (b) (5) of the code (redesignated by the bill as section 1426 (b) (4)) so as to make the exception applicable only if the individual is not a citizen of the United States or the employer is not an American employer. Consequently, if the individual is a citizen of the United States and the employer is an American employer, the services of the individual on foreign-flag vessels or foreign-flag aircraft will not be excepted from employment whether performed here or abroad. This change would have the effect of treating services performed by these individuals the same as services performed by citizens of the United

States as employees of American employers, which now constitute employment whether performed here or abroad.

Subsection (d) (1) of this section amends the existing paragraph (7) of section 1426 (b) of the code (redesignated by the bill as paragraph (6)) to include in employment certain services performed for the Federal Government. Subparagraph (B) of section 1426 (b) (7) now excepts from employment services performed in the employ of any instrumentality of the United States if such instrumentality was exempt from the tax imposed by section 1410 on December 31, 1950, with certain designated exceptions. This subparagraph is amended by the bill to provide that service performed by an individual in the employ of any such instrumentality would be excepted from employment only if such service is covered by a retirement system established by such instrumentality. The amendment also provides that service performed in the employ of a Federal Home Loan Bank and service performed by civilians for Coast Guard Exchanges and certain other Coast Guard activities are no longer excepted from employment.

Subsection (d) (2) of this section amends subparagraph (C) of such existing paragraph (7), which now excepts from employment service performed by 13 specific categories of Federal employees. The amendment deletes the following seven categories: temporary employees in the field service of the Post Office Department who are excluded from the civil service retirement system; temporary census-taking employees of the Bureau of the Census; Federal employees who are paid on a contract or fee basis; Federal employees who receive compensation of \$12 a year or less; certain consular agents; individuals employed under Federal unemployment relief programs; and members of State, county, or community committees under the Production and Marketing Administration and similar bodies, unless such bodies are composed exclusively of full-time Federal employees. The effect of these deletions is to remove the exception from employment in the case of service performed by employees in these seven categories.

Subsection (d) (2) of this section also amends two of the remaining six categories in the existing section 1426 (b) (7) (C). The present exception from employment of services performed in hospitals, homes, or other institutions of the United States by patients or inmates of those institutions is amended to except only service performed by inmates of penal institutions. The exception is no longer applicable to service performed by an employee who is a patient at a Federal hospital or home. The present exception from employment of service performed by an individual who is excluded from the civil service retirement system because he is covered by another retirement system is amended so that service performed by an individual covered under the retirement system of the Tennessee Valley Authority is no longer excepted from employment.

Subsection (e) of this section amends the present section 1426 (b) (9) of the code (redesignated as paragraph (8) by the bill) so that the employment exception will no longer be applicable to services of certain ministers and members of religious orders employed by an organization exempt from income tax under section 101 (6) of the code if the organization has filed a certificate under section 1426 (l) of the code waiving its exemption from the taxes imposed under the Federal Insurance Contributions Act.

The present subparagraph (B) of section 1426 (b) (9) of the code excepts from employment service performed by lay employees of these organizations unless the organization files a certificate of waiver under section 1426 (l) of the code. This provision would be retained without any substantive change and would be redesignated as subparagraph (A). The present subparagraph (A) excepts from employment 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. This would be eliminated and in its place would be substituted a new subparagraph (B) excepting such services if performed in the employ of an organization exempt from income tax under section 101 (6) of the code. The new subparagraph (B) would, however, permit the waiver, under conditions specified in section 1426 (l) (2) (as amended by the bill); of the exemption from tax with respect to services performed by ministers and members of religious orders (not including any member of a religious order who has taken a vow of poverty as a member of such order) employed by such an organization if the organization has filed with the Internal Revenue Service a certificate indicating its desire to cover its ministers and members of religious orders. The services of those clergymen who concur in the filing of the certificate, and those employed after the certificate becomes effective (or after the certificate was filed, if the certificate was made effective retroactively) would no longer be excepted from employment.

Section 1426 (b) (15) of the Internal Revenue Code now excepts from employment service performed by employees in fishing and similar activities unless performed in connection with commercial salmon or halibut fishing or on a vessel of more than 10 net tons. Subsection (f) of this section of the bill would eliminate this exception, and make appropriate conforming changes.

Subsection (g) of this section provides that the amendments made by subsections (a) and (b) (relating to agricultural labor and service not in the course of the employer's trade or business) will be applicable only with respect to services (whenever performed) for which the remuneration is paid after 1954, and that the amendments made by subsections (c), (d), (e), and (f) (relating to service on foreign-flag vessels and aircraft, Federal service, service performed by ministers, and fishing and related service) will be applicable only with respect to services performed after 1954.

AMENDMENT TO DEFINITION OF EMPLOYEE

Section 206 amends subsection (d) of section 1426 of the Internal Revenue Code, which defines the term "employee" for purposes of the Federal Insurance Contributions Act.

Section 1426 (d) (3) (C) of the code now includes as an employee any individual who performs services for remuneration for any person as a homemaker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person and required to be returned to such person or a person designated by him, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed. Subsection (a) of section 206 of the bill amends such section 1426 (d) (3) (C) so

as to eliminate the requirement that the performance of the services be subject to State licensing requirements, effective with respect to services performed after 1954.

This amendment would not include, however, as employees, home-workers who are not subject to supervision or control by any person with respect to their home work activities, and who buy raw material and make any article and sell such article to any person even though it is made according to specifications provided by some single purchaser.

WAIVER OF TAX EXEMPTION BY NONPROFIT ORGANIZATIONS WITH
RESPECT TO MINISTERS IN THEIR EMPLOY

The present paragraph (9) (A) of section 1426 (b) of the Internal Revenue Code excepts from employment services 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. As amended and redesignated as paragraph (8) (B) by section 205 (e) of the bill, such paragraph would continue to except from employment services performed in the employ of an organization exempt from income tax under section 101 (6) of the code 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. However, such exception would have no application to services performed by any such minister or member of a religious order (other than a member of a religious order who has taken a vow of poverty as a member of such order), as an employee of an organization which is exempt from income tax under section 101 (6) of the code, during any period in which a certificate filed by such organization pursuant to section 1426 (1) (2) of the code applies to him. Section 207 of the bill would amend section 1426 (1) of the code to set forth the conditions and procedures applicable with respect to the filing of such certificates.

A certificate filed by an organization under such section 1426 (1) (2) would certify that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees who are ministers or members of a religious order. When such a certificate is filed, both the organization and the employees to which the certificate applies are, for the period during which it is in effect, subject to the taxes imposed by sections 1400 and 1410 of the code in the same manner as a private employer and his employees. The certificate filed by the organization must certify that at least two-thirds of its employees who are ministers or members of a religious order have concurred in the filing of the certificate, and the certificate must be accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs in the filing of the certificate. Such list may be amended at any time by filing with the prescribed official a supplemental list or lists containing the signature, address, and social security account number of each additional employee who concurs in the filing of the certificate. However, such a certificate may not be filed by an organization unless (A) such organization does not have any lay employees with respect to whom a certificate may be filed pursuant to paragraph (1) of section 1426 (1), or (B) such organization has filed a certificate

pursuant to such paragraph (1) with respect to its lay employees. A certificate filed pursuant to paragraph (2) of such section shall be in effect for the period beginning with the first day of whichever of the following calendar quarters may be specified in the certificate: (1) The quarter in which the certificate is filed, (2) the succeeding quarter, or (3) if the certificate is filed during the calendar year 1955, any quarter in such year prior to the quarter in which it is filed. However, a supplemental list filed after the first month following the first calendar quarter for which the certificate is in effect, or following the calendar quarter in which the certificate was filed, shall be in effect only with respect to those services performed by an individual whose name appears on such supplemental list which are performed by him after the calendar quarter in which such supplemental list is filed.

Section 1426 (l), as amended by the bill, would further provide that the period for which the certificate is effective may be terminated by the organization at the end of a specified calendar quarter upon giving 2 years' advance notice in writing, but only if the certificate has been in effect for a period of not less than 8 years at the time of the receipt of the notice of termination. The organization may revoke its notice of termination by giving a written notice of such revocation prior to the close of the calendar quarter specified in the notice of termination. The certificate (and any notice of termination or revocation of such notice) must be filed in such form and manner and with such official as may be prescribed by regulations.

The waiver period may in any case be terminated by the Secretary or his delegate if he finds that the organization which filed the certificate has failed to comply substantially with the provisions of the Federal Insurance Contributions Act. In such case, the organization must be given 60 days' advance notice in writing that the period covered by the certificate will terminate at the end of the calendar quarter specified in the notice. Any such notice may be revoked by giving written notice of revocation prior to the close of the calendar quarter specified in the notice of termination. A notice of termination or revocation thereof may not be given without the prior concurrence of the Secretary of Health, Education, and Welfare. If the period covered by the certificate is terminated by the organization itself, it may not thereafter file a certificate under section 1426 (l) of the code; and if a certificate filed by an organization pursuant to paragraph (1) of section 1426 (l) with respect to its lay employees is terminated, the period covered by any certificate filed by such organization pursuant to paragraph (2) of such section with respect to ministers and members of a religious order in its employ shall be terminated at the same time.

CHANGES IN TAX SCHEDULES

Section 208 (a) of the bill would amend section 480 of the Internal Revenue Code, relating to the rate of tax upon self-employment income. Under existing law the rate of tax upon self-employment income in the case of any taxable year beginning after December 31, 1969, is 4½ percent. Under the bill the rates of tax for taxable years beginning after December 31, 1969, are as follows:

For taxable years—	Percent
Beginning after Dec. 31, 1969, and before Jan. 1, 1975.....	5½
Beginning after Dec. 31, 1974, and subsequent years.....	6

Subsections (b) and (c) of section 208 would amend sections 1400 and 1410, respectively, of the Internal Revenue Code, relating to the rates of the taxes under the Federal Insurance Contributions Act. Under existing law the rate of the employee tax and of the employer tax for the calendar year 1970 and subsequent calendar years is 3½ percent. Under the bill the rates of each such tax for the calendar year 1970 and subsequent calendar years are as follows:

	<i>Percent</i>
For the calendar years 1970 to 1974, inclusive.....	3½
For the calendar year 1975 and subsequent calendar years.....	4

FOREIGN SUBSIDIARIES OF AMERICAN EMPLOYERS

Under the Internal Revenue Code the definition of the term "employment" does not include service performed outside the United States for a foreign corporation, and the bill makes no change in the definition with respect to such services.

Section 209 of the bill amends section 1426 of the code by adding at the end thereof a new subsection (m). Such subsection (m) provides that the Secretary or his delegate shall enter into an agreement, at the request of any domestic corporation, for the purpose of extending old-age and survivors insurance coverage to citizens of the United States performing service outside the United States in the employ of any one or more foreign subsidiaries of such domestic corporation. A foreign subsidiary is defined as (1) a foreign corporation more than 50 percent of the voting stock of which is owned by the domestic corporation desiring to enter into the agreement, or (2) a foreign corporation more than 50 percent of the voting stock of which is owned by a foreign corporation described in clause (1). Such an agreement shall not be applicable to any service performed by, or remuneration paid to, an employee, if such service or remuneration would be excluded from the term "employment" or the term "wages", respectively, were the service performed in the employ of the domestic corporation. Any such agreement shall be applicable in all respects in the case of any citizen of the United States who, after the agreement becomes effective, is employed by the foreign subsidiary or subsidiaries named in the agreement.

If at any time after such an agreement is entered into the domestic corporation desires to have the old-age and survivors insurance system extended to citizens of the United States performing service in the employ of one or more foreign subsidiaries other than the subsidiary or subsidiaries specified in the agreement, the agreement may be amended so as to extend such system to such citizens. Any agreement so amended shall be applicable in all respects in the case of service performed in the employ of any foreign subsidiary to which the amendment relates. Any such agreement shall require the domestic corporation to pay to the Secretary or his delegate, amounts equivalent to the sum of the employee and employer taxes which would be imposed under sections 1400 and 1410 of the code (including interest and penalties) if the services under the agreement constituted employment and the remuneration for such service constituted wages, under section 1426 of the code. It shall also require the domestic corporation to comply with regulations, relating to payments and reports,

prescribed by the Secretary to carry out the purposes of such subsection.

Paragraph (2) of such section 1426 (m) provides that an agreement shall be made effective for the period beginning either with the first day of the calendar quarter in which the agreement is entered into or the first day of the succeeding calendar quarter. However, no agreement may be made effective prior to January 1, 1955. An amendment to an agreement executed after the first month following the first calendar quarter for which the agreement is in effect shall apply, in the case of services performed for the subsidiary or subsidiaries specified in the amendment, only after the calendar quarter in which the amendment is executed.

Paragraph (3) of such section 1426 (m) provides that the domestic corporation may terminate such an agreement, with respect to any one or more of its foreign subsidiaries, effective at the end of a calendar quarter. However, the termination may be made only upon giving 2 years' advance notice in writing and only if at the time of the receipt of such notice the agreement has been in effect for a period of not less than 8 years. Any such notice of termination may be revoked by giving, prior to the close of the calendar quarter specified therein, a written notice of revocation. A notice of termination or revocation thereof shall be filed in such form and manner as may be prescribed by regulations. The period for which an agreement is effective with respect to any foreign subsidiary shall terminate automatically at the end of any calendar quarter in which at any time the domestic corporation does not own more than 50 percent of the voting stock of such subsidiary.

Paragraph (4) of such section 1426 (m) directs the Secretary, upon a finding that any domestic corporation has failed to comply substantially with the terms of its agreement under such section 1426 (m), to give such corporation not less than 60 days' advance notice in writing that the period covered by its agreement will terminate at the end of a calendar quarter specified in such notice. Any such notice of termination, however, may be revoked by the Secretary as provided in such paragraph. No such notice of termination or revocation shall be given without the prior concurrence of the Secretary of Health, Education, and Welfare.

Pursuant to paragraph (5) of such section 1426 (m), if the agreement is terminated in its entirety the domestic corporation may not again enter into an agreement with respect to service performed for any foreign subsidiary; and if the agreement is terminated with respect to any subsidiary the domestic corporation may not thereafter make such agreement applicable to that subsidiary.

Paragraph (6) of such section 1426 (m) specifies that all amounts received by the Secretary pursuant to an agreement with a domestic corporation under such section shall be regarded as taxes collected pursuant to subchapter A of chapter 9 of the code for purposes of section 201 of the Social Security Act, which relates to the amounts to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund.

Paragraph (7) of such section 1426 (m) provides that adjustments of any overpayments or underpayments of amounts due under an agreement shall be made, without interest, in accordance with regulations prescribed by the Secretary. If an overpayment cannot be

adjusted the amount thereof shall be repaid, but only if a claim therefor is filed with the Secretary within 2 years from the time such overpayment was made.

Paragraph 9 of such section 1426 (m) provides that the regulations of the Secretary under such section shall be designed to make the requirements imposed on domestic corporations with respect to service performed in the employ of foreign subsidiaries the same, insofar as practicable, as the requirements imposed on employers pursuant to subchapters (A) and (E) of chapter 9 of the code.

DEDUCTIONS FROM GROSS INCOME FOR PAYMENTS WITH RESPECT TO
EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS

Section 210, which adds a new subsection to section 23 of the Internal Revenue Code, provides that amounts paid by a domestic corporation under the provisions of an agreement entered into as provided by section 1426 (m) may be deducted in computing net income, but only to the extent that the domestic corporation actually bore the burden of the payment. Amounts involved which were withheld from the wages of the employees of the foreign corporation or which were supplied by the foreign corporation may not give rise to a deduction for the domestic corporation which pays over such amounts to the Secretary. Any reimbursement of any amount which has been deducted by the domestic corporation under the provisions of this section must be included in the gross income of such corporation for the taxable year in which it is received.

TITLE III—PROVISIONS RELATING TO PUBLIC ASSISTANCE

TEMPORARY EXTENSION OF 1952 MATCHING FORMULA

The 1952 amendments to the Social Security Act included amendments increasing the proportion of public assistance expenditures made by the States to be borne from Federal funds. Such amendments were, however, made effective only for the period ending September 30, 1954. Section 301 of the bill would extend this period for an additional year to September 30, 1955.

TEMPORARY EXTENSION OF SPECIAL PROVISIONS RELATING TO STATE
PLANS FOR AID TO THE BLIND

Section 344 (b) of the Social Security Act Amendments of 1950 relieved certain States from the necessity for complying with the requirements of section 1002 (a) (8) of the Social Security Act as a condition to approval of their State aid-to-the-blind plans so as to make them eligible to receive Federal contributions toward the cost of assistance expenditures under the plans. This special provision was effective, however, only for the period ending June 30, 1955. Section 302 of the bill would extend this period for an additional 2 years to June 30, 1957.

TECHNICAL AMENDMENTS

When the public assistance provisions of the Social Security Act were amended in 1946 to change the Federal share of assistance expenditures from one-half of the total expenditures to a larger percentage of average expenditures below a certain amount, conforming

changes were made in sections 3 (b), 403 (b) (1), and 1003 (b) (1) of the act. Through oversight these conforming changes were not repeated in the 1950 amendments to the Social Security Act. Section 303 of the bill would remedy this oversight.

TITLE IV—MISCELLANEOUS PROVISIONS

This title amends the Railroad Retirement Act in several respects in order to preserve the existing relationship between the railroad retirement and old-age and survivors insurance systems. It also provides for redesignating cross references in other acts to provisions of the Internal Revenue Code and the Social Security Act redesignated by the bill.

DISSENTING VIEWS ON H. R. 9366

Because of practical results and, more importantly, because of fundamental implications of H. R. 9366, which are referred to below, we must regretfully dissent from the majority report of the committee.

The committee has the grave responsibility of framing social-security legislation which will improve and maintain the system on a sound basis, compatible with its purpose and with our system of free enterprise.

Our social-security program includes both OASI and the Federal-State systems of public assistance. The administration bill, H. R. 7200, and many other proposals relating to public assistance, are pending in this committee. As was recognized when social security was enacted in 1935 and when it was revised in 1950, and as again recognized by the administration bill, H. R. 7200, OASI and public assistance are both parts of the social-security program, and both are directed to common problems of human destitution—in fact, often dealing with the same individuals. The intelligent overall solution of these problems requires hearings and study of both of these interrelated social-security systems before undertaking changes in either. However, despite the fundamental interrelationships, pressures for speedy action on OASI have resulted in the hasty adoption of the pending OASI amendments by the committee without even a hearing on the interrelated assistance system.

H. R. 9366 also contains public assistance amendments providing extension of the temporary public assistance grant formulas which were adopted without hearings by either this committee or the Senate Finance Committee in 1952 when offered as a Senate floor amendment to the OASI amendments of 1952, which were also adopted without hearings.

Some of the hastily adopted amendments contained in H. R. 9366 are highly questionable and probably would not have been adopted upon mature consideration. The most important of these, the amendments expanding the social-security tax base from \$3,600 to \$4,200, are fundamentally wrong and have far-reaching implications. The inflated wage base proposals were adopted with a strong dissenting vote and mark a departure from the basic purpose and justification of social security—that of affording a basic floor of protection—and would directly impair both the ability and incentives of the individual to achieve security through the normal processes of free enterprise.

Private arrangements for security, in contrast with the sterile taxing and spending processes of social security, are an integral part of free enterprise and provide the funds for capital investment upon which our economic system is based. Private thrift and insurance purchases also provide a flexibility of protection adaptable to the particular needs of the particular family. This flexibility is impossible under social security. Furthermore, security privately achieved by

voluntary action, as contrasted with unnecessarily inflated compulsory social security, is compatible with our traditions and our way of life.

Thus even though social security were in fact bought and paid for by the individual and his equities, typical of free enterprise, were preserved, it would violate our basic principles to extend its taxes and benefits beyond the levels required to meet its purpose of providing a minimum floor of protection against destitution.

The bill's provisions extending the system's taxes and benefits to earnings in excess of the present \$3,600-per-year limit, manifestly raise the fundamental issue of whether we shall progressively depart from the original purpose of the system. The proposal assumes that the \$4,200 man requires more compulsory, publicly provided protection than does the \$3,600 man. The next step, already proposed and urged, is that of providing still greater Government protection for the \$6,000 man than is provided the \$4,200 man. There is no stopping point when one accepts the philosophy of more and more compulsory reliance upon the state, with the corollary of less and less reliance by the individual upon his private voluntary arrangements.

A chief danger of the current situation is that to many social security seems to offer tremendous bargains in protection. Acceptance of these at other taxpayers' expense is dignified by use of the inappropriate term "insurance." We are presently paying retirement benefits having an actuarial value of \$10,000 or \$20,000, or more, to individuals whose taxes have aggregated only a few dollars or a few hundred dollars. As shown by table 35 in this committee's report on the social-security amendments of 1939, the maximum retirement benefits a person's taxes could have purchased on an insurance basis, with maximum tax coverage over a 20-year period, are less than \$12 a month. Yet under existing law an old couple can presently receive benefits as high as \$127.50 per month, with total coverage as short as 18 months.

The pending amendments, increasing the social-security wage base and amending the benefit formula, propose to pay maximum benefits of over \$1,950 per year to old couples where social-security taxes are paid on \$4,200 per year earnings—including persons newly covered next January and retiring 18 months thereafter.

These amendments are indefensible in our opinion. The proposed superbenefts for the high-income man are incompatible with the purpose of the system. Burdening other social-security taxpayers with their payment shocks one's sense of equity.

The powerful drive for expanding the wage base and providing higher and higher benefits, and the lack of public understanding of the consequences of this action, place the committee and the Congress in a most difficult position—particularly in an election year.

But the inescapable fact is that younger people, including those not yet of voting age, and millions yet unborn, must largely support benefits for persons who retire in the next 2 or 3 decades. This situation places a special trusteeship on this committee and on the Congress. For not only the purpose of social security, but the welfare of our young people and their children, strictly limits the social-security benefits which can be provided for the aged through taxation of the young. We must halt the constant increases in present and future benefits, and in the taxes required to support these benefits.

What has occurred by way of increasing future social-security costs by the 1950 and 1952 amendments and what is proposed by H. R.

9366 is roughly indicated by comparing the intermediate estimates in the Senate report relating to the 1950 amendments as in the version of the bill passed by the Senate, the intermediate estimates in actuarial study No. 36 of the Social Security Administration relating to the 1952 amendments, and the intermediate estimates in this report relating to H. R. 9366.

Benefit costs as a percentage of payroll

Year	Before 1950 amendments	Under 1950 amendments	Under 1952 amendments	Under H. R. 9366
	Percent	Percent	Percent	Percent
1960.....	2.1	3.4	4.1	4.3
1970.....	3.1	4.7	5.3	5.7
1980.....	4.2	6.0	6.4	7.1
1990.....	5.4	7.4	7.3	8.0

The above only partially indicates the increase in necessary taxes, as the first two columns were for taxes with a \$3,000 wage base, the third column for the present \$3,600 wage base, and the fourth column is for the proposed \$4,200 wage base.

Furthermore, the above estimates are based on assumptions of high future employment. Even with this assumption, the "high cost" estimates for H. R. 9366 show a 1980 cost of 7.7 percent of payroll and a 1990 cost of 8.9 percent of payroll.

Unlike actuarial study No. 36 of the present law, the actuarial estimate of this report relating to H. R. 9366 fails to include the percentage of payroll required to support benefits if some reduction in the optimistically estimated future employment is assumed. The estimates in study No. 36 show as much as three-fourths percent of payroll in higher costs with the less optimistic employment assumption. Thus future costs of H. R. 9366 may require much higher payroll taxes than indicated above.

In absolute dollar benefit expenditures, the estimates are:

[Amounts in billions]

Year	Before 1950 amendments	Under 1950 amendments	Under 1952 amendments		Under H. R. 9366	
			Low	High	Low	High
1960.....	\$1.8	\$3.7	\$5.3	\$6.2	\$6.7	\$7.8
1970.....	2.9	5.7	7.7	8.9	10.2	11.9
1980.....	4.3	7.7	10.3	11.9	13.8	15.9
2000.....	6.8	10.9	13.5	16.2	17.9	21.0

The estimated social-security tax revenues for 1955 under H. R. 9366 are \$6.2 billion. With the scheduled tax step-ups, the revenue is estimated at \$12.5 billion in 1970 and \$16 billion in 1980—thus currently keeping slightly ahead of the rapidly increasing expenditures.

The comparison of maximum annual taxes imposed on individuals under present law and under H. R. 9366 is as follows:

Maximum annual tax

Period	Employee tax		Self-employed tax	
	Present law	H. R. 9366	Present law	H. R. 9366
1955-59.....	\$72	\$84	\$108.00	\$126.00
1960-64.....	90	105	135.00	157.50
1965-69.....	108	126	162.00	189.00
1970-74.....	117	147	175.50	220.50
1975 and after.....	117	168	175.50	252.00

It is far from certain that the present tax schedule will support the presently scheduled benefits, and still less certain that the proposed increased taxes would support the proposed increased benefits.

It is manifest, in any event, that the proposed wage base extension would provide an unwarranted increase in benefits of persons with high earnings, who least need social-security protection. It is also manifest that the unwarranted increase in benefits—and for younger people the lifetime burden of the additional social-security taxes—would adversely affect individuals and our economy and would be contrary to the general welfare.

N. M. MASON.
JAMES B. UTT.

FURTHER DISSENTING VIEWS OF MR. UTT

In addition to the foregoing minority report, I wish to state it is my fearful belief that the social-security tax is fast shaping up to become a secondary graduated income tax upon wages and salaries, a tax which, when its full impact is felt, will shake our social-security system to its very foundation.

JAMES B. UTT.

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Union Calendar No. 627

83^D CONGRESS
2^D SESSION

H. R. 9366

[Report No. 1698]

IN THE HOUSE OF REPRESENTATIVES

MAY 28, 1954

Mr. REED of New York introduced the following bill; which was referred to the Committee on Ways and Means

MAY 28, 1954

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, 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 may be cited as the "Social Security Amend-*
- 4 *ments of 1954".*

1 TITLE I—AMENDMENTS TO TITLE II OF THE
2 SOCIAL SECURITY ACT

3 EXTENSION OF COVERAGE

4 DOMESTIC SERVICE, SERVICE NOT IN COURSE OF EMPLOYER'S
5 BUSINESS, AND AGRICULTURAL LABOR

6 SEC. 101. (a) (1) Paragraph (2) of section 209 (g)
7 of the Social Security Act is amended to read as follows:

8 “(2) Cash remuneration paid by an employer in
9 any calendar quarter to an employee for domestic service
10 in a private home of the employer, if the cash remunera-
11 tion paid in such quarter by the employer to the em-
12 ployee for such service is less than \$50. As used in
13 this paragraph, the term ‘domestic service in a private
14 home of the employer’ does not include service de-
15 scribed in section 210 (f) (5);”.

16 (2) Section 209 (g) of such Act is amended by adding
17 at the end thereof the following new paragraph:

18 “(3) Cash remuneration paid by an employer in
19 any calendar quarter to an employee for service not in
20 the course of the employer's trade or business, if the
21 cash remuneration paid in such quarter by the employer
22 to the employee for such service is less than \$50. As
23 used in this paragraph, the term ‘service not in the
24 course of the employer's trade or business’ does not in-
25 clude domestic service in a private home of the employer

1 and does not include service described in section 210
2 (f) (5);”.

3 (3) Section 209 (h) of such Act is amended by in-
4 serting “(1)” after “(h)” and by adding at the end thereof
5 the following new paragraph:

6 “(2) Cash remuneration paid by an employer in
7 any calendar year to an employee for agricultural
8 labor, if the cash remuneration paid in such year by
9 the employer to the employee for such labor is less
10 than \$200;”.

11 (4) Section 210 (a) (1) of such Act is amended to
12 read as follows:

13 “(1) Service performed by foreign agricultural
14 workers under contracts entered into in accordance with
15 title V of the Agricultural Act of 1949, as amended;”.

16 (5) Section 210 (a) of such Act is amended by striking
17 out paragraph (3) and redesignating paragraphs (4),
18 (5), (6), (7), (8), (9), (10), (11), (12), (13), and
19 (14), and any references thereto contained in such Act,
20 as paragraphs (3), (4), (5), (6), (7), (8), (9), (10),
21 (11), (12), and (13), respectively.

22 (6) The second sentence of section 218 (c) (5) of such
23 Act is amended by inserting before the period at the end
24 thereof “and service the remuneration for which is excluded
25 from wages by paragraph (2) of section 209 (h)”.

1 AMERICAN CITIZENS EMPLOYED BY AMERICAN EMPLOYERS
2 ON FOREIGN-FLAG VESSELS

3 (b) The paragraph of section 210 (a) of the Social
4 Security Act herein redesignated as paragraph (4) is
5 amended by striking out "if the individual is employed on
6 and in connection with such vessel or aircraft when outside
7 the United States" and inserting in lieu thereof: "if (A) the
8 individual is employed on and in connection with such vessel
9 or aircraft when outside the United States and (B) (i) such
10 individual is not a citizen of the United States or (ii) the
11 employer is not an American employer".

12 CERTAIN FEDERAL EMPLOYEES

13 (c) (1) Subparagraph (B) of the paragraph of section
14 210 (a) of the Social Security Act herein redesignated as
15 paragraph (6) is amended—

16 (A) by inserting "by an individual" after "Service
17 performed", and by inserting "and if such service is cov-
18 ered by a retirement system established by such instru-
19 mentality;" after "December 31, 1950,";

20 (B) by inserting "a Federal Home Loan Bank,"
21 after "a Federal Reserve Bank," in clause (ii); and

22 (C) by striking out "or" at the end of clause (iii),
23 by adding "or" at the end of clause (iv), and by adding
24 at the end of the subparagraph the following new clause:

25 "(v) service performed by a civilian employee,

1 not compensated from funds appropriated by the
2 Congress, in the Coast Guard Exchanges or other
3 activities, conducted by an instrumentality of the
4 United States subject to the jurisdiction of the Sec-
5 retary of the Treasury, at installations of the Coast
6 Guard for the comfort, pleasure, contentment, and
7 mental and physical improvement of personnel of the
8 Coast Guard;”.

9 (2) Subparagraph (C) of such paragraph is amended
10 to read as follows:

11 “(C) Service performed in the employ of the
12 United States or in the employ of any instrumentality of
13 the United States, if such service is performed—

14 “(i) as the President or Vice President of the
15 United States or as a Member, Delegate, or Resi-
16 dent Commissioner of or to the Congress;

17 “(ii) in the legislative branch;

18 “(iii) in a penal institution of the United
19 States by an inmate thereof;

20 “(iv) by any individual as an employee in-
21 cluded under section 2 of the Act of August 4, 1947
22 (relating to certain interns, student nurses, and
23 other student employees of hospitals of the Federal
24 Government; 5 U. S. C., sec. 1052) ;

25 “(v) by any individual as an employee serving

1 on a temporary basis in case of fire, storm, earth-
2 quake, flood, or other similar emergency; or

3 “(vi) by any individual to whom the Civil
4 Service Retirement Act of 1930 does not apply
5 because such individual is subject to another retire-
6 ment system (other than the retirement system of
7 the Tennessee Valley Authority);”.

8 (3) Section 205 (p) (3) of such Act is amended by
9 adding at the end thereof the following new sentence: “The
10 provisions of paragraphs (1) and (2) shall be applicable
11 also in the case of service performed by a civilian employee,
12 not compensated from funds appropriated by the Congress,
13 in the Coast Guard Exchanges or other activities, conducted
14 by an instrumentality of the United States subject to the
15 jurisdiction of the Secretary of the Treasury, at installations
16 of the Coast Guard for the comfort, pleasure, contentment,
17 and mental and physical improvement of personnel of the
18 Coast Guard; and for purposes of paragraphs (1) and (2)
19 the Secretary of the Treasury shall be deemed to be the head
20 of such instrumentality.”

21 **MINISTERS**

22 (d) (1) The paragraph of section 210 (a) of the
23 Social Security Act herein redesignated as paragraph (8)
24 is amended to read as follows:

25 “(8) (A) Service performed in the employ of a

1 religious, charitable, educational, or other organization
2 exempt from income tax under section 101 (6) of the
3 Internal Revenue Code, other than service performed by
4 a duly ordained, commissioned, or licensed minister of
5 a church in the exercise of his ministry or by a member
6 of a religious order in the exercise of duties required
7 by such order; but this subparagraph shall not apply to
8 service performed during the period for which a certifi-
9 cate, filed pursuant to section 1426 (1) (1) of the
10 Internal Revenue Code, is in effect, if such service is
11 performed by an employee (i) whose signature appears
12 on the list filed by such organization under such section,
13 or (ii) who became an employee of such organization
14 after the certificate was filed and after such period
15 began;

16 “(B) Service performed in the employ of a reli-
17 gious, charitable, educational, or other organization
18 exempt from income tax under section 101 (6) of the
19 Internal Revenue Code, by a duly ordained, commis-
20 sioned, or licensed minister of a church in the exercise of
21 his ministry or by a member of a religious order in the
22 exercise of duties required by such order; but this sub-
23 paragraph shall not apply to service performed by a
24 duly ordained, commissioned, or licensed minister of a
25 church or a member of a religious order, other than

1 a member of a religious order who has taken a vow
2 of poverty as a member of such order, during the period
3 for which a certificate, filed pursuant to section 1426
4 (1) (2) of the Internal Revenue Code, is in effect, if
5 such service is performed by an employee (i) whose
6 signature appears on the list filed by such organization
7 under such section, or (ii) who became an employee of
8 such organization after the certificate was filed and after
9 such period began;”.

10 (2) Section 211 (c) of such Act is amended by strik-
11 ing out paragraph (4).

12 (3) Nothing in subsection (a) of section 210 of the
13 Social Security Act, as amended by this Act, or in subsec-
14 tions (b) and (l) of section 1426 of the Internal Revenue
15 Code, as so amended, shall be construed to mean that any
16 minister is an employee of an organization for any purpose
17 other than the purposes of such sections.

18 **FISHING AND RELATED SERVICE**

19 (e) Section 210 (a) of the Social Security Act is fur-
20 ther amended by striking out paragraph (15) and redesi-
21 gnating paragraphs (16) and (17), and any references
22 thereto contained in such Act, as paragraphs (14) and
23 (15), respectively.

1 from such trade or business computed as provided under the
2 preceding provisions of this subsection, or (ii) if the
3 gross income derived from such trade or business by such
4 individual is more than \$1,800 and the net earnings from
5 self-employment derived by him therefrom, as computed
6 under the preceding provisions of this subsection, are less
7 than \$900, such net earnings may instead, at the option of
8 such individual, be deemed to be \$900. For the purpose
9 of the preceding sentence, gross income derived from such
10 trade or business shall mean the gross receipts from such
11 trade or business reduced by the cost or other basis of prop-
12 erty which was purchased and sold in carrying on such
13 trade or business, adjusted (after such reduction) in ac-
14 cordance with the preceding provisions of this subsection.”

15 (2) Paragraph (1) of such section 211 (a) is amend-
16 ed to read as follows:

17 “(1) There shall be excluded rentals from real
18 estate and from personal property leased with the real
19 estate (including such rentals paid in crop shares),
20 together with the deductions attributable thereto, unless
21 such rentals are received in the course of a trade or
22 business as a real estate dealer;”.

23 (3) The paragraph of such section 211 (a) herein re-
24 designated as paragraph (3) is amended by striking out

1 "cutting or disposal of timber" and inserting in lieu thereof

2 "cutting of timber, or the disposal of timber or coal,".

3 (4) Section 211 (c) of such Act is amended by strik-
4 ing out paragraph (5), by inserting "or" at the end of
5 paragraph (3), and by adding after paragraph (3) the
6 following new paragraph:

7 " (4) The performance of service by an individual
8 in the exercise of his profession as a physician, or the
9 performance of such service by a partnership."

10 EMPLOYEES COVERED BY STATE OR LOCAL RETIREMENT
11 SYSTEMS

12 (h) (1) Section 218 (d) of such Act is amended by
13 striking out "Exclusion Of" in the heading, by insert-
14 ing "(1)" after "(d)", and by striking out "on the date such
15 agreement is made applicable to such coverage group" and
16 inserting in lieu thereof "either (A) on the date such agree-
17 ment is made applicable to such coverage group, or (B) on
18 the date of the enactment of the succeeding paragraph of this
19 subsection (except in the case of positions which are, by
20 reason of action by such State or political subdivision thereof,
21 as may be appropriate, taken prior to the date of the enact-
22 ment of such succeeding paragraph, no longer covered by a re-
23 tirement system on the date referred to in clause (A), and
24 except in the case of positions excluded by paragraph

1 (5) (A)). The preceding sentence shall not be applicable to
2 any service performed by an employee as a member of any
3 coverage group in a position (other than a position ex-
4 cluded by paragraph (5) (A)) covered by a retirement sys-
5 tem on the date an agreement is made applicable to such cov-
6 erage group if, on such date (or, if later, the date on which
7 such individual first occupies such position), such individual
8 is ineligible to be a member of such system”.

9 (2) Such section 218 (d) is further amended by adding
10 at the end thereof the following new paragraphs:

11 “(2) It is hereby declared to be the policy of the
12 Congress in enacting the succeeding paragraphs of this
13 subsection that the protection afforded employees in positions
14 covered by a retirement system on the date an agreement
15 under this section is made applicable to service performed
16 in such positions, or receiving periodic benefits under such
17 retirement system at such time, will not be impaired as a
18 result of making the agreement so applicable or as a result
19 of legislative enactment in anticipation thereof.

20 “(3) Notwithstanding paragraph (1), an agreement
21 with a State may be made applicable (either in the original
22 agreement or by any modification thereof) to service per-
23 formed by employees in positions covered by a retirement
24 system (including positions specified in paragraph (4) but
25 not including positions excluded by or pursuant to paragraph

1 (5)) if the governor of the State certifies to the Secretary of
2 Health, Education, and Welfare that the following conditions
3 have been met:

4 " (A) A referendum by secret written ballot was
5 held on the question of whether service in positions
6 covered by such retirement system should be excluded
7 from or included under an agreement under this section;

8 " (B) An opportunity to vote in such referendum
9 was given (and was limited) to eligible employees;

10 " (C) Ninety days' notice of such referendum was
11 given to all such employees;

12 " (D) Such referendum was conducted under the
13 supervision of the governor or an agency or individual
14 designated by him;

15 " (E) A majority of the eligible employees voted in
16 such referendum; and

17 " (F) Two-thirds or more of the employees who
18 voted in such referendum voted in favor of including
19 service in such positions under an agreement under this
20 section.

21 An employee shall be deemed an 'eligible employee' for
22 purposes of any referendum with respect to any retirement
23 system if, at the time such referendum was held, he was in
24 a position covered by such retirement system and was a
25 member of such system, and if he was in such a position at

1 the time notice of such referendum was given as required
2 by clause (C) of the preceding sentence; except that he shall
3 not be deemed an 'eligible employee' if, at the time the ref-
4 erendum was held, he was in a position to which the State
5 agreement already applied, or if he was in a position ex-
6 cluded by or pursuant to paragraph (5). No referendum
7 with respect to a retirement system shall be valid for pur-
8 poses of this paragraph unless held within the two-year period
9 which ends on the date of execution of the agreement or
10 modification which extends the insurance system established
11 by this title to such retirement system, nor shall any referen-
12 dum with respect to a retirement system be valid for purposes
13 of this paragraph if held less than one year after any prior
14 referendum held with respect to such retirement system.

15 “(4) For the purposes of subsection (c) of this section,
16 the following employees shall be deemed to be a separate
17 coverage group—

18 “(A) all employees in positions which were cov-
19 ered by the same retirement system on the date the
20 agreement was made applicable to such system (other
21 than employees to whose services the agreement already
22 applied on such date) ;

23 “(B) all employees in positions which became cov-
24 ered by such system at any time after such date; and

25 “(C) all employees in positions which were cov-

1 ered by such system at any time before such date and
2 to whose services the insurance system established by
3 this title has not been extended before such date because
4 the positions were covered by such retirement system
5 (including employees to whose services the agreement
6 was not applicable on such date because such services
7 were excluded pursuant to subsection (c) (3) (C)).

8 “(5) (A) Nothing in paragraph (3) of this subsection
9 shall authorize the extension of the insurance system estab-
10 lished by this title to service in any policeman’s or fireman’s
11 position.

12 “(B) At the request of the State, any class or classes of
13 positions covered by a retirement system which may be
14 excluded from the agreement pursuant to paragraph (3) or
15 (5) of subsection (c), and to which the agreement does
16 not already apply, may be excluded from the agreement at
17 the time it is made applicable to such retirement system;
18 except that, notwithstanding the provisions of paragraph (3)
19 (C) of such subsection, such exclusion may not include any
20 services to which such paragraph (3) (C) is applicable.
21 In the case of any such exclusion, each such class so excluded
22 shall, for purposes of this subsection, constitute a separate
23 retirement system in case of any modification of the agree-
24 ment thereafter agreed to.

25 “(6) If a retirement system covers positions of em-

1 ployces of the State and positions of employees of one or
2 more political subdivisions of the State, or covers positions
3 of employees of two or more political subdivisions of the
4 State, then, for purposes of the preceding paragraphs of this
5 subsection, there shall, if the State so desires, be deemed to
6 be a separate retirement system with respect to each political
7 subdivision concerned and, where the retirement system
8 covers positions of employees of the State, a separate retire-
9 ment system with respect to the State.”

10 (3) Paragraph (3) of section 218 (c) is amended to
11 read as follows:

12 “(3) Such agreement shall, if the State requests it, ex-
13 clude (in the case of any coverage group) any one or more
14 of the following:

15 “(A) Any service of an emergency nature;

16 “(B) All services in any class or classes of (i)
17 elective positions, (ii) part-time positions, or (iii) posi-
18 tions the compensation for which is on a fee basis;

19 “(C) All services performed by individuals as mem-
20 bers of a coverage group in positions covered by a retire-
21 ment system on the date such agreement is made ap-
22 plicable to such coverage group, but only in the case of
23 individuals who, on such date (or, if later, the date on
24 which they first occupy such positions), are not eligible
25 to become members of such system and whose services

1 in such positions have not already been included under
2 such agreement pursuant to subsection (d) (3).”

3 (4) Paragraph (4) of such section 218 (c) is amended
4 by adding at the end thereof the following new sentence:
5 “A modification of an agreement pursuant to clause (B) of
6 the preceding sentence may apply to individuals to whom
7 paragraph (3) (C) is applicable (whether or not the previ-
8 ous exclusion of the service of such individuals was pursuant
9 to such paragraph), but only if such individuals are, on the
10 effective date specified in such modification, ineligible to be
11 members of any retirement system or if the modification with
12 respect to such individuals is pursuant to subsection (d)
13 (3).”

14 (5) Such section 218 (c) is further amended by adding
15 at the end thereof the following new paragraph:

16 “(7) No agreement may be made applicable (either in
17 the original agreement or by any modification thereof) to
18 service performed by any individual to whom paragraph (3)
19 (C) is applicable unless such agreement provides (in the
20 case of each coverage group involved) either that the service
21 of any individual to whom such paragraph is applicable and
22 who is a member of such coverage group shall continue to
23 be covered by such agreement in case he thereafter becomes
24 eligible to be a member of a retirement system, or that such

1 service shall cease to be so covered when he becomes eligible
2 to be a member of such a system (but only if the agreement
3 is not already applicable to such system pursuant to subsec-
4 tion (d) (3)), whichever may be desired by the State.”

5 (6) Section 218 (f) of such Act is amended to read
6 as follows:

7 “(f) Any agreement or modification of an agreement
8 under this section shall be effective with respect to services
9 performed after an effective date specified in such agreement
10 or modification; except that—

11 “(1) in the case of an agreement or modification
12 agreed to prior to 1954, such date may not be earlier
13 than December 31, 1950;

14 “(2) in the case of an agreement or modification
15 agreed to after 1954 but prior to 1958, such date may
16 not be earlier than December 31, 1954; and

17 “(3) in the case of an agreement or modification
18 agreed to during 1954 or after 1957, such date may not
19 be earlier than the last day of the calendar year preced-
20 ing the year in which such agreement or modification,
21 as the case may be, is agreed to by the Secretary of
22 Health, Education, and Welfare and the State.”

23 (7) Section 218 (m) (1) of such Act is amended by
24 striking out “subsection (d)” and inserting in lieu thereof
25 “paragraph (1) of subsection (d)”.

1 (8) Section 218 of such Act is further amended by
2 adding at the end thereof the following new subsection:

3 "Certain Positions No Longer Covered By Retirement
4 Systems

5 "(n) Notwithstanding subsection (d), an agreement
6 with any State entered into under this section prior to the
7 date of the enactment of this subsection may, prior to Janu-
8 ary 1, 1958, be modified pursuant to subsection (c) (4) so
9 as to apply to services performed by employees, as members
10 of any coverage group to which such agreement already
11 applies (and to which such agreement applied on such date
12 of enactment), in positions (1) to which such agreement
13 does not already apply, (2) which were covered by a retire-
14 ment system on the date such agreement was made appli-
15 cable to such coverage group, and (3) which, by reason of
16 action by such State or political subdivision thereof, as may
17 be appropriate, taken prior to the date of the enactment of
18 this subsection, are no longer covered by a retirement system
19 on the date such agreement is made applicable to such
20 services."

21 (9) The amendments made by this subsection shall
22 take effect January 1, 1955.

23 CIVILIAN EMPLOYEES OF STATE NATIONAL GUARD UNITS

24 (i) (1) Effective as of January 1, 1951, paragraph
25 (5) of section 218 (b) of the Social Security Act is

1 amended by adding at the end thereof the following new
2 sentence: "Civilian employees of National Guard units of
3 a State who are employed pursuant to section 90 of the
4 National Defense Act of June 3, 1916 (32 U. S. C., sec. 42),
5 and paid from funds allotted to such units by the Department
6 of Defense, shall for purposes of this section be deemed to be
7 employees of the State and (notwithstanding the preceding
8 provisions of this paragraph) shall be deemed to be a sepa-
9 rate coverage group."

10 (2) In the case of any coverage group to which the
11 amendment made by paragraph (1) is applicable, any
12 agreement or modification of an agreement agreed to prior
13 to January 1, 1956, may, notwithstanding section 218 (f)
14 of the Social Security Act, be made effective with respect to
15 services performed by employees as members of such cover-
16 age group after any effective date specified therein, but in
17 no case may such effective date be earlier than December
18 31, 1950.

19 **PRESUMED WORK DEDUCTIONS IN CASE OF CERTAIN RETRO-**

20 **ACTIVE STATE AGREEMENTS**

21 (j) (1) In the case of any services performed prior
22 to 1955 to which an agreement under section 218 of the
23 Social Security Act was made applicable, deductions
24 which—

25 (A) were not imposed under section 203 of such

1 Act with respect to such services performed prior to
2 the date the agreement was agreed to or, if the original
3 agreement was not applicable to such services, per-
4 formed prior to the date the modification making such
5 agreement applicable to such services was agreed to, and

6 (B) would have been imposed under such section
7 203 had such agreement, or modification, as the case
8 may be, been agreed to on the date it became effective,
9 shall be deemed to have been imposed, but only for pur-
10 poses of determining whether, on the basis of an applica-
11 tion filed after the month in which this Act is enacted and
12 prior to January 1, 1956, any person is entitled to a re-
13 computation, under section 215 (f) of the Social Security
14 Act, of the primary insurance amount of the individual who
15 performed such services. For purposes of any such recom-
16 putation the individual who performed such services shall be
17 deemed to have filed an application for recomputation in the
18 month for which the last of the deductions is deemed to have
19 been made under this paragraph, or in the first month there-
20 after (and prior to the month in which this Act is enacted)
21 in which his benefits under section 202 (a) of the Social Se-
22 curity Act were no longer subject to deductions under para-
23 graph (1) or (2) of section 203 (b) of such Act, which-
24 ever results in a higher primary insurance amount for such
25 individual. Any such recomputation shall be made as pro-

1 vided in the Social Security Act prior to the enactment of
2 this Act, and shall be effective for and after the month in
3 which the application referred to in the first sentence of this
4 paragraph is filed. This paragraph shall not be applicable
5 in the case of any such individual if his primary insurance
6 amount has been recomputed under section 215 (f) (2) of
7 the Social Security Act prior to the month in which this Act
8 is enacted.

9 (2) If any recomputation under section 215 (f) of
10 the Social Security Act is made by reason of deductions
11 deemed pursuant to paragraph (1) of this subsection to
12 have been imposed with respect to benefits based on the
13 wages and self-employment income of any individual, the
14 total of the benefits based on such wages and self-employ-
15 ment income for months for which such deductions are so
16 deemed to have been imposed shall be recovered by making,
17 in addition to any other deductions under section 203 of such
18 Act, deductions from any increase in benefits, based on such
19 wages and self-employment income, resulting from such
20 recomputation.

21 **SERVICE BY AMERICAN CITIZENS FOR FOREIGN SUBSIDIARY**
22 **OF DOMESTIC CORPORATION**

23 (k) Clause (B) of so much of section 210 (a) of the
24 Social Security Act as precedes paragraph (1) thereof is
25 amended to read as follows: "(B) outside the United

1 States by a citizen of the United States as an employee (i)
2 of an American employer (as defined in subsection (e)),
3 or (ii) of a foreign subsidiary (as defined in section 1426
4 (m) of the Internal Revenue Code) of a domestic corporation
5 (as determined in accordance with section 3797 (a) of the
6 Internal Revenue Code) during any period for which there is
7 in effect an agreement, entered into pursuant to section 1426
8 (m) of the Internal Revenue Code, with respect to such
9 subsidiary;”.

10 EFFECTIVE DATES

11 (1) The amendment made by paragraph (3) of sub-
12 section (g) shall be applicable only with respect to taxable
13 years beginning after 1950. The amendments made by
14 paragraphs (1), (2), and (4) of such subsection and by
15 paragraph (2) of subsection (d) shall, except for purposes of
16 section 203 of the Social Security Act, be applicable only
17 with respect to taxable years ending after 1954. The amend-
18 ments made by paragraphs (1), (2), and (3) of subsection
19 (a) shall be applicable only with respect to remuneration
20 paid after 1954. The amendments made by paragraphs
21 (4), (5), and (6) of subsection (a) shall be applica-
22 ble only with respect to services (whether performed after
23 1954 or prior to 1955) for which the remuneration is paid
24 after 1954. The amendment made by paragraph (3) of sub-
25 section (c) shall become effective January 1, 1955. The

1 other amendments made by this section (other than the
2 amendments made by subsections (h), (i), and (k)) shall
3 be applicable only with respect to services performed after
4 1954. For purposes of section 203 of the Social Security
5 Act, the amendments made by paragraphs (1), (2), and
6 (4) of subsection (g) and by paragraph (2) of subsection
7 (d) shall be effective with respect to self-employment in-
8 come derived after 1954. The amount of self-employment
9 income derived during any taxable year ending in, and not
10 with the close of, 1955 shall be credited equally to the
11 calendar quarter in which such taxable year ends and to each
12 of the three or fewer preceding quarters any part of which
13 is in such taxable year; and, for purposes of the preceding
14 sentence of this subsection, self-employment income so
15 credited to calendar quarters in 1955 shall be deemed to
16 have been derived after 1954.

17 INCREASE IN BENEFIT AMOUNTS

18 SEC. 102. (a) Subsection (a) of section 215 of the
19 Social Security Act is amended to read as follows:

20 "Primary Insurance Amount

21 "(a) (1) The primary insurance amount of any
22 individual (i) who does not become eligible for benefits
23 under section 202 (a) until after the last day of the month

1 following the month in which the Social Security Amend-
2 ments of 1954 are enacted, or who dies after such day and
3 without becoming eligible for benefits under such section
4 202 (a), and (ii) with respect to whom not less than six
5 of the quarters elapsing after 1950 are quarters of coverage,
6 and the primary insurance amount of any individual with
7 respect to whom not less than six of the quarters elapsing
8 after June 30, 1953, are quarters of coverage, shall be
9 whichever of the following amounts is the larger:

10 “(A) Fifty-five per centum of the first \$110 of his
11 average monthly wage, plus 20 per centum of the next
12 \$240; or

13 “(B) The amount determined under subsection (c).
14 An individual shall, for purposes of this paragraph, be
15 deemed eligible for benefits under section 202 (a) for any
16 month if he was or would have been, upon filing application
17 therefor in such month, entitled to such benefits for such
18 month.

19 “(2) The primary insurance amount of any other
20 individual shall be the amount determined under subsec-
21 tion (c).”

22 (b) (1) Paragraphs (1), (2), and (3) of subsection
23 (b) of such section are amended to read as follows:

1 “(1) An individual’s ‘average monthly wage’ shall be
2 the quotient obtained by dividing the total of his wages and
3 self-employment income after his starting date (determined
4 under paragraph (2)) and prior to his closing date (deter-
5 mined under paragraph (3)), by the number of months
6 elapsing after such starting date and prior to such closing
7 date, excluding from such elapsed months any month in
8 any year prior to the year in which he attained the age of
9 twenty-two if less than two quarters of such prior year were
10 quarters of coverage, except that when the number of such
11 elapsed months thus computed is less than eighteen, it shall
12 be increased to eighteen.

13 “(2) An individual’s ‘starting date’ shall be—

14 “(A) December 31, 1950, or

15 “(B) if later, the last day of the year in which he
16 attains the age of twenty-one,

17 whichever results in the higher average monthly wage.

18 “(3) An individual’s ‘closing date’ shall be whichever
19 of the following results in the higher average monthly wage:

20 “(A) the first day of the year in which he died or
21 became entitled to old-age insurance benefits, whichever
22 first occurred; or

1 “(B) the first day of the first year in which he both
2 was fully insured and had attained retirement age;
3 except that if the Secretary determines, on the basis of the
4 evidence available to him at the time of the computation of
5 the individual’s primary insurance amount with respect to
6 which such closing date is applicable, that it would result in
7 a higher average monthly wage for such individual, his clos-
8 ing date shall be the first day of the year following the year
9 referred to in subparagraph (A).”

10 (2) Subsection (b) of such section is further amended
11 by striking out paragraph (4) and inserting in lieu thereof
12 the following new paragraph:

13 “(4) In the case of any individual, the Secretary shall
14 determine the four or fewer full calendar years after the
15 year in which occurs his starting date and prior to his
16 closing date which, if the months of such years and his
17 wages and self-employment income for such years were ex-
18 cluded in computing his average monthly wage, would pro-
19 duce the highest primary insurance amount. Such months
20 and such wages and self-employment income shall be ex-
21 cluded for purposes of computing such individual’s average
22 monthly wage. The maximum number of calendar years

1 determined under the first sentence of this paragraph shall
2 be five instead of four in the case of any individual who had
3 not less than twenty quarters of coverage in the period end-
4 ing with the calendar quarter preceding his closing date.”

5 (c) Subsection (c) of such section is amended to read as
6 follows:

7 “Determinations Made by Use of the Conversion Table

8 “(c) (1) Except as provided in paragraph (2) of this
9 subsection, the amount referred to in paragraphs (1) (B)
10 and (2) of subsection (a) for an individual shall be either
11 the amount appearing in column III of the following table
12 on the line on which in column I appears his primary in-
13 surance benefit (as determined under subsection (d)), or
14 the amount appearing in column III of the following table
15 on the line on which in column II appears his primary in-
16 surance amount (determined as provided in subsection (d)),
17 whichever produces the higher amount; and his average
18 monthly wage shall, for purposes of section 203 (a), be the
19 amount appearing in column IV on the line on which, in
20 column III, appears such higher amount.

"I "If the primary insurance benefit (as determined under subsection (d)) is—	II Or the primary insurance amount (as determined under subsection (d)) is—	III The amount referred to in paragraphs (1) (B) and (2) of subsection (a) shall be—	IV And the average monthly wage for purposes of computing maximum benefits shall be—
\$10.....	\$25.00	\$30.00	\$55.00
\$11.....	27.00	32.00	58.00
\$12.....	29.00	34.00	62.00
\$13.....	31.00	36.00	65.00
\$14.....	33.00	38.00	69.00
\$15.....	35.00	40.00	73.00
\$16.....	36.70	41.70	76.00
\$17.....	38.20	43.20	79.00
\$18.....	39.50	44.50	81.00
\$19.....	40.70	45.70	83.00
\$20.....	42.00	47.00	85.00
\$21.....	43.50	48.50	88.00
\$22.....	45.30	50.30	91.00
\$23.....	47.50	52.50	95.00
\$24.....	50.10	55.10	100.00
\$25.....	52.40	57.40	104.00
\$26.....	54.40	59.40	108.00
\$27.....	56.30	61.30	114.00
\$28.....	58.00	63.00	123.00
\$29.....	59.40	64.40	130.00
\$30.....	60.80	66.30	139.00
\$31.....	62.00	67.90	147.00
\$32.....	63.30	69.50	155.00
\$33.....	64.40	71.10	163.00
\$34.....	65.50	72.50	170.00
\$35.....	66.60	73.90	177.00
\$36.....	67.80	75.50	185.00
\$37.....	68.90	77.10	193.00
\$38.....	70.00	78.50	200.00
\$39.....	71.00	79.90	207.00
\$40.....	72.00	81.10	213.00
\$41.....	73.10	82.70	221.00
\$42.....	74.10	83.90	227.00
\$43.....	75.10	85.30	234.00
\$44.....	76.10	86.70	241.00
\$45.....	77.10	88.50	250.00
\$46.....	77.10	88.50	250.00
	77.20	88.50	250.00
	77.30	88.50	250.00
	77.40	88.50	250.00
	77.50	88.50	250.00
	78.00	89.10	253.00
	79.00	90.50	260.00
	80.10	91.90	267.00
	81.00	93.10	273.00
	82.00	94.50	280.00
	83.10	95.90	287.00
	84.00	97.10	293.00
	85.00	98.50	300.00

1 “(2) (A) In case the primary insurance benefit (deter-
2 mined as provided in subsection (d)) of an individual falls
3 between the amounts on any two consecutive lines in column
4 I of the table, the amount referred to in paragraphs (1) (B)
5 and (2) of subsection (a) for such individual shall be the
6 amount determined (i) by applying the formula in subsec-
7 tion (a) (1) to the average monthly wage which would
8 be determined for such individual under paragraph (4) of
9 this subsection as in effect prior to the enactment of the
10 Social Security Amendments of 1954, (ii) by increas-
11 ing the amount determined under clause (i), if it is not a
12 multiple of \$0.10, to the next higher multiple of \$0.10,
13 and (ii) by further increasing such amount to the extent, if
14 any, it is less than \$5 greater than the primary insurance
15 amount which would be determined for him by use of his pri-
16 mary insurance benefit under paragraph (2) of this subsec-
17 tion as in effect prior to the enactment of the Social Security
18 Amendments of 1954.

19 “(B) In case the primary insurance amount (deter-
20 mined under subsection (d)) of an individual falls between
21 the amounts on any two consecutive lines in column II of
22 the table, the amount referred to in paragraphs (1) (B)
23 and (2) of subsection (a) for such individual shall be the
24 amount determined under subparagraph (A) of this para-

1 graph for an individual whose primary insurance benefit
2 would (under paragraph (2) of this subsection as in effect
3 prior to the enactment of the Social Security Amendments
4 of 1954) produce such primary insurance amount; except
5 that, if there is no primary insurance benefit which would
6 (under such paragraph (2)) produce such primary insur-
7 ance amount or if such primary insurance amount is higher
8 than \$77.10, the amount referred to in paragraphs (1) (B)
9 and (2) of subsection (a) for such individual shall be the
10 amount determined (i) by applying the formula in subsec-
11 tion (a) (1) to the average monthly wage from which such
12 primary insurance amount was determined, (ii) by increasing
13 the amount determined under clause (i), if it is not a multi-
14 ple of \$0.10, to the next higher multiple of \$0.10, and (iii)
15 by further increasing such amount to the extent, if any, it is
16 less than \$5 greater than such primary insurance amount.

17 “(C) If the provisions of subparagraphs (A) and (B)
18 of this paragraph are both applicable to an individual, the
19 amount referred to in paragraphs (1) (B) and (2) of sub-
20 section (a) for such individual shall be the larger of the
21 amounts determined under such subparagraphs.

22 “(3) For the purpose of facilitating the use of the
23 conversion table in computing any insurance benefit under
24 section 202, the Secretary is authorized to assume that

1 the primary insurance benefit from which such benefit under
2 section 202 is determined is one cent or two cents more or
3 less than its actual amount.

4 “(4) For purposes of section 203 (a), the average
5 monthly wage of an individual whose primary insurance
6 amount is determined under paragraph (2) of this subsection
7 shall be a sum equal to the average monthly wage which
8 would result in such primary insurance amount upon the
9 application of the provisions of subsection (a) (1) (A) of
10 this section and without the application of subsection (e)
11 (2) or (g) of this section; except that, if such sum is not
12 a multiple of \$1, it shall be rounded to the nearest multiple
13 of \$1 (or to the next higher multiple of \$1 if it is a
14 multiple of \$0.50).”

15 (d) (1) The heading of subsection (d) of such section
16 is amended to read “Primary Insurance Benefit and Primary
17 Insurance Amount For Purposes of Conversion Table”.

18 (2) So much of such subsection (d) as precedes para-
19 graph (1) thereof is amended by inserting “and the primary
20 insurance amounts” after “primary insurance benefits”.

21 (3) So much of paragraph (4) of such subsection (d)
22 as precedes subparagraph (A) is amended by inserting
23 “(except an individual who attained age twenty-two after
24 1950 and with respect to whom not less than six of the

1 quarters elapsing after 1950 are quarters of coverage)"
2 after "individual".

3 (4) Such subsection (d) is amended by adding after
4 paragraph (5), added by section 106 of this Act, the fol-
5 lowing new paragraph:

6 " (6) The primary insurance amount of any individual
7 shall be computed as provided in this section as in effect prior
8 to the enactment of this paragraph, except that the amend-
9 ments made by sections 102 (b) (other than paragraph
10 (2) thereof), 104, and 106 of the Social Security Amend-
11 ments of 1954 (relating, respectively, to increase in benefit
12 amounts, increase in earnings counted, and periods of dis-
13 ability) shall, to the extent provided by such sections, be
14 applicable to such computation."

15 (e) (1) Section 215 (e) of such Act is amended by
16 striking out "and" at the end of paragraph (1), by chang-
17 ing the period at the end of paragraph (2) to a semicolon,
18 and by adding after such paragraph (2) the following new
19 paragraph:

20 " (3) if an individual's closing date is determined
21 under paragraph (3) (A) of subsection (b) and he has
22 self-employment income in a taxable year which begins
23 prior to such closing date and ends after the last day of

1 the month preceding the month in which he becomes
2 entitled to old-age insurance benefits, there shall not be
3 counted, in determining his average monthly wage, his
4 self-employment income in such taxable year, except
5 as provided in section 215 (f) (3) (C).”

6 (2) (A) Section 215 (f) (2) of such Act is amended
7 to read as follows:

8 “(2) (A) Upon application filed after 1954 by an
9 individual entitled to old-age insurance benefits, the Secretary
10 shall recompute his primary insurance amount if—

11 “(i) he has not less than six quarters of coverage
12 in the period after 1950 and prior to the quarter in which
13 such application is filed,

14 “(ii) he has wages and self-employment income of
15 not less than \$1,000 in a calendar year which occurs
16 after 1953 and after the year in which he became
17 (without the application of section 202 (j) (1))
18 entitled to old-age insurance benefits or filed an applica-
19 tion for recomputation (to which he is entitled) under
20 section 102 (e) (5) or 102 (f) (2) (B) of the Social
21 Security Amendments of 1954, whichever of such events
22 is the latest, and

23 “(iii) he filed such application no earlier than six
24 months after such calendar year referred to in clause (ii)

1 in which he had such wages and self-employment
2 income.

3 Such recomputation shall be effective for and after the
4 twelfth month before the month in which he filed such appli-
5 cation for recomputation but in no event earlier than the
6 month following such calendar year referred to in clause
7 (ii). For the purposes of this subparagraph an individual's
8 self-employment income shall be allocated to calendar quar-
9 ters in accordance with section 212.

10 “(B) Except as provided in subparagraph (C) a recom-
11 putation pursuant to subparagraph (A) shall be made only
12 as provided in subsection (a) (1) (other than subpara-
13 graph (B) thereof) of this section, taking into account only
14 such wages and self-employment income which would be
15 taken into account under subsection (b) if the month in
16 which he filed the application under subparagraph (A)
17 were deemed to be the month in which he became entitled
18 to old-age insurance benefits, except that, of the provisions
19 of paragraph (3) of such subsection, only the provisions of
20 subparagraph (A) shall be applicable.

21 “(C) If such recomputation is the first recomputation
22 under subparagraph (A), such recomputation shall be made
23 as though the individual first became entitled to old-age
24 insurance benefits on the day he filed application for such
25 recomputation. For purposes of this subparagraph a recom-

1 putation under section 102 (e) (5) (B) or 102 (f) (2)
2 (B) of the Social Security Amendments of 1954 shall be
3 deemed to be a recomputation under subparagraph (A)
4 of this paragraph.”

5 (3) (A) Section 215 (f) (3) of such Act is amended
6 to read as follows:

7 “(A) Upon application by an individual—

8 (i) who became (without the application of sec-
9 tion 202 (j) (1)) entitled to old-age insurance bene-
10 fits under section 202 (a) after the effective date, or

11 (ii) whose primary insurance amount was recom-
12 puted under section 102 (e) (5) or 102 (f) (2) (B)
13 of the Social Security Amendments of 1954, or

14 (iii) whose primary insurance amount was recom-
15 puted for the first time under paragraph (2) of this
16 subsection on the basis of an application filed after the
17 effective date,

18 the Secretary shall recompute his primary insurance amount
19 if such application is filed after the year in which he became
20 entitled to old-age insurance benefits or in which he filed
21 his application for the last recomputation (to which he was
22 entitled) of his primary insurance amount under any pro-
23 vision of law referred to in clause (ii) or (iii) of this
24 sentence, whichever is the later. Such recomputation under
25 this subparagraph shall be made in the manner provided

1 in the preceding subsections of this section for computation
2 of his primary insurance amount, except that his closing
3 date for purposes of subsection (b) shall be the first day
4 of the year following the year in which he became entitled
5 to old-age insurance benefits or in which he filed his appli-
6 cation for the last recomputation (to which he was entitled)
7 of his primary insurance amount under any provision of
8 law referred to in clause (ii) or (iii) of the preceding
9 sentence, whichever is the later. Such recomputation under
10 this subparagraph shall be effective for and after the first
11 month for which his last previous computation of his pri-
12 mary insurance amount was effective, but in no event for
13 any month prior to the twenty-fourth month before the
14 month in which the application for such recomputation is
15 filed. As used in this subparagraph and subparagraph (B),
16 the term 'effective date' means the last day of the month
17 following the month in which the Social Security Amend-
18 ments of 1954 are enacted.

19 " (B) Upon application by a person entitled to monthly
20 benefits or a lump-sum death payment on the basis of the
21 wages and self-employment income of an individual who
22 died after the effective date and who, if he was entitled
23 to an old-age insurance benefit before he died, would,
24 upon the filing of an application in the month of his
25 death, have been entitled to a recomputation of his pri-

1 mary insurance amount under subparagraph (A) of this
2 paragraph, the Secretary shall recompute such individual's
3 primary insurance amount. Such recomputation shall be
4 made in the manner provided in the preceding subsections
5 of this section for computation of such amount, except that
6 his closing date for purposes of subsection (b) shall be the
7 first day of the year following the year in which he died or
8 in which he filed his application for the last previous com-
9 putation of his primary insurance amount under any pro-
10 vision of law referred to in clause (i), (ii), or (iii) of the
11 first sentence of subparagraph (A), whichever first
12 occurred. In the case of monthly benefits, such recomputa-
13 tion shall be effective for and after the month in which the
14 person entitled to such monthly benefits became so entitled,
15 but in no event for any month prior to the twenty-fourth
16 month before the month in which the application for such
17 recomputation is filed."

18 (B) Such section 215 (f) (3) is further amended by
19 adding after subparagraph (B) (added by subparagraph
20 (A) of this paragraph) the following new subparagraph:

21 “(C) If an individual's closing date is determined
22 under paragraph (3) (A) of subsection (b) of this section
23 and he has self-employment income in a taxable year which
24 begins prior to such closing date and ends after the last day
25 of the month preceding the month in which he became en-

1 titled to old-age insurance benefits, the Secretary shall re-
2 compute his primary insurance amount after the close of such
3 taxable year, taking into account only such self-employment
4 income in such taxable year as is, pursuant to section 212,
5 allocated to calendar quarters prior to such closing date.
6 Such recomputation shall be effective for and after the first
7 month in which he became entitled to old-age insurance
8 benefits.”

9 (4) Section 215 (f) (4) of such Act is amended to
10 read as follows:

11 “(4) Upon the death after 1954 of an individual en-
12 titled to old-age insurance benefits, if any person is entitled
13 to monthly benefits, or to a lump-sum death payment, on
14 the basis of the wages and self-employment income of such
15 individual, the Secretary shall recompute the decedent’s
16 primary insurance amount, but only if—

17 “(A) the decedent would have been entitled to a
18 recomputation under paragraph (2) (A) (without the
19 application of clause (iii) thereof) if he had filed appli-
20 cation therefor in the month in which he died; or

21 “(B) the decedent during his lifetime was paid com-
22 pensation which was treated under section 205 (o) as
23 remuneration for employment.

24 If the recomputation is permitted by subparagraph (A) the
25 recomputation shall be made (if at all) as though he had

1 filed application for a recomputation under paragraph (2)
2 (A) in the month in which he died, except that such
3 recomputation shall include any compensation (described in
4 section 205 (o)) paid to him prior to the closing date which
5 would have been applicable under such paragraph. If re-
6 computation is permitted by subparagraph (B) the recom-
7 putation shall take into account only the wages and self-
8 employment income which were taken into account in the
9 last previous computation of his primary insurance amount
10 and the compensation (described in section 205 (o)) paid
11 to him prior to the closing date applicable to such computa-
12 tion. If both of the preceding sentences are applicable to an
13 individual, only the recomputation which results in the larger
14 primary insurance amount shall be made.”

15 (5) (A) In the case of any individual who, upon filing
16 application therefor on or before the effective date, would
17 (but for the provisions of section 215 (f) (6) of the Social
18 Security Act) have been entitled to a recomputation under
19 subparagraph (A) or (B) of section 215 (f) (2) of such
20 Act as in effect prior to the enactment of this Act, the
21 Secretary shall recompute such individual's primary insur-
22 ance amount, but only if he files an application therefor or,
23 in case he died before filing such application, an application
24 for monthly benefits or a lump-sum death payment on the
25 basis of his wages and self-employment income is filed. Such

1 recomputation shall be made only as provided in subsection
2 (a) (2) of section 215 of the Social Security Act, as
3 amended by this Act, through the use of a primary insur-
4 ance amount determined under subsection (d) (6) of such
5 section in the same manner as for an individual to whom
6 subsection (a) (1) of such section, as in effect prior to
7 the enactment of this Act, is applicable; and such recompu-
8 tation shall take into account only such wages and self-
9 employment income as would be taken into account under
10 section 215 (b) of the Social Security Act if the month
11 in which the application for recomputation is filed were
12 deemed to be the month in which the individual became en-
13 titled to old-age insurance benefits. Such recomputation shall
14 be effective for and after the month in which such appli-
15 cation for recomputation is filed.

16 (B) In the case of—

17 (i) any individual who is entitled to a recomputa-
18 tion under subparagraph (A) of section 215 (f) (2)
19 of the Social Security Act as in effect prior to the enact-
20 ment of this Act on the basis of an application filed after
21 the effective date and with respect to whom either less
22 than six of the quarters elapsing after 1950 and prior
23 to the day following the effective date are quarters of
24 coverage or the twelfth month referred to in such sub-
25 paragraph (A) occurred after the effective date, and

1 (ii) any individual who is entitled to a recomputa-
2 tion under section 215 (f) (2) (B) of the Social Se-
3 curity Act on the basis of an application filed after the
4 effective date, and with respect to whom less than six
5 of the quarters elapsing after 1950 and prior to the day
6 following the effective date are quarters of coverage or
7 who did not attain the age of seventy-five prior to the
8 day following the effective date,

9 the recomputation of his primary insurance amount shall
10 be made in the manner provided in section 215 of the Social
11 Security Act, as amended by this Act, for computation of
12 such amount, except that his closing date, for purposes of
13 subsection (b) of such section 215, shall be determined as
14 though he became entitled to old-age insurance benefits in
15 the month in which he filed such application for recomputa-
16 tion. Such recomputation shall be effective for and after
17 the month in which such application for recomputation is
18 filed. As used in this subparagraph and the succeeding sub-
19 sections of this section, the "effective date" is the last day of
20 the month following the month in which this Act is enacted.

21 (C) No individual shall be entitled to a recomputation
22 under section 215 (f) (2) of the Social Security Act as in
23 effect prior to the date of the enactment of this Act unless (i)
24 he had not less than six quarters of coverage in the period
25 after 1950 and prior to January 1, 1955, and (ii) either the

1 twelfth month referred to in subparagraph (A) of such
2 section 215 (f) (2) occurred prior to January 1, 1955, or
3 he attained the age of 75 prior to 1955, and (iii) he meets
4 the other conditions of entitlement to such a recomputation.
5 No individual shall be entitled to a recomputation under sub-
6 paragraph (A) or (B) of this paragraph if his primary
7 insurance amount has previously been recomputed under
8 either of such subparagraphs.

9 (6) In the case of an individual who died or became
10 (without the application of section 202 (j) (1) of the Social
11 Security Act) entitled to old-age insurance benefits in 1956
12 and with respect to whom not less than six of the quarters
13 elapsing after 1954 and prior to the quarter following the
14 quarter in which he died or became entitled to old-age insur-
15 ance benefits, whichever first occurred, are quarters of cover-
16 age, his closing date shall be July 1, 1956, instead of the day
17 specified in section 215 (b) (3) of such Act, but only if it
18 would result in a higher primary insurance amount. For the
19 purposes of section 215 (f) (3) (C) of such Act, the de-
20 termination of an individual's closing date under the preced-
21 ing sentence shall be considered as a determination of the in-
22 dividual's closing date under section 215 (b) (3) (A) of
23 such Act, and the recomputation provided for by such section
24 215 (f) (3) (C) shall be made using July 1, 1956, as the
25 closing date, but only if it would result in a higher primary

1 insurance amount. In any such computation on the basis of
2 a July 1, 1956 closing date, the total of his wages and self-
3 employment income after December 31, 1955, shall, if it is in
4 excess of \$2,100, be reduced to such amount.

5 (7) Section 203 (a) of such Act is amended to read as
6 follows:

7 " (a) Whenever the total of monthly benefits to which
8 individuals are entitled under section 202 for a month on
9 the basis of the wages and self-employment income of an
10 insured individual is more than \$50 and exceeds (1) 80
11 per centum of his average monthly wage, or (2) one and
12 one-half times his primary insurance amount, whichever is
13 the greater, such total of benefits shall, after any deductions
14 under this section, be reduced to 80 per centum of his
15 average monthly wage or to one and one-half times his
16 primary insurance amount, whichever is the greater, but in
17 no case to less than \$50; except that when any of such
18 individuals so entitled would (but for the provisions of
19 section 202 (k) (2) (A)) be entitled to child's insurance
20 benefits on the basis of the wages and self-employment
21 income of one or more other insured individuals, such total
22 of benefits, after any deductions under this section, shall not
23 be reduced to less than 80 per centum of the sum of the
24 average monthly wages of all such insured individuals. In
25 any case in which the total of the benefits referred to in the

1 preceding sentence, after reduction (if any) thereunder, is
2 more than \$200, such total shall, notwithstanding the provi-
3 sions of such sentence, be reduced to \$200. Whenever a
4 reduction is made under this subsection, each benefit, except
5 the old-age insurance benefit, shall be proportionately
6 decreased.”

7 (8) In the case of an individual who became (without
8 the application of section 202 (j) (1)) entitled to old-age
9 insurance benefits or died prior to the day following the
10 effective date, the provisions of section 215 (f) (3) as in
11 effect prior to the enactment of this Act shall be applicable
12 as though this Act had not been enacted.

13 (f) (1) The amendments made by the preceding sub-
14 sections, other than subsection (b) and paragraphs (1),
15 (2), (3), and (4) of subsection (e), shall (subject to
16 the provisions of paragraph (2) and notwithstanding the
17 provisions of section 215 (f) (1) of the Social Security
18 Act) apply in the case of lump-sum death payments under
19 section 202 of such Act with respect to deaths occurring
20 after, and in the case of monthly benefits under such section
21 for months after, the effective date.

22 (2) (A) The amendment made by subsection (b) (2)
23 shall be applicable only in the case of monthly benefits and
24 the lump-sum death payment based on the wages and self-
25 employment income of an individual (i) who does not be-

1 come eligible for benefits under section 202 (a) of the
2 Social Security Act until after the effective date, or (ii) who
3 dies after such effective date and without becoming eligible
4 for benefits under such section 202 (a), or (iii) who is or
5 has been entitled to have his primary insurance amount
6 recomputed under section 215 (f) (2) of the Social Security
7 Act, as amended by subsection (e) (2) of this section, or
8 under subsection (e) (5) (B) of this section, or (iv)
9 with respect to whom not less than six of the quarters
10 elapsing after June 1953 are quarters of coverage' (as defined
11 in such Act), or (v) who files, after the effective date, an
12 application for a disability determination which is accepted
13 as an application for purposes of section 216 (i) of such
14 Act, or (vi) who dies after the effective date and whose
15 survivors are (or would, but for the provisions of section
16 215 (f) (7) of such Act, be) entitled to a recomputation of
17 his primary insurance amount under section 215 (f) (4)
18 (A) of such Act, as amended by this Act. For purposes of
19 the preceding sentence an individual shall be deemed eligible
20 for benefits under section 202 (a) of the Social Security Act
21 for any month if he was, or would upon filing application
22 therefor in such month have been, entitled to such benefits
23 for such month.

24 (B) In the case of any individual entitled to old-age
25 insurance benefits under section 202 (a) of the Social Secu-

1 rity Act who was or, upon filing application therefor, would
2 have been entitled to such benefits for the month in which
3 the effective date occurs, to whom subparagraph (A) is
4 inapplicable, and with respect to whom not less than six
5 of the quarters elapsing after June 30, 1953, are quarters
6 of coverage, the Secretary of Health, Education, and Wel-
7 fare shall, notwithstanding the provisions of section 215
8 (f) (1) of the Social Security Act, recompute the pri-
9 mary insurance amount of such individual but only upon
10 the filing of an application, after the effective date, by him
11 or, if he dies without filing such an application, by any
12 person entitled to monthly survivors benefits under section
13 202 of such Act on the basis of such individual's wages
14 and self-employment income. Such recomputation shall be
15 made in the manner provided in section 215 of the Social
16 Security Act for computation of such individual's primary
17 insurance amount, except that the provisions of subsection
18 (f) of such section (other than paragraph (3) (C) thereof)
19 shall not be applicable for purposes of such computation, and
20 except that his closing date, for purposes of subsection
21 (b) of such section, shall be determined as though he
22 became entitled to old-age insurance benefits in the month
23 in which he filed such application for recomputation or, if
24 he died without filing such application, the month in which
25 he died. Such recomputation shall be effective for and

1 after the month in which the application therefor was
2 filed by such individual or if such application was filed by a
3 person entitled to monthly survivors benefits under section
4 202 of the Social Security Act on the basis of such individ-
5 ual's wages and self-employment income, for and after the
6 first month for which such person was entitled to such sur-
7 vivors benefits. No such recomputation of an individual's
8 primary insurance amount shall be effective unless it results
9 in a higher primary insurance amount for him; nor shall any
10 such recomputation of an individual's primary insurance
11 amount be effective if such amount has previously been
12 recomputed under this subsection.

13 (3) The amendments made by subsections (b) (1),
14 (e) (1), and (e) (3) (B) shall be applicable only in
15 the case of monthly benefits based on the wages and self-
16 employment income of an individual who does not become
17 entitled to old-age insurance benefits under section 202 (a)
18 of the Social Security Act until after the effective date, or
19 who dies after the effective date without becoming entitled
20 to such benefits, or who files an application after the effec-
21 tive date and is entitled to a recomputation under paragraph
22 (2) or (4) of section 215 (f) of the Social Security Act,
23 as amended by this Act, or who is entitled to a recomputa-
24 tion under paragraph (2) (B) of this subsection, or who is
25 entitled to a recomputation under paragraph (5) of sub-
26 section (e).

1 (4) The amendments made by subsection (e) (2) shall
2 be applicable only in the case of applications for recompu-
3 tation filed after 1954. The amendment made by subsection
4 (e) (4) shall be applicable only in the case of deaths after
5 1954.

6 (5) The amendments made by subparagraph (A) of
7 subsection (e) (3) shall be applicable only in the case
8 of applications for recomputation filed, or deaths occurring,
9 after the effective date.

10 (6) No increase in any benefit by reason of the amend-
11 ments made by this section (other than subsection (i)) or
12 by reason of subparagraph (B) of paragraph (2) shall be
13 regarded as a recomputation for purposes of section 215 (f)
14 of the Social Security Act.

15 (g) Effective with the beginning of the second month
16 following the month in which this Act is enacted, section
17 2 (c) (2) (B) of the Social Security Act Amendments of
18 1952 is amended to read as follows:

19 “(B) The provisions of subparagraph (A) shall
20 cease to apply to the benefit of any individual under
21 title II of the Social Security Act for any month after
22 the month following the month in which the Social
23 Security Amendments of 1954 are enacted.”

24 (h) (1) Where—

1 (A) an individual was entitled (without the appli-
2 cation of section 202 (j) (1) of the Social Security
3 Act) to an old-age insurance benefit under title II of
4 such Act for the month in which the effective date
5 occurs;

6 (B) one or more other persons were entitled (with-
7 out the application of such section 202 (j) (1)) to
8 monthly benefits under such title for such month on the
9 basis of the wages and self-employment income of such
10 individual; and

11 (C) the total of the benefits to which all persons
12 are entitled under such title on the basis of such indi-
13 vidual's wages and self-employment income for any
14 subsequent month for which he is entitled to an old-age
15 insurance benefit under such title, would (but for the
16 provisions of this paragraph) be reduced by reason of the
17 application of section 203 (a) of the Social Security
18 Act, as amended by this Act,

19 then the total of benefits referred to in clause (C) for such
20 subsequent month shall be reduced to whichever of the
21 following is the larger—

22 (D) the amount determined pursuant to section
23 203 (a) of the Social Security Act, as amended by this
24 Act; or

25 (E) the amount determined pursuant to such sec-

1 tion, as in effect prior to the enactment of this Act, for
2 the month in which the effective date occurs plus the
3 excess of (i) the amount of his old-age insurance bene-
4 fit for such month computed as if the amendments made
5 by the preceding subsections of this section had been
6 applicable in the case of such benefit for such month
7 over (ii) the amount of his old-age insurance benefit
8 for such month, or

9 (F) the amount determined pursuant to section 2
10 (d) (1) of the Social Security Act Amendments of
11 1952 for the month in which the effective date occurs
12 plus the excess of (i) the amount of his old-age insur-
13 ance benefit for such month computed as if the amend-
14 ments made by the preceding subsections of this section
15 had been applicable in the case of such benefit for such
16 month over (ii) the amount of his old-age insurance
17 benefit for such month.

18 (2) Where—

19 (A) two or more persons were entitled (without
20 the application of section 202 (j) (1) of the Social
21 Security Act) to monthly benefits under title II of such
22 Act for the month in which the effective date occurs on
23 the basis of the wages and self-employment income of a
24 deceased individual; and

25 (B) the total of the benefits to which all such

1 persons are entitled on the basis of such deceased in-
2 dividual's wages and self-employment income for any
3 subsequent month would (but for the provisions of this
4 paragraph) be reduced by reason of the application of
5 the first sentence of section 203 (a) of the Social Secu-
6 rity Act, as amended by this Act,
7 then, notwithstanding any other provision in title II of the
8 Social Security Act, such deceased individual's average
9 monthly wage shall, for purposes of such section 203 (a),
10 be whichever of the following is the larger:

11 (C) his average monthly wage determined pur-
12 suant to section 215 of such Act, as amended by this
13 Act; or

14 (D) his average monthly wage determined under
15 such section 215, as in effect prior to the enactment of
16 this Act, plus \$7.

17 (i) (1) Section 202 of such Act is amended by inserting
18 after subsection (l) the following new subsection:

19 "Minimum Survivor's or Dependent's Benefit

20 "(m) In any case in which the benefit of any individual
21 for any month under this section (other than subsection
22 (a)) is, prior to reduction under subsection (k) (3), less
23 than \$30 and no other individual is (without the application
24 of section 202 (j) (1)) entitled to a benefit under this

1 section for such month on the basis of the same wages and
2 self-employment income, such benefit for such month shall,
3 prior to reduction under such subsection (k) (3), be in-
4 creased to \$30."

5 (2) The first sentence of subsection (i) of such section
6 202 is amended by inserting ", or an amount equal to \$255,
7 whichever is the smaller" after "primary insurance amount".

8 AMENDMENTS RELATING TO DEDUCTIONS FROM BENEFITS

9 SEC. 103. (a) (1) Section 203 (b) of the Social
10 Security Act is amended by striking out paragraphs (1)
11 and (2) and inserting in lieu thereof the following new
12 paragraph:

13 " (1) in which such individual is under the age of
14 seventy-five and for which month he is charged with
15 any earnings under the provisions of subsection (e) of
16 this section; or".

17 (2) Such section 203 (b) is amended by inserting
18 after paragraph (1) (inserted by paragraph (1) of this
19 subsection) the following new paragraph:

20 " (2) in which such individual is under the age of
21 seventy-five and on seven or more different calendar
22 days of which he engaged in noncovered remunerative
23 activity outside the United States; or".

24 (b) (1) Section 203 (c) of such Act is amended by

1 striking out paragraphs (1) and (2) and inserting in lieu
2 thereof the following new paragraph:

3 “(1) in which the individual, on the basis of
4 whose wages and self-employment income such benefit
5 was payable, is under the age of seventy-five and for
6 which month he is charged with any earnings under
7 the provisions of subsection (e) of this section; or”.

8 (2) Such section 203 (c) is amended by inserting after
9 paragraph (1) (inserted by paragraph (1) of this sub-
10 section) the following new paragraph:

11 “(2) in which the individual referred to in para-
12 graph (1) is under the age of seventy-five and on seven
13 or more different calendar days of which he engaged in
14 noncovered remunerative activity outside the United
15 States.”

16 (c) The second sentence of section 203 (d) of such
17 Act is amended to read as follows: “The charging of earn-
18 ings to any month shall be treated as an event occurring in
19 such month.”

20 (d) (1) The heading of section 203 (e) of such Act is
21 amended to read “Months to Which Earnings Are Charged”.

22 (2) Paragraphs (1) and (2) of such section 203 (e)
23 are amended to read as follows:

24 “(1) If an individual's earnings for a taxable year

1 of twelve months are not more than \$1,000, no month
2 in such year shall be charged with any earnings. If an
3 individual's earnings for a taxable year of less than
4 twelve months are not more than the product of one-
5 twelfth of \$1,000 times the number of months in such
6 year, no month in such year shall be charged with any
7 earnings.

8 “(2) If an individual's earnings for a taxable year
9 of twelve months are in excess of \$1,000, the amount
10 of his earnings in excess of \$1,000 shall be charged to
11 months as follows: The first \$80 of such excess shall be
12 charged to the last month of such taxable year, and the
13 balance, if any, of such excess shall be charged at the
14 rate of \$80 per month to each preceding month in such
15 year to which such charging is not prohibited by the
16 last sentence of this paragraph, until all of such balance
17 has been applied. If an individual's earnings for a tax-
18 able year of less than twelve months are more than the
19 product of one-twelfth of \$1,000 times the number of
20 months in such year, the amount of such earnings in
21 excess of such product shall be charged to months as
22 follows: The first \$80 of such excess shall be charged to
23 the last month of such taxable year, and the balance,
24 if any, shall be charged at the rate of \$80 per month to

1 each preceding month in such year to which such charg-
2 ing is not prohibited by the last sentence of this para-
3 graph, until all of such balance has been applied.
4 Notwithstanding the preceding provisions of this para-
5 graph, no part of the excess referred to in such pro-
6 visions shall be charged to any month (A) for which
7 the individual whose earnings are involved was not en-
8 titled to a benefit under this title, (B) in which an event
9 described in paragraph (2), (3), (4), or (5) of
10 subsection (b), or in subsection (m), occurred, (C)
11 in which such individual was age seventy-five or over,
12 or (D) in which such individual did not engage in
13 self-employment and did not render services for wages
14 (determined as provided in paragraph (4) of this
15 subsection) of more than \$80.”

16 (3) Paragraph (3) (B) of such section 203 (e) is
17 amended to read as follows:

18 “(B) For purposes of clause (D) of paragraph (2)—

19 “(i) An individual will be presumed, with respect
20 to any month, to have been engaged in self-employment
21 in such month until it is shown to the satisfaction of the
22 Secretary that such individual rendered no substantial
23 services in such month with respect to any trade or busi-
24 ness the net income or loss of which is includible in com-
25 puting (as provided in paragraph (4) of this subsec-

1 tion) his net earnings or net loss from self-employment
2 for any taxable year. The Secretary shall by regula-
3 tions prescribe the methods and criteria for determining
4 whether or not an individual has rendered substantial
5 services with respect to any trade or business.

6 “(ii) An individual will be presumed, with respect
7 to any month, to have rendered services for wages (de-
8 termined as provided in paragraph (4) of this subsec-
9 tion) of more than \$80 until it is shown to the satis-
10 faction of the Secretary that such individual did not
11 render such services in such month for more than such
12 amount.”

13 (4) Such section 203 (e) is further amended by add-
14 ing at the end thereof the following new paragraphs:

15 “(4) (A) An individual’s earnings for a taxable
16 year shall be (i) the sum of his wages for services
17 rendered in such year and his net earnings from self-
18 employment for such year, minus (ii) any net loss from
19 self-employment for such year.

20 “(B) In determining an individual’s net earnings
21 from self-employment and his net loss from self-employ-
22 ment for purposes of subparagraph (A) of this para-
23 graph and subparagraph (B) of paragraph (3), the
24 provisions of section 211, other than paragraphs (1)
25 and (4) of subsection (c), shall be applicable; and any

1 excess of income over deductions resulting from such a
2 computation shall be his net earnings from self-employ-
3 ment and any excess of deductions over income so
4 resulting shall be his net loss from self-employment.

5 “(C) For purposes of this subsection, an individual’s
6 wages shall be computed without regard to the limita-
7 tions as to amounts of remuneration specified in sub-
8 sections (a), (g) (2), (g) (3), (h) (2), and (j) of
9 section 209; and in making such computation services
10 which do not constitute employment as defined in sec-
11 tion 210, performed within the United States by the in-
12 dividual as an employee, shall be deemed to be employ-
13 ment as so defined if the remuneration for such services
14 is not includible in computing his net earnings or net
15 loss from self-employment.

16 “(5) For purposes of this subsection, wages (deter-
17 mined as provided in paragraph (4) (C)) which, ac-
18 cording to reports received by the Secretary, are paid to
19 an individual during a taxable year shall be presumed
20 to have been paid to him for services performed in such
21 year until it is shown to the satisfaction of the Secretary
22 that they were paid for services performed in another
23 taxable year. If such reports with respect to an individ-
24 ual show his wages for a calendar year, such individual’s
25 taxable year shall be presumed to be a calendar year for

1 purposes of this subsection until it is shown to the satis-
2 faction of the Secretary that his taxable year is not a
3 calendar year.”

4 (e) Section 203 (f) of such Act is amended to read
5 as follows:

6 “Penalty for Failure To Report Certain Events

7 “(f) Any individual in receipt of benefits subject to de-
8 duction under subsection (b), (c), or (m) (or who is in
9 receipt of such benefits on behalf of another individual),
10 because of the occurrence of an event specified therein (other
11 than an event specified in subsection (b) (1) or (c) (1)),
12 who fails to report such occurrence to the Secretary prior to
13 the receipt and acceptance of an insurance benefit for the
14 second month following the month in which such event
15 occurred, shall suffer an additional deduction equal to that
16 imposed under subsection (b), (c), or (m), except that the
17 first additional deduction imposed by this subsection in the
18 case of any individual shall not exceed an amount equal to
19 one month’s benefit even though the failure to report is
20 with respect to more than one month.”

21 (f) (1) The heading of section 203 (g) of such Act
22 is amended to read “Report of Earnings to Secretary”.

23 (2) The first sentence of paragraph (1) of section 203
24 (g) of such Act is amended to read as follows: “If an indi-
25 vidual is entitled to any monthly insurance benefit under

1 section 202 during any taxable year in which he has earnings
2 or wages, as computed pursuant to paragraph (4) of subsec-
3 tion (e), in excess of the product of one-twelfth of \$1,000
4 times the number of months in such year, such individual (or
5 the individual who is in receipt of such benefit on his be-
6 half) shall make a report to the Secretary of his earnings
7 (or wages) for such taxable year.”

8 (3) Paragraph (2) of such section 203 (g) is amended
9 to read as follows:

10 “(2) If an individual fails to make a report required
11 under paragraph (1), within the time prescribed therein,
12 for any taxable year and any deduction is imposed under
13 subsection (b) (1) by reason of his earnings for such year,
14 he shall suffer additional deductions as follows:

15 “(A) if such failure is the first one with respect to
16 which an additional deduction is imposed under this
17 paragraph, such additional deduction shall be equal to
18 his benefit or benefits for the last month of such year
19 for which he was entitled to a benefit under section 202;

20 “(B) if such failure is the second one for which an
21 additional deduction is imposed under this paragraph,
22 such additional deduction shall be equal to two times his
23 benefit or benefits for the last month of such year for
24 which he was entitled to a benefit under section 202;

25 “(C) if such failure is the third or a subsequent one

1 for which an additional deduction is imposed under this
2 paragraph, such additional deduction shall be equal to
3 three times his benefit or benefits for the last month
4 of such year for which he was entitled to a benefit
5 under section 202;

6 except that the number of the additional deductions required
7 by this paragraph with respect to a failure to report earnings
8 for a taxable year shall not exceed the number of months in
9 such year for which such individual received and accepted
10 insurance benefits under section 202 and for which deduc-
11 tions are imposed under subsection (b) (1) by reason of
12 his earnings. In determining whether a failure to report
13 earnings is the first or a subsequent failure for any individual,
14 all taxable years ending prior to the imposition of the first
15 additional deduction under this paragraph, other than the
16 latest one of such years, shall be disregarded."

17 (4) Paragraph (3) of such section 203 (g) is amended
18 by striking out "subsection (b) (2)" each time it appears
19 and inserting in lieu thereof "subsection (b) (1)"; by
20 striking out "net earnings from self-employment" each time
21 it appears and inserting in lieu thereof "earnings"; by strik-
22 ing out "such net earnings" and inserting in lieu thereof "such
23 earnings"; and by adding at the end of such paragraph the
24 following new sentence: "If, after the close of a taxable year
25 of an individual entitled to benefits under section 202 for

1 such year, the Secretary requests such individual to furnish
2 a report of his earnings (as computed pursuant to paragraph
3 (4) of subsection (e)) for such taxable year or any other
4 information with respect to such earnings which the Secre-
5 tary may specify, and the individual fails to comply with such
6 request, such failure shall in itself constitute justification for
7 a determination that such individual's benefits are subject to
8 deductions under subsection (b) (1) for each month in such
9 taxable year (or only for such months thereof as the Secre-
10 tary may specify) by reason of his earnings for such year."

11 (g) Section 203 of such Act is amended by adding at the
12 end thereof the following new subsection:

13 "Noncovered Remunerative Activity Outside the United
14 States

15 "(k) An individual shall be considered to be engaged in
16 noncovered remunerative activity outside the United States
17 if he performs services outside the United States as an em-
18 ployee and such services do not constitute employment as
19 defined in section 210, or if he carries on a trade or business
20 outside the United States (other than the performance of
21 service as an employee) the net income or loss of which (1)
22 is not includible in computing his net earnings from self-em-
23 ployment for a taxable year and (2) would not be excluded
24 from net earnings from self-employment, if carried on in the

1 United States, by any of the numbered paragraphs of section
2 211 (a). When used in the preceding sentence with respect
3 to a trade or business (other than the performance of service
4 as an employee), the term 'United States' does not include
5 Puerto Rico or the Virgin Islands in the case of an alien who
6 is not a resident of the United States (including Puerto Rico
7 and the Virgin Islands); and the term 'trade or business'
8 shall have the same meaning as when used in section 23
9 of the Internal Revenue Code."

10 (h) Section 203 of such Act is further amended by add-
11 ing after subsection (k) (added by subsection (g) of this
12 section) the following new subsection:

13 "Good Cause for Failure To Make Reports Required

14 (1) The failure of an individual to make any report
15 required by subsection (f) or (g) within the time pre-
16 scribed therein shall not be regarded as such a failure if it
17 is shown to the satisfaction of the Secretary that he had good
18 cause for failing to make such report within such time.
19 The determination of what constitutes good cause for pur-
20 poses of this subsection shall be made in accordance with
21 regulations of the Secretary."

22 (i) (1) Section 203 of such Act is further amended by
23 adding after subsection (l) (added by subsection (h) of this
24 section) the following new subsection:

1 "Deductions From Benefits of Dependents' and Survivors'
2 Residing Abroad

3 "(m) (1) Deductions shall be made from any benefits
4 to which a dependent or survivor is entitled under subsection
5 (b), (c), (d), (e), (f), (g), or (h) of section 202 on the
6 basis of the wages and self-employment income of an in-
7 sured individual until the total of such deductions equals
8 such dependent's or survivor's benefit or benefits under such
9 subsection for any month during no part of which he is a
10 resident of the United States unless—

11 "(A) such dependent or survivor resided in the
12 United States for three years during the five years im-
13 mediately preceding the first month for which he was
14 eligible for such benefits or any other monthly benefits
15 under such section 202 based on the wages and self-
16 employment income of such insured individual; or

17 "(B) such insured individual would be a currently
18 insured individual at the time he became eligible for
19 or entitled to old-age insurance benefits or primary
20 insurance benefits or, if he died without becoming so
21 eligible or entitled, at the time of his death, even if
22 no wages were counted for such purpose except his
23 wages (if any) for service referred to in clause (B)
24 of so much of section 210 (a) as precedes paragraph
25 (1) and his wages (if any) deemed paid pursuant to
26 subsection (a) or (e) of section 217; or

1 “(C) in the case of a child entitled to child’s insur-
2 ance benefits, such child first became eligible for such
3 benefits (on the basis of the wages and self-employment
4 income of such insured individual) prior to the month
5 in which he attained the age of three and such child
6 was born in the United States.

7 “(2) For purposes of paragraph (1) —

8 “(A) an individual shall be deemed eligible for
9 benefits under any subsection of section 202 for any
10 month if he was, or would have been upon filing appli-
11 cation therefor in such month, entitled to such benefits
12 for such month;

13 “(B) a dependent is a wife, husband, or child of an
14 individual entitled to old-age insurance benefits; and

15 “(C) a survivor is a widow, widower, child, former
16 wife divorced, or parent (of a deceased individual) en-
17 titled to monthly benefits under subsection (d), (e),
18 (f), (g), or (h) of section 202.”

19 (2) The first sentence of section 203 (d) of such Act
20 is amended by striking out “(b) and (c)” and inserting in
21 lieu thereof “(b), (c), and (m)”.

22 (3) Section 214 (b) of such Act is amended by strik-
23 ing out “or” before clause (3) and by inserting immediately
24 before the period at the end thereof: “, or (4) for pur-

1 poses of section 203 (m) only, the first quarter in which he
2 was, or would have been upon filing application therefor
3 in such quarter, entitled to old-age insurance benefits or
4 primary insurance benefits”.

5 (4) Subsections (a) (1) and (e) (1) of section 217
6 of such Act are each amended by adding at the end thereof
7 the following new sentence: “The provisions of clause (B)
8 shall also not apply for purposes of section 203 (m) (1)
9 (B).”

10 (5) The amendments made by this subsection shall be
11 applicable in the case of any individual who (A) is en-
12 titled to benefits under any subsection of section 202 of the
13 Social Security Act (other than subsection (a) thereof),
14 on the basis of the wages and self-employment income of an
15 insured individual, after the month in which this Act is
16 enacted, and (B) was not, and would not have been upon
17 filing application therefor in such month, entitled (without
18 the application of subsection (j) (1) of such section 202)
19 to benefits under the same or any other subsection of such
20 section 202 on the basis of such insured individual’s wages
21 and self-employment income for the month in which this
22 Act is enacted or any prior month.

23 (j) (1) The amendments made by subsection (f) and
24 by paragraph (1) of subsection (a) of this section shall be
25 applicable in the case of monthly benefits under title II of

1 the Social Security Act for months in any taxable year (of
2 the individual entitled to such benefits) beginning after
3 December 1954. The amendments made by paragraph (1)
4 of subsection (b) of this section shall be applicable in the
5 case of monthly benefits under such title II for months in
6 any taxable year (of the individual on the basis of whose
7 wages and self-employment income such benefits are pay-
8 able) beginning after December 1954. The amendments
9 made by subsections (e) and (g), and by paragraph (2)
10 of subsection (a) and paragraph (2) of subsection (b),
11 shall be applicable in the case of monthly benefits under such
12 title II for months after December 1954. The remaining
13 amendments made by this section (other than subsection
14 (h) and (i)) shall be applicable, insofar as they are re-
15 lated to the monthly benefits of an individual which are
16 based on his wages and self-employment income, in the case
17 of monthly benefits under such title II for months in any
18 taxable year (of such individual) beginning after December
19 1954 and, insofar as they are related to the monthly benefits
20 of an individual which are based on the wages and self-
21 employment income of someone else, in the case of monthly
22 benefits under such title II for months in any taxable year
23 (of the individual on whose wages and self-employment in-
24 come such benefits are based) beginning after December
25 1954.

1 (2) No deduction shall be imposed on or after the date
2 of the enactment of this Act under subsection (f) or (g) of
3 section 203 of the Social Security Act, as in effect prior to
4 such date, on account of failure to file a report of an event
5 described in subsection (b) (1), (b) (2), or (c) (1) of
6 such section (as in effect prior to such date); and no such
7 deduction imposed prior to such date shall be collected after
8 such date. In determining whether, under section 203 (g)
9 (2) of the Social Security Act, as amended by this Act, a
10 failure to file a report is a first or subsequent failure, any
11 failure with respect to a taxable year which began prior to
12 January 1955 shall be disregarded.

13 INCREASE IN EARNINGS COUNTED

14 SEC. 104. (a) Subsection (a) of section 209 of the
15 Social Security Act is amended to read as follows:

16 “(a) (1) That part of remuneration which, after re-
17 munerated (other than remuneration referred to in the suc-
18 ceeding subsections of this section) equal to \$3,600 with
19 respect to employment has been paid to an individual during
20 any calendar year prior to 1955, is paid to such individual
21 during such calendar year;

22 “(2) That part of remuneration which, after remunera-
23 tion (other than remuneration referred to in the succeeding
24 subsections of this section) equal to \$4,200 with respect to
25 employment has been paid to an individual during any cal-

1 endar year after 1954, is paid to such individual during such
2 calendar year;”.

3 (b) Paragraph (1) of subsection (b) of section 211
4 of such Act is amended to read as follows:

5 “(1) That part of the net earnings from self-
6 employment which is in excess of—

7 “(A) For any taxable year ending prior to
8 1955, (i) \$3,600, minus (ii) the amount of the
9 wages paid to such individual during the taxable
10 year; and

11 “(B) For any taxable year ending after
12 1954, (i) \$4,200, minus (ii) the amount of the
13 wages paid to such individual during the taxable
14 year; or”.

15 (c) Clauses (ii) and (iii) of section 213 (a) (2) (B)
16 of such Act are amended to read as follows—

17 “(ii) if the wages paid to any individual
18 in any calendar year equal \$3,600 in the case
19 of a calendar year after 1950 and before 1955,
20 or \$4,200 in the case of a calendar year after
21 1954, each quarter of such year shall (subject
22 to clause (i)) be a quarter of coverage.

23 “(iii) if an individual has self-employment
24 income for a taxable year, and if the sum of
25 such income and the wages paid to him during

1 such year equals \$3,600 in the case of a taxable
2 year beginning after 1950 and ending before
3 1955, or \$4,200 in the case of a taxable year
4 ending after 1954, each quarter any part of
5 which falls in such year shall (subject to clause
6 (i)) be a quarter of coverage;”.

7 (d) Paragraph (1) of section 215 (e) of such Act is
8 amended to read as follows:

9 “(1) in computing an individual’s average monthly
10 wage there shall not be counted the excess over \$3,600
11 in the case of any calendar year after 1950 and before
12 1955, and the excess over \$4,200 in the case of any
13 calendar year after 1954, of (A) the wages paid to
14 him in such year, plus (B) the self-employment income
15 credited to such year (as determined under section
16 212) ; and”.

17 **RETROACTIVE APPLICATIONS FOR BENEFITS**

18 SEC. 105. (a) Section 202 (j) (1) of the Social Se-
19 curity Act is amended by striking out “sixth” and inserting
20 in lieu thereof “twelfth”.

21 (b) The amendment made by subsection (a) shall be
22 applicable only in the case of applications for monthly bene-
23 fits under section 202 of the Social Security Act filed after
24 the month following the month in which this Act is enacted;
25 except that no individual shall, by reason of such amendment,

1 be entitled to any benefit for any month prior to the fifth
2 month before the month in which this Act is enacted.

3 PRESERVATION OF INSURANCE RIGHTS OF INDIVIDUALS
4 WITH EXTENDED TOTAL DISABILITY

5 SEC. 106. (a) (1) Section 213 (a) (2) (A) of the
6 Social Security Act is amended to read as follows:

7 “(A) The term ‘quarter of coverage’ means, in the case
8 of any quarter occurring prior to 1951, a quarter in which
9 the individual has been paid \$50 or more in wages, except
10 that no quarter any part of which was included in a period
11 of disability (as defined in section 216 (i)), other than the
12 initial quarter of such period, shall be a quarter of coverage.
13 In the case of any individual who has been paid, in a cal-
14 endar year prior to 1951, \$3,000 or more in wages, each
15 quarter of such year following his first quarter of coverage
16 shall be deemed a quarter of coverage, excepting any quarter
17 in such year in which such individual died or became entitled
18 to a primary insurance benefit and any quarter succeeding
19 such quarter in which he died or became so entitled, and
20 excepting any quarter any part of which was included in a
21 period of disability, other than the initial quarter of such
22 period.”

23 (2) Section 213 (a) (2) (B) (i) of such Act is
24 amended to read as follows:

25 “(i) no quarter after the quarter in which such

1 individual died shall be a quarter of coverage, and no
2 quarter any part of which was included in a period of
3 disability (other than the initial quarter and the last
4 quarter of such period) shall be a quarter of coverage;”.

5 (b) (1) Section 214 (a) (2) of the Social Security
6 Act is amended by striking out subparagraph (B) and in-
7 serting in lieu thereof the following:

8 “(B) forty quarters of coverage,
9 not counting as an elapsed quarter for purposes of subpara-
10 graph (A) any quarter any part of which was included in a
11 period of disability (as defined in section 216 (i)) unless
12 such quarter was a quarter of coverage.”

13 (2) Section 214 (b) of such Act is amended by striking
14 out the period and inserting in lieu thereof: “, not counting
15 as part of such thirteen-quarter period any quarter any part
16 of which was included in a period of disability unless such
17 quarter was a quarter of coverage.”

18 (c) (1) Section 215 (b) (1) of the Social Security
19 Act (as amended by section 102 (b) (1) of this Act) is
20 amended by inserting after “quarter of coverage” the follow-
21 ing: “and any month in any quarter any part of which was
22 included in a period of disability (as defined in section 216
23 (i)) unless such quarter was a quarter of coverage”.

24 (2) Section 215 (d) of such Act is amended by adding
25 at the end thereof the following new paragraph:

1 “(5) In the case of any individual to whom paragraph
2 (1), (2), or (4) of this subsection is applicable, his primary
3 insurance benefit shall be computed as provided therein ex-
4 cept that, for purposes of paragraphs (1) and (2) and sub-
5 paragraph (C) of paragraph (4), any quarter prior to 1951
6 any part of which was included in a period of disability shall
7 be excluded from the elapsed quarters unless it was a quarter
8 of coverage, and any wages paid in any such quarter shall
9 not be counted.”

10 (3) Section 215 (e) of such Act (as amended by
11 section 102 (e) (1) of this Act) is amended by adding
12 after paragraph (3) the following new paragraph:

13 “(4) in computing an individual’s average monthly
14 wage, there shall not be taken into account (A) any
15 wages paid such individual in any quarter any part of
16 which was included in a period of disability unless such
17 quarter was a quarter of coverage, or (B) any self-
18 employment income of such individual for any taxable
19 year all of which was included in a period of disability.”

20 (d) Section 216 of the Social Security Act is amended
21 by adding after subsection (h) the following new subsection:

22 “Disability; Period of Disability

23 “(i) (1) The term ‘disability’ means (A) inability
24 to engage in any substantial gainful activity by reason of
25 any medically determinable physical or mental impairment

1 which can be expected to result in death or to be of long-
2 continued and indefinite duration, or (B) blindness; and the
3 term 'blindness' means central visual acuity of 5/200 or
4 less in the better eye with the use of a correcting lens. An
5 eye in which the visual field is reduced to five degrees or less
6 concentric contraction shall be considered for the purpose of
7 this paragraph as having a central visual acuity of 5/200
8 or less. An individual shall not be considered to be under a
9 disability unless he furnishes such proof of the existence
10 thereof as may be required. Nothing in this title shall be
11 construed as authorizing the Secretary or any other officer or
12 employee of the United States to interfere in any way with
13 the practice of medicine or with relationships between prac-
14 titioners of medicine and their patients, or to exercise any
15 supervision or control over the administration or operation
16 of any hospital.

17 “(2) The term ‘period of disability’ means a continuous
18 period of not less than six full calendar months (beginning
19 and ending as hereinafter provided in this subsection) during
20 which an individual was under a disability (as defined in
21 paragraph (1)). No such period shall begin as to any
22 individual unless such individual, while under a disability,
23 files an application for a disability determination with re-

1 spect to such period; and no such period shall begin as to
2 any individual after such individual attains retirement age.
3 Except as provided in paragraph (4), a period of disability
4 shall begin—

5 “(A) if the individual satisfies the requirements of
6 paragraph (3) on such day,

7 “(i) on the day the disability began, or

8 “(ii) on the first day of the one-year period
9 which ends with the day before the day on which
10 the individual files such application,
11 whichever occurs later;

12 “(B) if such individual does not satisfy the require-
13 ments of paragraph (3) on the day referred to in sub-
14 paragraph (A), then on the first day of the first quarter
15 thereafter in which he satisfies such requirements.

16 A period of disability shall end with the close of the last
17 day of the first month in which either the disability ceases
18 or the individual attains retirement age. No application for
19 a disability determination which is filed more than three
20 months before the first day on which a period of disability
21 can begin (as determined under this paragraph) shall be
22 accepted as an application for purposes of this paragraph,
23 and no such application which is filed prior to January 1,
24 1955, shall be accepted.

1 “(3) The requirements referred to in clauses (A) and
2 (B) of paragraphs (2) and (4) are satisfied by an in-
3 dividual with respect to any quarter only if he had not less
4 than—

5 “(A) six quarters of coverage (as defined in sec-
6 tion 213 (a) (2)) during the thirteen-quarter period
7 which ends with such quarter; and

8 “(B) twenty quarters of coverage during the forty-
9 quarter period which ends with such quarter,
10 not counting as part of the thirteen-quarter period specified
11 in clause (A), or the forty-quarter period specified in clause
12 (B), any quarter any part of which was included in a prior
13 period of disability unless such quarter was a quarter of
14 coverage.

15 “(4) If an individual files an application for a disability
16 determination after December 1954, and before July 1957,
17 with respect to a disability which began before July 1956,
18 and continued without interruption until such application
19 was filed, then the beginning day for the period of disability,
20 if such individual does not die prior to July 1, 1955, shall
21 be—

22 “(A) the day such disability began, but only if he
23 satisfies the requirements of paragraph (3) on such
24 day;

25 “(B) if he does not satisfy such requirements on

1 such day, the first day of the first quarter thereafter in
2 which he satisfies such requirements.”

3 (e) (1) The first sentence of section 217 (a) (1) of
4 the Social Security Act is amended by inserting “and for
5 purposes of section 216 (i) (3),” after “World War II
6 veteran,”.

7 (2) The first sentence of section 217 (e) (1) of such
8 Act is amended by inserting “and for purposes of section 216
9 (i) (3),” after “veteran (as defined in paragraph (4)),”.

10 (3) Such section 217 (a) (1) and such section 217 (e)
11 (1) of such Act are each amended by inserting “, or for
12 purposes of section 216 (i) (3)” immediately before the
13 period at the end of the last sentence thereof (added by
14 section 103 (i) (4) of this Act).

15 (f) Section 5 (k) of the Railroad Retirement Act of
16 1937, as amended, is amended by striking out “and for the
17 purposes of section 203 of that Act” and inserting in lieu
18 thereof “and for the purposes of sections 203 and 216 (i)
19 (3) of that Act”.

20 (g) Title II of the Social Security Act is amended by
21 adding after section 219 the following new sections:

22 “DISABILITY PROVISIONS INAPPLICABLE IF BENEFIT
23 RIGHTS IMPAIRED

24 “SEC. 220. None of the provisions of this title relating
25 to periods of disability shall apply in any case in which their

1 application would result in the denial of monthly benefits
2 or a lump-sum death payment which would otherwise be
3 payable under this title; nor shall they apply in the case of
4 any monthly benefit or lump-sum death payment under this
5 title if such benefit or payment would be greater without
6 their application.

7 "DISABILITY DETERMINATIONS

8 "SEC. 221. (a) In the case of any individual, the deter-
9 mination of whether or not he is under a disability (as
10 defined in section 216 (i)) and of the day such disability
11 began, and the determination of the day on which such
12 disability ceases, shall, except as provided in subsection (g),
13 be made by a State agency pursuant to an agreement entered
14 into under subsection (b). Except as provided in subsections
15 (c) and (d), any such determination shall be the determi-
16 nation of the Secretary for purposes of this title.

17 "(b) The Secretary shall enter into an agreement with
18 each State which is willing to make such an agreement
19 under which the State agency or agencies administering
20 the State plan approved under the Vocational Rehabilita-
21 tion Act, or any other appropriate State agency or agen-
22 cies, or both, will make the determinations referred to in
23 subsection (a) with respect to all individuals in such State,
24 or with respect to such class or classes of individuals in

1 the State as may be designated in the agreement at the
2 State's request.

3 “(c) The Secretary may on his own motion review a
4 determination, made by a State agency pursuant to an
5 agreement under this section, that an individual is under
6 a disability and, as a result of such review, may determine
7 that such individual is not under a disability or that such
8 disability began on a day later than that determined by
9 such agency, or that such disability ceased on a day earlier
10 than that determined by such agency.

11 “(d) Any individual dissatisfied with any deter-
12 mination under subsection (a), (c), or (g) shall be
13 entitled to a hearing thereon by the Secretary to the same
14 extent as is provided in section 205 (b) with respect to
15 decisions of the Secretary, and to judicial review of the
16 Secretary's final decision after such hearing as is provided
17 in section 205 (g).

18 “(e) Each State which has an agreement with the Sec-
19 retary under this section shall be entitled to receive from
20 the Trust Fund, in advance or by way of reimbursement, as
21 may be mutually agreed upon, the cost to the State of carry-
22 ing out the agreement under this section. The Secretary
23 shall from time to time certify such amount as is necessary
24 for this purpose to the Managing Trustee, reduced or

1 increased, as the case may be, by any sum (for which ad-
2 justment hereunder has not previously been made) by which
3 the amount certified for any prior period was greater or
4 less than the amount which should have been paid to the
5 State under this subsection for such period; and the Man-
6 aging Trustee, prior to audit or settlement by the General
7 Accounting Office, shall make payment from the Trust
8 Fund at the time or times fixed by the Secretary, in
9 accordance with such certification.

10 “(f) All money paid to a State under this section shall
11 be used solely for the purposes for which it is paid; and any
12 money so paid which is not used for such purposes shall
13 be returned to the Treasury of the United States for deposit
14 in the Trust Fund.

15 “(g) In the case of individuals in a State which has no
16 agreement under subsection (b), in the case of individuals
17 outside the United States, and in the case of any class or
18 classes of individuals not included in an agreement under
19 subsection (b), the determinations referred to in subsection
20 (a) shall be made by the Secretary in accordance with regu-
21 lations prescribed by him.

22 “REFERRAL FOR REHABILITATION SERVICES

23 “SEC. 222. It is hereby declared to be the policy of the
24 Congress in enacting the preceding section that disabled indi-

1 individuals applying for a determination of disability shall be
2 promptly referred to the State agency or agencies administer-
3 ing or supervising the administration of the State plan ap-
4 proved under the Vocational Rehabilitation Act for neces-
5 sary vocational rehabilitation services, to the end that the
6 maximum number of disabled individuals may be restored to
7 productive activity.”

8 (h) Notwithstanding the provisions of section 215 (f)
9 (1) of the Social Security Act, the amendments made by
10 subsections (a), (b), (c), (d), (e), and (f) of this section
11 shall apply with respect to monthly benefits under title II of
12 the Social Security Act for months after June 1955, and with
13 respect to lump-sum death payments under such title in the
14 case of deaths occurring after June 1955; but no recomputa-
15 tion of benefits by reason of such amendments shall be re-
16 garded as a recomputation for purposes of section 215 (f)
17 of the Social Security Act.

18 DELETION OF EARNINGS DURING UNLAWFUL RESIDENCE
19 IN THE UNITED STATES

20 SEC. 107. (a) Section 205 of the Social Security Act
21 is amended by redesignating subsection (n) as subsection
22 (m) and inserting after such subsection the following new
23 subsection:

1 to receipt of such notice shall not be deemed by reason of
2 this subsection to be an erroneous payment.”

3 (b) The amendment made by subsection (a) shall be
4 applicable in the case of monthly benefits under title II
5 of the Social Security Act for months after, and in the case
6 of lump-sum death payments with respect to deaths
7 occurring after, the month following the month in which this
8 Act is enacted.

9 **TERMINATION OF BENEFITS UPON DEPORTATION**

10 **SEC. 108.** (a) Section 202 of the Social Security Act is
11 amended by adding at the end thereof the following new sub-
12 section:

13 “Termination of Benefits Upon Deportation of Primary
14 Beneficiary

15 “(m) (1) Notwithstanding any other provision of this
16 title, no monthly benefits under this section shall be paid on
17 the basis of the wages and self-employment income of any
18 individual for any month after such individual has been de-
19 ported under paragraph (1), (2), (4), (5), (6), (7),
20 (10), (11), (12), (14), (15), (16), (17), or (18)
21 of section 241 (a) of the Immigration and Nationality Act,
22 and no lump-sum death payment shall be made on the basis
23 of such wages and self-employment income in case of death
24 in or after such month.

1 graph (4) and inserting after paragraph (2) the following
2 new paragraph:

3 “(3) In the case of any individual who did not die prior
4 to January 1, 1955, the term ‘fully insured individual’ means
5 any individual who meets the requirements of paragraph (2)
6 and, in addition, any individual with respect to whom all
7 of the quarters elapsing after 1954 and prior to (i) July 1,
8 1956, or (ii) if later, the quarter in which he attained re-
9 tirement age or died, whichever first occurred, are quarters
10 of coverage.”

11 (b) Subparagraph (B) of section 213 (a) (2) of such
12 Act is amended by inserting “(except wages for agricul-
13 tural labor)” after “\$50 or more in wages” in that part of
14 such subparagraph which precedes clause (i), and by strik-
15 ing out clause (iv) and inserting in lieu thereof the
16 following:

17 “(iv) if an individual is paid wages for agricultural
18 labor in a calendar year, then, subject to clause (i), (a)
19 the last two quarters of such year which can be but are
20 not otherwise quarters of coverage shall be quarters of
21 coverage if such wages are less than \$300; (b) the last
22 three quarters of such year which can be but are not
23 otherwise quarters of coverage shall be quarters of cover-
24 age if such wages equal or exceed \$300 but are less than

1 \$400; and (c) each quarter of such year which is not
2 otherwise a quarter of coverage shall be a quarter of cov-
3 erage if such wages are \$400 or more; and

4 “(v) no quarter shall be counted as a quarter of
5 coverage prior to the beginning of such quarter.

6 If, in the case of any individual who has attained retirement
7 age or died and who has been paid wages for agricultural
8 labor in a calendar year, the requirements for insured status
9 in subsection (a) or (b) of section 214, the requirements
10 for entitlement to a computation or recomputation of his
11 primary insurance amount, or the requirements of paragraph
12 (3) of section 216 (i) are not met after assignment of quar-
13 ters of coverage to quarters in such year as provided in clause
14 (iv) of the preceding sentence, but would be met if such
15 quarters of coverage were assigned to different quarters in
16 such year, then such quarters of coverage shall instead be as-
17 signed, for purposes only of determining compliance with
18 such requirements, to such different quarters.”

19 BENEFITS IN CERTAIN CASES OF DEATHS BEFORE
20 SEPTEMBER 1950

21 SEC. 110. (a) In the case of any individual—

22 (1) who died prior to September 1, 1950, and was
23 not a fully insured individual (under title II of the Social
24 Security Act), when he died, and

1 (2) who had not less than six quarters of coverage
2 (as defined in such title),
3 such individual shall, except for purposes of determining en-
4 titlement of a former wife divorced to benefits under section
5 202 (g) of the Social Security Act, be deemed to have died a
6 fully insured individual. Such individual's primary insurance
7 amount shall be computed under subsection (a) (2) of sec-
8 tion 215 of such Act, except that, for the purpose of such
9 computation, the provisions of paragraph (4) of subsection
10 (d) of such section (in lieu of the provisions of paragraph
11 (3) of such subsection) shall be applicable, and except that
12 his closing date shall be the first day of the quarter in which
13 he died. In the case of any such individual, the requirement
14 in subsection (h) of section 202 of such Act that proof of
15 support be filed within two years of the date of his death
16 shall not apply if such proof is filed within two years after the
17 first month following the month in which this Act is enacted.

18 (b) The provisions of subsection (a) shall be applicable
19 only in the case of monthly benefits under section 202 of the
20 Social Security Act for months after the first month following
21 the month in which this Act is enacted, on the basis of appli-
22 cations filed after such month in which this Act is enacted.

1 ELIMINATION OF REQUIREMENT OF FILING APPLICATION
2 IN CERTAIN CASES

3 SEC. 111. (a) Section 202 (e) (1) (C) of the
4 Social Security Act is amended to read as follows:

5 “(C) (i) has filed application for widow’s insur-
6 ance benefits or was entitled, after attainment of re-
7 tirement age, to wife’s insurance benefits, on the basis
8 of the wages and self-employment income of such indi-
9 vidual, for the month preceding the month in which he
10 died, or

11 “(ii) was entitled, on the basis of such wages and
12 self-employment income, to mother’s insurance benefits
13 for the month preceding the month in which she at-
14 tained retirement age.”

15 (b) Section 202 (g) (1) (D) of such Act is amended
16 to read as follows:

17 “(D) has filed application for mother’s insurance
18 benefits, or was entitled to wife’s insurance benefits
19 on the basis of the wages and self-employment income
20 of such individual for the month preceding the month
21 in which he died.”

22 (c) The third sentence of section 202 (i) of such Act
23 is amended by inserting immediately before the period at
24 the end thereof the following: “, or unless such person was
25 entitled to wife’s or husband’s insurance benefits, on the

1 basis of the wages and self-employment income of such in-
2 sured individual, for the month preceding the month in which
3 such individual died”.

4 TECHNICAL AMENDMENTS

5 SEC. 112. (a) The second sentence of section 204 (a)
6 of the Social Security Act is amended by inserting “and
7 self-employment income” after “wages”.

8 (b) Section 208 of the Social Security Act is amended
9 by inserting “, or as to the amount of net earnings from
10 self-employment derived or the period during which derived,”
11 after “as to the amount of any wages paid or received or the
12 period during which earned or paid”.

13 REPEAL OF REQUIREMENT OF CERTAIN DEDUCTIONS

14 SEC. 113. (a) No deductions shall be made pursuant
15 to subsection (i) of section 203 of the Social Security Act
16 from any benefits for any month after the month in which
17 this Act is enacted; and, effective with the beginning of the
18 month following the month in which this Act is enacted, such
19 subsection is repealed.

20 (b) No deductions shall be made pursuant to section
21 907 of the Social Security Act Amendments of 1939 (53
22 Stat. 1360, 1402), with respect to wages for services per-
23 formed in 1939, from any benefits for any month after the
24 month in which this Act is enacted; and, effective with the
25 beginning of the month following the month in which this

1 Act is enacted, such section is amended by striking out "1
2 per centum of any wages paid him for services performed in
3 1939, and subsequent to his attaining age sixty-five, and".

4 PROOF OF SUPPORT BY HUSBAND OR WIDOWER IN CERTAIN
5 CASES

6 SEC. 114. (a) For the purpose of determining the en-
7 titlement of any individual to husband's insurance benefits
8 under subsection (c) of section 202 of the Social Security
9 Act on the basis of his wife's wages and self-employment
10 income, the requirements of paragraph (1) (D) of such
11 subsection shall be deemed to be met if—

12 (1) such individual was receiving at least one-half
13 of his support, as determined in accordance with regula-
14 tions prescribed by the Secretary of Health, Education,
15 and Welfare, from his wife on the first day of the first
16 month (A) for which she was entitled to a monthly
17 benefit under subsection (a) of such section 202, and
18 (B) in which an event described in paragraph (1) or
19 (2) of section 203 (b) of such Act (as in effect before
20 or after the enactment of this Act) did not occur,

21 (2) such individual has filed proof of such support
22 within two years after such first month, and

23 (3) such wife was, without the application of sub-
24 section (j) (1) of such section 202, entitled to a pri-

1 mary insurance benefit under such Act for August 1950.

2 (b) For the purpose of determining the entitlement of
3 any individual to widower's insurance benefits under sub-
4 section (f) of section 202 of the Social Security Act on
5 the basis of his deceased wife's wages and self-employment
6 income, the requirements of paragraph (1) (E) (ii) of
7 such subsection shall be deemed to be met if—

8 (1) such individual was receiving at least one-half
9 of his support, as determined in accordance with regula-
10 tions prescribed by the Secretary of Health, Education,
11 and Welfare, from his wife, and she was a currently
12 insured individual, on the first day of the first month
13 (A) for which she was entitled to a monthly benefit
14 under subsection (a) of such section 202, and (B) in
15 which an event described in paragraph (1) or (2) of
16 section 203 (b) of such Act (as in effect before or after
17 the enactment of this Act) did not occur,

18 (2) such individual has filed proof of such support
19 within two years after such first month, and

20 (3) such wife was, without the application of
21 subsection (j) (1) of such section 202, entitled to a
22 primary insurance benefit under such Act for August
23 1950.

24 (c) For purposes of subsection (b) (1) of this Act,

1 and for purposes of section 202 (c) (1) of the Social
2 Security Act in cases to which subsection (a) of this section
3 is applicable, the wife of an individual shall be deemed a
4 currently insured individual if she had not less than six
5 quarters of coverage (as determined under section 213 of
6 the Social Security Act) during the thirteen-quarter period
7 ending with the calendar quarter in which occurs the first
8 month (1) for which such wife was entitled to a monthly
9 benefit under section 202 (a) of such Act, and (2) in
10 which an event described in paragraph (1) or (2) of
11 section 203 (b) of such Act did not occur.

12 (d) This section shall apply only with respect to
13 husband's insurance benefits under section 202 (c) of the
14 Social Security Act, and widower's insurance benefits under
15 section 202 (f) of such Act, for months after the first month
16 following the month in which this Act is enacted, and only
17 with respect to benefits based on applications filed after such
18 first month.

19 DEFINITION

20 SEC. 115. As used in the provisions of the Social
21 Security Act amended by this title, the term "Secretary"
22 means the Secretary of Health, Education, and Welfare.

1 **TITLE II—AMENDMENTS TO INTERNAL**
2 **REVENUE CODE**
3 **AMENDMENTS TO DEFINITIONS OF SELF-EMPLOYMENT**
4 **INCOME AND RELATED DEFINITIONS**

5 **SEC. 201. (a) (1)** Paragraph (1) of section 481 (a)
6 of the Internal Revenue Code is amended to read as follows:

7 “(1) There shall be excluded rentals from real
8 estate and from personal property leased with the real
9 estate (including such rentals paid in crop shares)
10 together with the deductions attributable thereto, unless
11 such rentals are received in the course of a trade or
12 business as a real estate dealer;”.

13 (2) Subsection (a) of section 481 of the Internal
14 Revenue Code is amended by striking out paragraph
15 (2) and redesignating paragraphs (3), (4), (5), (6),
16 and (7), and any references thereto contained in such
17 code, as paragraphs (2), (3), (4), (5), and (6), respec-
18 tively, and by adding at the end of such subsection the
19 following new sentence: “In the case of any trade or busi-
20 ness which is carried on by an individual who reports his
21 income on a cash receipts and disbursements basis, and in
22 which, if it were carried on exclusively by employees, the

1 major portion of the services would constitute agricultural
2 labor as defined in section 1426 (h), (i) if the gross income
3 derived from such trade or business by such individual
4 is not more than \$1,800, the net earnings from self-employ-
5 ment derived by him therefrom may, at his option, be
6 deemed to be 50 per centum of such gross income in lieu of
7 his net earnings from self-employment from such trade or
8 business computed as provided under the preceding pro-
9 visions of this subsection, or (ii) if the gross income
10 derived from such trade or business by such individual is
11 more than \$1,800 and the net earnings from self-employ-
12 ment derived by him therefrom, as computed under the
13 preceding provisions of this subsection, are less than \$900,
14 such net earnings may instead, at the option of such indi-
15 vidual, be deemed to be \$900. For the purpose of the
16 preceding sentence, gross income derived from such trade
17 or business shall mean the gross receipts from such trade or
18 business reduced by the cost or other basis of property which
19 was purchased and sold in carrying on such trade or business,
20 adjusted (after such reduction) in accordance with the
21 preceding provisions of this subsection."

22 (b) (1) Paragraph (1) of section 481 (b) of the
23 Internal Revenue Code is amended to read as follows:

24 " (1) That part of the net earnings from self-
25 employment which is in excess of—

1 “(A) For any taxable year ending prior to
2 1955, (i) \$3,600, minus (ii) the amount of the
3 wages paid to such individual during the taxable
4 year; and

5 “(B) For any taxable year ending after 1954,
6 (i) \$4,200, minus (ii) the amount of the wages
7 paid to such individual during the taxable year;
8 or”.

9 (2) Section 481 (b) of the Internal Revenue Code is
10 amended by inserting after “employees)” the following:
11 “, or under an agreement entered into pursuant to the pro-
12 visions of section 1426 (m) (relating to coverage of citizens
13 of the United States who are employees of foreign subsidi-
14 aries of domestic corporations),”.

15 (c) Section 481 (c) of the Internal Revenue Code
16 is amended by striking out paragraphs (4) and (5), by
17 inserting “or” at the end of paragraph (3), and by adding
18 after paragraph (3) the following new paragraph:

19 “(4) The performance of service by an individual
20 in the exercise of his profession as a physician, or the
21 performance of such service by a partnership.”

22 (d) The amendments made by subsections (a), (b),
23 and (c) of this section shall be applicable only with respect
24 to taxable years ending after 1954.

1 REFUND OF CERTAIN TAXES DEDUCTED FROM WAGES

2 SEC. 202. (a) (1) The first sentence of section
3 1401 (d) (3) of the Internal Revenue Code is amended
4 to read as follows: "If by reason of an employee receiving
5 wages from more than one employer during a calendar
6 year after the calendar year 1950 and prior to the calen-
7 dar year 1955, the wages received by him during such
8 year exceed \$3,600, the employee shall be entitled to a re-
9 fund of any amount of tax, with respect to such wages, im-
10 posed by section 1400 and deducted from the employee's
11 wages (whether or not paid to the Secretary or his dele-
12 gate), which exceeds the tax with respect to the first \$3,600
13 of such wages received; or if by reason of an employee re-
14 ceiving wages from more than one employer during any
15 calendar year after the calendar year 1954, the wages re-
16 ceived by him during such year exceed \$4,200, the employee
17 shall be entitled to a refund of any amount of tax, with re-
18 spect to such wages, imposed by section 1400 and deducted
19 from the employee's wages (whether or not paid to the
20 Secretary or his delegate), which exceeds the tax with re-
21 spect to the first \$4,200 of such wages received."

22 (2) Section 1401 (d) (3) of the Internal Revenue
23 Code is amended by striking out the period at the end of the
24 second sentence and inserting in lieu thereof "or, in the
25 case of any agreement (or modification) pursuant to section

1 218 of the Social Security Act which is effective as of a date
2 more than two years prior to the date such agreement (or
3 modification) was agreed to, within a period of two years
4 after the end of the calendar year in which such agreement
5 (or modification) was agreed to by the State and the Sec-
6 retary of Health, Education, and Welfare.”

7 (b) (1) The heading of section 1401 (d) (4) of the
8 Internal Revenue Code is amended to read as follows:
9 “SPECIAL RULES IN THE CASE OF FEDERAL AND STATE
10 EMPLOYEES AND EMPLOYEES OF CERTAIN FOREIGN COR-
11 PORATIONS.—”

12 (2) Section 1401 (d) (4) (A) of the Internal Rev-
13 enue Code is amended by striking out “\$3,600,” and insert-
14 ing in lieu thereof “\$3,600 for the calendar year 1951, 1952,
15 1953, or 1954, or \$4,200 for any calendar year after 1954,”.

16 (3) Section 1401 (d) (4) of the Internal Revenue
17 Code is amended by adding at the end thereof the following
18 new subparagraph:

19 “(C) Employees Of Certain Foreign Corpora-
20 tions.—For the purposes of paragraph (3) of this
21 subsection, in the case of remuneration received
22 during any calendar year after the calendar year
23 1954, the term ‘wages’ includes such remuneration
24 for services covered by an agreement made pur-

1 suant to section 1426 (m) of this subchapter as
2 would be wages if such services constituted em-
3 ployment; the term 'employer' includes any do-
4 mestic corporation which has entered into an agree-
5 ment pursuant to section 1426 (m) ; the term 'tax'
6 or 'tax imposed by section 1400' includes, in the
7 case of services covered by an agreement entered
8 into pursuant to section 1426 (m), an amount
9 equivalent to the tax which would be imposed by
10 section 1400, if such services constituted employ-
11 ment as defined in section 1426; and the provisions
12 of paragraph (3) of this subsection shall apply
13 whether or not any amount deducted from the em-
14 ployee's remuneration as a result of the agreement
15 entered into pursuant to section 1426 (m) has
16 been paid to the Secretary or his delegate."

17 (c) The second sentence of section 1420 (e) of the In-
18 ternal Revenue Code is amended by inserting "in the case
19 of the calendar year 1951, 1952, 1953, or 1954, or the
20 \$4,200 limitation in such section in the case of any calendar
21 year after 1954" after "the \$3,600 limitation in section
22 1426 (a) (1)".

23 (d) The amendments made by subsections (a) (1),
24 (b) (2), and (c) shall be applicable only with respect to
25 remuneration paid after 1954.

1 COLLECTION AND PAYMENT OF TAXES WITH RESPECT TO
2 COAST GUARD EXCHANGES

3 SEC. 203. (a) Section 1420 (e) of the Internal Rev-
4 enue Code is amended by adding at the end thereof the
5 following new sentence: "The provisions of this subsection
6 shall be applicable also in the case of service performed by a
7 civilian employee, not compensated from funds appropriated
8 by the Congress, in the Coast Guard Exchanges or other
9 activities, conducted by an instrumentality of the United
10 States subject to the jurisdiction of the Secretary, at installa-
11 tions of the Coast Guard for the comfort, pleasure, content-
12 ment, and mental and physical improvement of personnel of
13 the Coast Guard; and for purposes of this subsection the
14 Secretary shall be deemed to be the head of such instru-
15 mentality."

16 (b) The amendment made by subsection (a) shall be-
17 come effective January 1, 1955.

18 AMENDMENTS TO DEFINITION OF WAGES

19 SEC. 204. (a) Paragraph (1) of section 1426 (a) of
20 the Internal Revenue Code is amended by striking out
21 "\$3,600" wherever it appears therein and inserting in lieu
22 thereof "\$4,200".

23 (b) (1) Subparagraph (B) of section 1426 (a) (7) of
24 the Internal Revenue Code is amended to read as follows:

25 "(B) Cash remuneration paid by an employer in

1 any calendar quarter to an employee for domestic serv-
2 ice in a private home of the employer, if the cash re-
3 muneratión paid in such quarter by the employer to the
4 employee for such service is less than \$50. As used in
5 this subparagraph, the term 'domestic service in a
6 private home of the employer' does not include service
7 described in subsection (h) (5) ;”.

8 (2) Section 1426 (a) (7) of the Internal Revenue
9 Code is amended by adding at the end thereof the following
10 new subparagraph:

11 “(C) Cash remuneration paid by an employer in
12 any calendar quarter to an employee for service not in
13 the course of the employer’s trade or business, if the
14 cash remuneration paid in such quarter by the employer
15 to the employee for such service is less than \$50. As
16 used in this subparagraph the term ‘service not in the
17 course of the employer’s trade or business’ does not
18 include domestic service in a private home of the em-
19 ployer and does not include service described in sub-
20 section (h) (5) ;”.

21 (3) Section 1426 (a) (8) of the Internal Revenue
22 Code is amended by inserting “(A)” after “(8)” and by
23 adding at the end thereof the following new subparagraph:

24 “(B) Cash remuneration paid by an employer in
25 any calendar year to an employee for agricultural

1 labor, if the cash remuneration paid in such year by
2 the employer to the employee for such labor is less than
3 \$200;”.

4 (c) The amendments made by subsections (a) and (b)
5 shall be applicable only with respect to remuneration paid
6 after 1954.

7 AMENDMENTS TO DEFINITION OF EMPLOYMENT

8 SEC. 205. (a) Section 1426 (b) (1) of the Internal
9 Revenue Code is amended to read as follows:

10 “(1) Service performed by foreign agricultural
11 workers under contracts entered into in accordance with
12 title V of the Agricultural Act of 1949, as amended;”.

13 (b) Section 1426 (b) of the Internal Revenue Code is
14 amended by striking out paragraph (3) and redesignating
15 paragraphs (4), (5), (6), (7), (8), (9), (10), (11),
16 (12), (13), and (14), and any references thereto contained
17 in such code, as paragraphs (3), (4), (5), (6), (7), (8),
18 (9), (10), (11), (12), and (13), respectively.

19 (c) The paragraph of section 1426 (b) of the Internal
20 Revenue Code herein redesignated as paragraph (4) is
21 amended by striking out “if the individual is employed on
22 and in connection with such vessel or aircraft when outside
23 the United States” and inserting in lieu thereof: “if (A)
24 the individual is employed on and in connection with such
25 vessel or aircraft when outside the United States and (B)

- 1 (i) such individual is not a citizen of the United States or
2 (ii) the employer is not an American employer”.

3 (d) (1) Subparagraph (B) of the paragraph of sec-
4 tion 1426 (b) of the Internal Revenue Code herein redesi-
5 gnated as paragraph (6) is amended—

6 (A) by inserting “by an individual” after “Serv-
7 ice performed,” and by inserting “and if such service
8 is covered by a retirement system established by such
9 instrumentality;” after “December 31, 1950,”;

10 (B) by inserting “a Federal Home Loan Bank,”
11 after “a Federal Reserve Bank,” in clause (ii); and

12 (C) by striking out “or” at the end of clause (iii),
13 by adding “or” at the end of clause (iv), and by adding
14 at the end of the subparagraph the following new clause:

15 “(v) service performed by a civilian employee,
16 not compensated from funds appropriated by the
17 Congress, in the Coast Guard Exchanges or other
18 activities, conducted by an instrumentality of the
19 United States subject to the jurisdiction of the Sec-
20 retary of the Treasury, at installations of the Coast
21 Guard for the comfort, pleasure, contentment, and
22 mental and physical improvement of personnel of
23 the Coast Guard;”.

1 (2) Subparagraph (C) of such paragraph is amended
2 to read as follows:

3 “(C) Service performed in the employ of the United
4 States or in the employ of any instrumentality of the
5 United States, if such service is performed—

6 “(i) as the President or Vice President of the
7 United States or as a Member, Delegate, or Resi-
8 dent Commissioner of or to the Congress;

9 “(ii) in the legislative branch;

10 “(iii) in a penal institution of the United States
11 by an inmate thereof;

12 “(iv) by any individual as an employee in-
13 cluded under section 2 of the Act of August 4, 1947
14 (relating to certain interns, student nurses, and other
15 student employees of hospitals of the Federal Gov-
16 ernment; 5 U. S. C., sec. 1052);

17 “(v) by any individual as an employee serving
18 on a temporary basis in case of fire, storm, earth-
19 quake, flood, or other similar emergency; or

20 “(vi) by any individual to whom the Civil
21 Service Retirement Act of 1930 does not apply be-
22 cause such individual is subject to another retire-
23 ment system (other than the retirement system of
24 the Tennessee Valley Authority);”.

1 (e) The paragraph of section 1426 (b) of the Internal
2 Revenue Code herein redesignated as paragraph (8) is
3 amended to read as follows:

4 “(8) (A) Service performed in the employ of a
5 religious, charitable, educational, or other organization
6 exempt from income tax under section 101 (6), other
7 than service performed by a duly ordained, commis-
8 sioned, or licensed minister of a church in the exercise of
9 his ministry or by a member of a religious order in the
10 exercise of duties required by such order; but this sub-
11 paragraph shall not apply to service performed during
12 the period for which a certificate, filed pursuant to sub-
13 section (1) (1), is in effect, if such service is performed
14 by an employee (i) whose signature appears on the list
15 filed by such organization under such subsection, or (ii)
16 who became an employee of such organization after the
17 certificate was filed and after such period began;

18 “(B) Service performed in the employ of a reli-
19 gious, charitable, educational, or other organization ex-
20 empt from income tax under section 101 (6), by a duly
21 ordained, commissioned, or licensed minister of a church
22 in the exercise of his ministry or by a member of a
23 religious order in the exercise of duties required by such
24 order; but this subparagraph shall not apply to service

1 performed by a duly ordained, commissioned, or licensed
2 minister of a church or a member of a religious order,
3 other than a member of a religious order who has taken
4 a vow of poverty as a member of such order, during the
5 period for which a certificate, filed pursuant to sub-
6 section (1) (2), is in effect, if such service is performed
7 by an employee (i) whose signature appears on the list
8 filed by such organization under such subsection, or (ii)
9 who became an employee of such organization after the
10 certificate was filed and after such period began;”.

11 (f) Section 1426 (b) of the Internal Revenue Code is
12 further amended by striking out paragraph (15) and redes-
13 ignating paragraphs (16) and (17), and any references
14 thereto contained in such code, as paragraphs (14) and
15 (15), respectively.

16 (g) The amendments made by subsections (c), (d),
17 (e), and (f) shall be applicable only with respect to
18 services performed after 1954. The amendments made by
19 subsections (a) and (b) shall be applicable only with
20 respect to services (whether performed after 1954 or prior
21 to 1955) for which the remuneration is paid after 1954.

22 AMENDMENT TO DEFINITION OF EMPLOYEE

23 SEC. 206. (a) Subparagraph (C) of section 1426 (d)
24 (3) of the Internal Revenue Code is amended by striking

1 out “, if the performance of such services is subject to
 2 licensing requirements under the laws of the State in which
 3 such services are performed”.

4 (b) The amendment made by subsection (a) shall be
 5 applicable only with respect to services performed after
 6 1954.

7 **WAIVER OF TAX EXEMPTION BY NONPROFIT ORGANIZA-**
 8 **TIONS WITH RESPECT TO MINISTERS IN THEIR EMPLOY**

9 **SEC. 207.** (a) Paragraph (1) of section 1426 (1) of the
 10 Internal Revenue Code is amended by inserting “(other
 11 than service performed by a duly ordained, commissioned, or
 12 licensed minister of a church in the exercise of his ministry or
 13 by a member of a religious order in the exercise of duties
 14 required by such order)” after “service” in the first sentence,
 15 by striking out “two-thirds of its employees” and inserting
 16 in lieu thereof “two-thirds of its employees performing serv-
 17 ice to which this paragraph is applicable” in such sentence,
 18 and by deleting so much of such paragraph as follows the first
 19 sentence.

20 (b) Such section 1426 (1) is amended by redesignating
 21 paragraphs (2) and (3) as paragraphs (6) and (7),
 22 respectively, and by adding after paragraph (1) the follow-
 23 ing new paragraphs:

24 “(2) **WAIVER OF EXEMPTION IN THE CASE OF**
 25 **MINISTERS.**—An organization exempt from income tax

1 under section 101 (6) may file a certificate (in such
2 form and manner, and with such official, as may be pre-
3 scribed by regulations made under this subchapter)
4 certifying that it desires to have the insurance system
5 established by title II of the Social Security Act ex-
6 tended to service performed by its employees who are
7 duly ordained, commissioned, or licensed ministers of a
8 church or churches and perform such service in the
9 exercise of their ministry or who are members of a re-
10 ligious order or orders (other than a member of a
11 religious order who has taken a vow of poverty as a
12 member of such order) and perform such service in the
13 exercise of duties required by such order or orders, and
14 that at least two-thirds of such employees concur in the
15 filing of the certificate. Notwithstanding the preceding
16 sentence of this paragraph, a certificate may not be filed
17 by an organization pursuant to such sentence unless (A)
18 such organization does not have any employees with
19 respect to whom a certificate may be filed pursuant to
20 paragraph (1), or (B) such organization has filed a
21 certificate pursuant to paragraph (1) with respect to
22 such employees.

23 “(3) LIST TO ACCOMPANY CERTIFICATE.—A cer-
24 tificate may be filed pursuant to paragraph (1) or para-
25 graph (2) only if it is accompanied by a list containing

1 the signature, address, and social security account num-
2 ber (if any) of each employee who concurs in the filing
3 of the certificate. Such list may be amended at any time
4 by filing with the prescribed official a supplemental list
5 or lists containing the signature, address, and social se-
6 curity account number (if any) of each additional em-
7 ployee who concurs in the filing of the certificate. The
8 list and any supplemental list shall be filed in such form
9 and manner as may be prescribed by regulations made
10 under this subchapter.

11 “(4) EFFECTIVE PERIOD OF WAIVER.—A certifi-
12 cate filed pursuant to paragraph (1) or paragraph (2)
13 shall be in effect (for the purposes of subsection (b) (8)
14 of this section and for the purposes of section 210 (a)
15 (8) of the Social Security Act) —

16 “(A) in the case of a certificate filed pursuant
17 to paragraph (1), for the period beginning with the
18 first day of the calendar quarter in which such cer-
19 tificate is filed or the first day of the succeeding cal-
20 endar quarter, as may be specified in the certificate;
21 or

22 “(B) in the case of a certificate filed pur-
23 suant to paragraph (2), for the period beginning
24 with the first day of whichever of the following
25 calendar quarters may be specified in the certificate:

1 (i) the quarter in which such certificate is filed,
2 or (ii) the succeeding quarter, or (iii) if the cer-
3 tificate is filed during the calendar year 1955, any
4 quarter in such year prior to the quarter in which it
5 is filed;

6 except that, in the case of service performed by an
7 individual whose name appears on a supplemental list
8 filed after the first month following the first calendar
9 quarter for which the certificate is in effect (as deter-
10 mined under subparagraph (A) or (B), whichever is
11 applicable) or following the calendar quarter in which
12 the certificate was filed, whichever is later, and to whom
13 subparagraph (A) or (B) of subsection (b) (8) of
14 this section would otherwise apply, the certificate shall
15 be in effect, for purposes of such subsection (b) (8)
16 and for purposes of section 210 (a) (8) of the Social
17 Security Act, only with respect to service performed
18 by such individual after the calendar quarter in which
19 such supplemental list is filed.

20 “(5) TERMINATION OF WAIVER PERIOD BY OR-
21 GANIZATION.—The period for which a certificate filed
22 pursuant to paragraph (1) of this subsection is effective
23 may be terminated by the organization, effective at the
24 end of a calendar quarter, upon giving two years’
25 advance notice in writing, but only if, at the time of

1 the receipt of such notice, the certificate has been in
2 effect for a period of not less than eight years and only
3 if such notice applies also to the period for which the
4 certificate, if any, filed by such organization pursuant to
5 paragraph (2) is effective. The period for which a
6 certificate filed pursuant to paragraph (2) is effective
7 may also be terminated by the organization, effective at
8 the end of a calendar quarter, upon giving two years'
9 advance notice in writing, but only if, at the time of the
10 receipt of such notice, the certificate has been in effect
11 for a period of not less than eight years. The notice of
12 termination may be revoked by the organization by
13 giving, prior to the close of the calendar quarter specified
14 in the notice of termination, a written notice of such
15 revocation. Notice of termination or revocation thereof
16 shall be filed in such form and manner, and with such
17 official, as may be prescribed by regulations made under
18 this subchapter."

19 (c) The paragraph of such section 1426 (l) herein
20 redesignated as paragraph (6) is amended by adding at the
21 end thereof the following new sentence: "If the period
22 covered by a certificate filed pursuant to paragraph (1) of
23 this subsection is terminated under this paragraph, the period
24 covered by the certificate, if any, filed by the same organiza-

1 tion pursuant to paragraph (2) shall also be terminated
2 at the same time.”

3 (d) The paragraph of such section 1426 (1) herein
4 redesignated as paragraph (7) is amended to read as
5 follows:

6 “(7) NO RENEWAL OF WAIVER.—In the event the
7 period covered by a certificate filed pursuant to para-
8 graph (1) or (2) of this subsection is terminated by
9 the organization, no certificate may again be filed by
10 such organization pursuant to such paragraph.”

11 (e) The amendments made by this section shall become
12 effective January 1, 1955. Nothing in this section shall
13 be construed as affecting the validity of any certificate filed
14 prior to January 1, 1955, under section 1426 (1) of the
15 Internal Revenue Code. If a certificate filed during the
16 calendar year 1955 pursuant to section 1426 (1) (2) of
17 the Internal Revenue Code is in effect for any calendar
18 quarter in 1955 which precedes the quarter during which
19 the certificate was filed, the return and payment of the taxes
20 for any such preceding calendar quarter with respect to
21 service which constitutes employment by reason of the filing
22 of such certificate shall be deemed to be timely made if made
23 on or before the last day of the first month following the
24 calendar quarter in which the certificate is filed.

1 CHANGES IN TAX SCHEDULES.

2 SEC. 208. (a) Section 480 of the Internal Revenue
3 Code is amended by striking out paragraph (5) and insert-
4 ing in lieu thereof the following:

5 “(5) In the case of any taxable year beginning
6 after December 31, 1969, and before January 1, 1975,
7 the tax shall be equal to $5\frac{1}{4}$ per centum of the amount of
8 the self-employment income for such taxable year.

9 “(6) In the case of any taxable year beginning
10 after December 31, 1974, the tax shall be equal to 6
11 per centum of the amount of the self-employment income
12 for such taxable year.”

13 (b) Section 1400 of the Internal Revenue Code is
14 amended by striking out paragraph (6) and inserting in
15 lieu thereof the following:

16 “(6) With respect to wages received during the
17 calendar years 1970 to 1974, both inclusive, the rate
18 shall be $3\frac{1}{2}$ per centum.

19 “(7) With respect to wages received after Decem-
20 ber 31, 1974, the rate shall be 4 per centum.”

21 (c) Section 1410 of the Internal Revenue Code is
22 amended by striking out paragraph (6) and inserting in
23 lieu thereof the following:

24 “(6) With respect to wages paid during the calen-

1 dar years 1970 to 1974, both inclusive, the rate shall
2 be $3\frac{1}{2}$ per centum.

3 “(7) With respect to wages paid after December
4 31, 1974, the rate shall be 4 per centum.”

5 FOREIGN SUBSIDIARIES OF AMERICAN EMPLOYER

6 SEC. 209. Section 1426 of the Internal Revenue Code is
7 amended by adding at the end thereof the following new
8 subsection:

9 “(m) AGREEMENTS ENTERED INTO BY DOMESTIC COR-
10 PORATIONS WITH RESPECT TO FOREIGN SUBSIDIARIES.—

11 “(1) AGREEMENT WITH RESPECT TO CERTAIN
12 EMPLOYEES OF FOREIGN SUBSIDIARIES.—The Secretary
13 or his delegate shall, at the request of any domestic cor-
14 poration, enter into an agreement (in such form and
15 manner as may be prescribed by the Secretary or his
16 delegate) with any such corporation which desires to
17 have the insurance system established by title II of the
18 Social Security Act extended to service performed out-
19 side the United States in the employ of any one or more
20 of its foreign subsidiaries (as defined in paragraph (7))
21 by all employees who are citizens of the United States,
22 except that the agreement shall not be applicable to any
23 service performed by, or remuneration paid to, an em-
24 ployee if such service or remuneration would be excluded

1 from the terms 'employment' or 'wages', respectively,
2 as defined in this section, had the service been per-
3 formed in the employ of the domestic corporation. Such
4 agreement may be amended at any time so as to be made
5 applicable, in the same manner and under the same con-
6 ditions, in the case of any other foreign subsidiary of such
7 domestic corporation. Such agreement shall be applica-
8 ble with respect to citizens of the United States who,
9 after the effective date of the agreement, become em-
10 ployees of and perform services outside the United States
11 for any foreign subsidiary specified in the agreement.
12 Such agreement shall provide—

13 “(A) That the domestic corporation shall pay
14 to the Secretary or his delegate, at such time or
15 times as the Secretary may by regulations prescribe,
16 amounts equivalent to the sum of the taxes which
17 would be imposed by sections 1400 and 1410, in-
18 cluding interest and penalties, if the services of
19 employees covered by the agreement had consti-
20 tuted employment as defined in section 1426; and

21 “(B) That the domestic corporation will
22 comply with such regulations relating to payments
23 and reports as the Secretary may prescribe to carry
24 out the purposes of this subsection.”

25 “(2) EFFECTIVE PERIOD OF AGREEMENT.—An

1 agreement entered into pursuant to paragraph (1) shall
2 be in effect for the period beginning with the first day of
3 the calendar quarter in which such agreement is entered
4 into or the first day of the succeeding calendar quarter,
5 as may be specified in the agreement, but in no case
6 prior to January 1, 1955; except that in case such
7 agreement is amended to include the services performed
8 for any other subsidiary and such amendment is executed
9 after the first month following the first calendar quarter
10 for which the agreement is in effect, the agreement shall
11 be in effect with respect to service performed for such
12 other subsidiary only after the calendar quarter in which
13 such amendment is executed.

14 “(3) TERMINATION OF PERIOD BY A DOMESTIC
15 CORPORATION.—The period for which an agreement
16 entered into pursuant to paragraph (1) of this subsec-
17 tion is effective may be terminated with respect to any
18 one or more of its foreign subsidiaries by the domestic
19 corporation, effective at the end of a calendar quarter,
20 upon giving two years' advance notice in writing, but
21 only if, at the time of the receipt of such notice, the
22 agreement has been in effect for a period of not less than
23 eight years. The notice of termination may be revoked
24 by the domestic corporation by giving, prior to the close
25 of the calendar quarter specified in the notice of termi-

1 nation, a written notice of such revocation. Notice of
2 termination or revocation thereof shall be filed in such
3 form and manner as may be prescribed by regulations.
4 Notwithstanding any other provision of this subsection,
5 the period for which any such agreement is effective
6 with respect to any foreign subsidiary shall terminate
7 at the end of any calendar quarter in which the domestic
8 corporation, at any time in such quarter, owns 50 per
9 centum or less of the voting stock of such subsidiary.

10 “(4) TERMINATION OF PERIOD BY SECRETARY.—

11 If the Secretary or his delegate finds that any domestic
12 corporation which entered into an agreement pursuant
13 to this subsection has failed to comply substantially with
14 the terms of such agreement, the Secretary or his dele-
15 gate shall give such domestic corporation not less than
16 sixty days' advance notice in writing that the period
17 covered by such agreement will terminate at the end
18 of the calendar quarter specified in such notice. Such
19 notice of termination may be revoked by the Secretary
20 or his delegate by giving, prior to the close of the calen-
21 dar quarter specified in the notice of termination, written
22 notice of such revocation to the domestic corporation.
23 No notice of termination or of revocation thereof shall be
24 given under this paragraph to a domestic corporation

1 without the prior concurrence of the Secretary of Health,
2 Education, and Welfare.

3 “(5) NO RENEWAL OF AGREEMENT.—If any
4 agreement entered into pursuant to paragraph (1) of
5 this subsection is terminated in its entirety, the domestic
6 corporation may not again enter into an agreement pur-
7 suant to such paragraph. If any such agreement is
8 terminated with respect to any subsidiary, such agree-
9 ment may not thereafter be amended so as again to
10 make it applicable with respect to such subsidiary.

11 “(6) DEPOSITS IN TRUST FUND.—All amounts
12 received by the Secretary pursuant to an agreement
13 entered into under paragraph (1) of this subsection
14 shall be regarded for purposes of section 201 of the
15 Social Security Act as taxes collected pursuant to this
16 subchapter.

17 “(7) OVERPAYMENTS AND UNDERPAYMENTS.—

18 “(A) If more or less than the correct amount
19 due under an agreement entered into pursuant to
20 this subsection is paid with respect to any payment
21 of remuneration, proper adjustments with respect
22 to the amounts due under such agreement shall be
23 made, without interest, in such manner and at such

1 times as may be required by regulations prescribed
2 by the Secretary.

3 “(B) If an overpayment cannot be adjusted
4 under subparagraph (A), the amount thereof shall
5 be paid by the Secretary or his delegate, through
6 the Fiscal Service of the Treasury Department,
7 but only if a claim for such overpayment is filed
8 with the Secretary or his delegate within two years
9 from the time such overpayment was made.

10 “(8) DEFINITION OF FOREIGN SUBSIDIARY.—For
11 purposes of this subsection and section 210 (a) of the
12 Social Security Act, a foreign subsidiary of a domestic
13 corporation is—

14 “(A) A foreign corporation more than 50 per
15 centum of the voting stock of which is owned by
16 such domestic corporation; or

17 “(B) A foreign corporation more than 50 per
18 centum of the voting stock of which is owned by the
19 foreign corporation described in subparagraph (A).”

20 “(9) REGULATIONS.—Regulations of the Secretary
21 to carry out the purposes of this subsection shall be de-
22 signed to make the requirements imposed on domestic
23 corporations with respect to services covered by an agree-
24 ment entered into pursuant to this subsection the same,

1 so far as practicable, as those imposed upon employers
2 pursuant to subchapter A or E of chapter 9 of this title.”

3 DEDUCTIONS FROM GROSS INCOME FOR PAYMENTS WITH
4 RESPECT TO EMPLOYEES OF CERTAIN FOREIGN
5 CORPORATIONS

6 SEC. 210. Section 23 of the Internal Revenue Code
7 (relating to deductions from gross income) is amended by
8 inserting at the end thereof the following new subsection:

9 “(gg) PAYMENTS WITH RESPECT TO EMPLOYEES OF
10 CERTAIN FOREIGN CORP[ORATIONS.—In the case of a
11 domestic corporation, amounts (to the extent not com-
12 pensated for) paid or incurred pursuant to an agreement
13 entered into under section 1426 (m) with respect to services
14 performed by United States citizens employed by foreign
15 subsidiary corporations. Any reimbursement of any amount
16 previously allowed as a deduction for income tax purposes
17 under this subsection shall be included in gross income for
18 the taxable year in which received.”

19 TITLE III—PROVISIONS RELATING TO PUBLIC
20 ASSISTANCE

21 TEMPORARY EXTENSION OF 1952 MATCHING FORMULA

22 SEC. 301. Section 8 (e) of the Social Security Act
23 Amendments of 1952 (Public Law 590, Eighty-second Con-

1. gress) is amended by striking out "September 30, 1954"
2. and inserting in lieu thereof "September 30, 1955".

3. TEMPORARY EXTENSION OF SPECIAL PROVISION RELATING
4. TO STATE PLANS FOR AID TO THE BLIND

5. SEC. 302. Section 344 (b) of the Social Security Act
6. Amendments of 1950 (Public Law 734, Eighty-first Con-
7. gress) is amended by striking out "June 30, 1955" and
8. inserting in lieu thereof "June 30, 1957".

9. TECHNICAL AMENDMENTS

10. SEC. 303. (a) Sections 3 (b) (1), 403 (b) (1), and
11. 1003 (b) (1) of the Social Security Act are each amended
12. by striking out "one-half" and inserting in lieu thereof "the
13. State's proportionate share".

14. (b) Section 3 (b) of such Act is amended (1) by
15. striking out "clause (1) of subsection (a)" wherever it ap-
16. pears and inserting in lieu thereof "subsection (a)", and (2)
17. by striking out "increased by five per centum" immediately
18. before the period at the end of paragraph (3).

19. TITLE IV—MISCELLANEOUS PROVISIONS

20. AMENDMENTS PRESERVING RELATIONSHIP BETWEEN
21. RAILROAD RETIREMENT AND OLD-AGE AND SUR-
22. VIVORS INSURANCE

23. SEC. 401 (a). Section 1 (q) of the Railroad Retire-
24. ment Act of 1937, as amended, is amended by striking out
25. "1952" and inserting in lieu thereof "1954".

1 (b) Section 2 (c) of the Railroad Retirement Act of
2 1937, as amended, is amended by striking out "six" and
3 inserting in lieu thereof "twelve"; and subsection (5) (j)
4 of such Act, as amended, is amended by striking out "sixth"
5 and inserting in lieu thereof "twelfth". The amendments
6 made by this subsection shall be applicable only in the case
7 of applications for annuities under the Railroad Retirement
8 Act filed after the month following the month in which this
9 Act is enacted; except that no individual shall, by reason of
10 such amendment, be entitled to any annuity for any month
11 prior to the fifth month before the month in which this Act
12 is enacted.

13 (c) Section 5 (1) (9) of the Railroad Retirement Act
14 of 1937, as amended, is amended by striking out "\$3,600"
15 the second time it appears and inserting in lieu thereof
16 "\$4,200".

17 (d) Section 5 (i) (1) (ii) of the Railroad Retirement
18 Act of 1937, as amended, is amended to read as follows:

19 (ii) will have been under the age of seventy-five
20 and for which month he is charged with any earnings
21 under section 203 (e) of the Social Security Act or in
22 which month he engaged on seven or more different
23 calendar days in noncovered remunerative activity out-
24 side the United States (as defined in section 203 (k)
25 of the Social Security Act); and for purposes of this

1 subdivision the Board shall have the authority to make
2 such determinations and such suspensions of payment
3 of benefits in the manner and to the extent that the
4 Secretary of Health, Education, and Welfare would be
5 authorized to do so under section 203 (g) (3) of the
6 Social Security Act if the individuals to whom this sub-
7 division applies were entitled to benefits under section
8 202 of such Act;”.

9 CROSS REFERENCES TO REDESIGNATED PROVISIONS

10 SEC. 402. References in the Internal Revenue Code,
11 the Railroad Retirement Act of 1937, as amended, or any
12 other law of the United States to any section or subdivision
13 of a section of the Social Security Act redesignated by this
14 Act, and references in the Social Security Act, the Railroad
15 Retirement Act of 1937, as amended, or any other law of
16 the United States to any section or subdivision of a section
17 of the Internal Revenue Code redesignated by this Act,
18 shall be deemed to refer to such section or subdivision of a
19 section as so redesignated.

Union Calendar No. 627

83^d CONGRESS
2^d SESSION

H. R. 9366

[Report No. 1698]

A BILL

To amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

By Mr. REED of New York

MAY 28, 1954

Referred to the Committee on Ways and Means

MAY 28, 1954

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

AMENDING SOCIAL SECURITY ACT AND INTERNAL REVENUE ACT

Mr. BROWN of Ohio, from the Committee on Rules, reported the following privileged resolution (H. Res. 568, Rept. No. 1699), which was referred to the House Calendar and ordered to be printed:

Resolved, That upon the adoption of this resolution it shall be in order to 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. 9366) to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill, and shall continue not to exceed 3 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. 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 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.

Mr. BROWN of Ohio. Mr. Speaker, by unanimous consent recently granted, I call up the resolution (H. Res. 568) and ask for its immediate consideration. The Clerk read the resolution (H. Res. 568) as above set out.

The SPEAKER. The gentleman from Ohio [Mr. Brown] is recognized.

Mr. BROWN of Ohio. Mr. Speaker, I yield 30 minutes of the time to the gentleman from Virginia [Mr. SMITH], and yield myself such time as I may use.

Mr. Speaker, this House resolution will make in order the consideration of the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

House Resolution 568, Mr. Speaker, provides for a closed rule, waiving points of order. Apparently this method has been pretty well established by precedent as the method of handling social-security

legislation. The rule also provides for the consideration of amendments offered by the direction of the Committee on Ways and Means and one motion to recommit would be in order. Three hours of general debate on the bill are also provided.

Basically, Mr. Speaker, H. R. 9366 would extend old-age and survivors insurance coverage to about 10 million people who are presently excluded from the program.

Self-employed farm operators, professional self-employed people, which would include lawyers, dentists, architects, engineers, and accountants among other professional groups, as well as employees of State and local governments, domestic workers, and ministers, would all be included in this extended coverage of the old-age and survivors insurance program.

I might add, Mr. Speaker, it is my understanding that under the provisions of this bill schoolteachers and employees of various political subdivisions of States now covered by retirement systems of their own, would not be included under this bill unless, by a two-thirds majority they vote to come under the social-security law; and even in that event they would continue to receive benefits from their State or local retirement systems to which they might belong, and would also be entitled to social-security benefits, should they vote to join the Federal program.

Mr. Speaker, this bill that has come from the Committee on Ways and Means is a very important one and one that has taken months of study and hearings on the part of that committee and its staff. If this rule is adopted, the House will proceed expeditiously to the consideration of the bill.

Mr. Speaker, I reserve the balance of my time.

Mr. SMITH of Virginia. Mr. Speaker, I yield 5 minutes to the gentleman from Indiana [Mr. MADDEN].

Mr. MADDEN. Mr. Speaker, the rule for H. R. 9366, known as the amendments to the Social Security Act, came before the Rules Committee this morning. Unfortunately, the members of the Rules Committee had very limited time to read the contents of the 122-page typewritten bill, setting out numerous changes and expansions in the present social-security law. I fully realize that the members of the Ways and Means Committee and also the subcommittee of the Ways and Means Committee, devoted almost 6 months in holding hearings and writing the present bill under consideration. I believe that the Members of Congress who are not members of the Ways and Means Committee should have a longer period of time to study the contents of this bill and also have the privilege of adding to, striking out, or changing the bill in any manner which the majority of the total membership of the House desires.

I am voting for the rule and also supporting this legislation because it brings about a too-long-delayed expansion in social-security coverage. This bill adds approximately 10 million persons to social-security coverage. The greater percentage of the increased coverage is

made up of self-employed farm operators and workers. This bill also covers about 400,000 engaged in professions such as lawyers, dentists, architects, engineers, accountants, veterinarians, optometrists, ministers, and so forth. Physicians have been excluded by the Ways and Means Committee by reason of the desire of a great majority of that profession. Also policemen and firemen who have an adequate retirement system have been excluded by reason of the request from the various police and firemen organizations throughout the country. This bill also extends coverage to State and local government employees. This will include city, township, and county employees. These various local government employees who have a retirement system, can be excluded if they so wish by a majority of their group voting and if two-thirds desire exclusion, they will be excluded from the social-security program. Approximately 250,000 domestic workers in private homes will also be included in this social-security program. The bill also will include workers engaged in various other lines of endeavor which heretofore have been omitted from the social-security program.

One of the outstanding features of this bill is that it is extending the old-age and survivors' insurance coverage. The details of the increases which will be extended to retired people and old-age insurance income are set out in detail in the report and also the bill which the members of the Ways and Means Committee can more fully explain when the bill is taken up for debate.

The provisions set out in this bill is a step in the right direction. The leadership of the Democratic Party has been fighting for social security and social-security expansion for the last 20 years. It is indeed encouraging to see some of the Republican Members who formerly have fought and opposed social-security expansion, to be following the policy which has been inaugurated by the Democratic Party and has been contained and set out in every Democratic platform for almost a quarter of a century. The adoption of this legislation will eventually bring about more security for the American home. It will also be a contributing factor to contentment and happiness among millions which eventually will prove to be one of our greatest weapons in curtailing the spread of communism.

Mr. ELLSWORTH. Mr. Speaker, I yield such time as he may desire to the gentleman from Oregon [Mr. ANGELL].

Mr. ANGELL. Mr. Speaker, I am voting for H. R. 9366 which is the bill to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors' insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits. I am doing so for the reason that in my judgment it does set forth some needed improvements in social-security legislation for the aged and disabled, but unfortunately it does not solve the entire problem nor cover the whole field.

Ever since the Social Security Act became law, from time to time the Congress has enacted amendments extending coverage to other groups of citizens and increasing the monthly payments. However it is still far short of covering the entire field of all citizens of the United States who should come within the protection of the social-security legislation. The monthly payments also, notwithstanding the several increases already adopted and those included in this bill, are far short of providing adequate allowances to permit the recipients to live in comfort and health and according to standards we have established here in the United States.

I have long advocated the enactment of legislation which would cover the entire field on a pay-as-you-go basis and would provide adequate annuities to the elderly people of America, dependent widows and the disabled and physically handicapped. I recently appeared before the Ways and Means Committee in support of my bill, H. R. 2446, which embodies the Townsend legislation, urging its adoption. If it were possible H. R. 9366 should be amended so as to include the provisions of H. R. 2446. But under the parliamentary setup that is impossible. This rule which will be adopted is a gag rule and no amendments will be permitted.

In appearing before the Ways and Means Committee in support of H. R. 2446 and its companion bill, H. R. 2447, I gave the arguments and reasons why, in my judgment, the approval of that legislation by the Ways and Means Committee should be given and that bill adopted by the Congress. As I told the Ways and Means Committee, it is of deep interest to note the decided trend toward the adoption of a universal, pay-as-you-go, old-age security program. Those of us who through the years have been fighting for a genuine pay-as-you-go program are very much encouraged by the trend of recent events which show public opinion increasingly supporting amendments of social security so as to make its coverage universal and place it on a pay-as-you-go basis.

As we all know, there is a large number of worthy aged citizens of the United States who are not covered by the provisions of existing social security legislation and who cannot qualify to come under it. Nevertheless the tax for its support, while contributed in the first instance through employers and employees, is in reality borne by everybody, and it is illogical and unsound to impose such a tax which protects only limited and special groups, as is now done. Under House bill 2446 all citizens would share in the benefits of the program.

While the President is to be commended for his recommendations for the extension of social security and increase of benefits—which every Congressman will agree are badly needed—the coverage still fails to take within its protective shield all those who are entitled to be covered, and the benefits, even increased by the recommendations of the President, are wholly insufficient to maintain the elderly people of America in decency and health according to

American standards. It is not in any sense enough. The time has come for an overall, comprehensive social-security program, and the program presented by House bills 2446 and 2447 should receive the consideration of the Congress.

I wish to recall a statement by Ex-President Hoover, then Chairman of the Commission for the Organization of the Executive Department. He said:

I wish to say at once that I strongly favor Government provisions for protection of the aged and their dependents. The problem before the Nation is to obtain a workable system, with a minimum of bureaucracy, adjusted to the economic strength of the country which gives assurance of security to this group. In my view, we have not yet found that system.

I feel that Ex-President Hoover's statement is every bit as applicable today as it was then. We do not yet have any such system.

In his message to this present Congress on social security, President Eisenhower urged expansion of coverage and stated that benefits provided by the present system are insufficient to combat destitution. Studies of his recommendations leave us convinced that coverage would still remain inadequate.

In fact, almost without exception, qualified experts who have examined into the old-age-security problem facing our Nation have reported the deficiencies of the present system and need for major overhauling or substitution of a new system therefor. In the field of collective bargaining between labor and management, recent years have seen the development of private plans in industry the reserve funding of which already totals just about as much as the reserve fund of our OASI system. In the course of these collective bargaining sessions between management and labor, these private systems have been justified on the basis of the inadequacy of the OASI.

We in America can be justly proud of our achievements in the development of our industrial production. It enables us to stand in the forefront of all nations in the ability to produce food, clothing, shelter and other necessities of life in abundance—not only for our own people but to help other nations in need. This was a major factor in winning the war; and it remains a major factor in our international efforts to win the peace. However, with machine labor and mass production, we have found that many elderly people of America, by reason of the very success we have achieved in production, are deprived of remunerative employment in their declining years; and many of them are in dire need.

Existing economic and social conditions force upon us the complex question of security for the individual in our modern industrial civilization. Since 1919 the number of self-employed individuals in the United States has remained fairly constant at about 9 or 10 million. During the same period our total labor force has doubled. As our population and labor force have steadily grown, the percentage of self-employed has just as steadily declined. An ever increasing percent of our people come to old age and inability to continue in employment

with no opportunity for self-employment.

The young and vigorous are on the payrolls of this machine age and the elderly citizens are relegated to the sidelines. As a result of this increasing unemployment of the aged, we are faced with the problem of social security to meet the needs for livelihood of this steadily increasing part of our population.

To meet this problem the 74th Congress passed Public Law 271 setting up the present social security program. Since that time this law has been studied repeatedly and amended repeatedly. It is now before you for further amendments which in many respects are more extensive than any of the past.

There are nearly 20 bills pending before this 83d Congress seeking to improve various features of this insufficient law. After practically 20 years, during which Congress has dealt with the social security problem on the basis of the present OASI system, can more conclusive evidence possibly be demanded that it is not, as it stands today, a satisfactory answer to the problem?

The failures and shortcomings of the present system are more than mere theoretical failures. What they mean is that millions of good Americans have lived out their elderly years under conditions of tragically unjust, economic hardships; and that up to this moment we still have done nothing to change that sorry state of affairs. It is time to realize that we are not going to solve the problem by continuing this same policy.

The problem of caring for the aged, the disabled and families bereft of their breadwinners, as seen today in the eyes of proponents of the Townsend plan, and others, is that there are many millions of such persons in need among us who are not now, and cannot in the future, be cared for in an honorable and just way by the present system of social security. Under the present system, millions of old folks and disabled people receive either hopelessly inadequate support, or no support at all. While there are millions of senior citizens too well off to get an old-age pension, they are too poor to live decently.

While comparison of the philosophy and objectives of the Townsend proposal and the present system shows them to have much in common, there are marked differences. Our proposal would give recognition to the past labors of the aged and would provide them dividends from the wealth they helped to create. It would give this as a matter of right without any direct relation to specific monetary contributions. The existing OASI program gives benefits as a matter of right, to carefully defined groups, but ties them to a principle of insurance—something that each prospective annuitant and his employer buy as they participate in the productive processes of the country. Finally, old-age assistance is provided for the aged who, because of inadequate OASI coverage or benefits, are in need and should be helped.

I believe that annuities should be offered with neither the stigma of charity nor of poverty. They should be offered

as dividends from the national wealth which every citizen helps to create. A system should be adopted to replace the complicated, arbitrary and inequitable provisions of existing law. It should be one which will have a stimulative effect upon our economy and one which will help to make jobs available to all the young who will replace the aged as the latter move into retirement at a decent standard of living.

A major defect in the present system is the smallness of individual payments and their failure to raise the aged to a decent standard of living. Present payments, averaging about \$50 a month for insured workers, leave those with nothing else to depend on in an utterly impoverished condition; and these benefits fail miserably in raising the elderly as a group to anything resembling a fair comparison with prevailing American living standards. The old-age insurance program is based, in respect to the payments to recipients, upon the contributions made by the covered self-employed, employees and their employers. This principle damages the benefit rights of workers who encounter economic misfortunes in the course of their lives, thereby lessening benefits to the very people who are destined to need and deserve benefits the most when they reach retirement. Therefore, President Eisenhower's recommendation to ignore a worker's worst 4 years of employment for purposes of computing benefits is to be commended as a desirable improvement.

Another major and pathetic defect is that the present system attempts to measure, in terms of fixed dollars, benefits to be paid as long as 50 years in the future, to workers now just starting their working lives. Surely by now we have sufficient experience with the depreciating value of the dollar to realize the futility of attempting to determine a fixed dollar income for retirement 10, 20, or 50 years in advance. Annuitants today, with fixed incomes based on prewar values, are able to buy only about one-half of the food, clothing, and other necessities their meager annuities would have provided before the war. Changes in the purchasing power of the dollar are so great that the attempts of one generation to set minimum decent living standards for succeeding generations, in terms of fixed dollars, can be satisfactory only by chance.

In attempting to do this extremely difficult thing the present system requires keeping meticulous individual records of the wage and working activities of 75 to 100 million covered workers over periods of time running up to 50 years.

It is most difficult to continue under any system having such basic flaws and honestly hold forth any hope that the American people are ever going to have a satisfactory solution of their social-security problem. To do so is to delude ourselves and the public.

Earlier this year, we were all pleased to witness recognition of many shortcomings of the present system in President Eisenhower's message to Congress on social security. I certainly agree that millions more of our people should be covered under whatever system we

have than are covered presently under OASI. I approve of extension of coverage; but I do not agree that the present system can provide adequate and secure coverage for all the American people who should be covered, unless the system is so drastically changed as virtually to repudiate its present principle in respect to coverage.

I was equally pleased to hear the President characterize the benefits provided for in the present law as insufficient to combat destitution. I certainly agree that benefits, under whatever social-security program we might have, should be much higher than those presently provided.

However, I certainly do not agree that increasing the minimum OASI benefits from \$25 to \$30 a month is enough of a contribution to combating destitution. We equally find agreement impossible on the point that increasing the maximum benefits from \$85 to \$98.50 a month is of general benefit when we realize that such benefits would go only to workers with an average earning record of a flawless \$300 a month. It is clear to me that the same consideration is true regarding the proposed maximum of \$108 monthly benefit to be based upon a flawless wage record in covered employment of \$350 a month. What a stepdown of living standards, for a majority of our people will result, under the benefit formula inherent in OASI.

It is only a year ago that our great problem was to find ways of overcoming inflation. Now, we have, in the full sense, at least 4 million unemployed, costs of living still at their peak, and the great worry and problem is to combat deflation, recession, to prevent depression. Surpluses, resulting in unemployment, are gathering while we harbor a system of social security that fails adequately to amplify purchasing power among those very parts of our population where purchasing power is most inadequate; the aged, the incapacitated, the widowed mothers with dependent children, where purchasing power is pared right down to the very bone and often enough right into the marrow.

I am intensely interested in every possible improvement in any part of our social-security system, in any way that will, however slightly, help these people in need; but I do not accept these improvements as constituting the kind of progress in social security that the American people should have. It is on this basis that we press with all our ability for a program that will really solve this problem once and for all, and as soon as possible. It is on this basis that I press for the adoption of the Townsend program, for congressional action on social security through the identical bills, H. R. 2446 and 2447. It is high time to solve this problem.

The Townsend Plan is flexible. It would automatically change with changing conditions, changing living standards and purchasing power of the dollar, in terms of the real value of its benefits. We simply cannot see how any social security program can securely provide security for the people unless it is designed to operate in this way.

Because of the fact that no such program has ever been in operation, direct statistics do not exist, and it is not possible, precisely, to calculate the individual benefits that would be available under H. R. 2446. However, there do exist sufficient data on business operations and on our population to make a perfectly reasonable and sound estimate on the basis of conditions in recent years.

Continuous study of the program presented in H. R. 2446, over many years, enables us to calculate a gross income-tax rate that would obviously provide a desired amount of revenue under specified business conditions. This means that a given benefit goal, in terms of its relationship to general living standards, can be adopted and the needed tax rate established, so that the resulting benefits to individuals would then be set in a fixed ratio to general living standards and economic or business conditions. This completely overcomes the problem of benefits in terms of fixed dollar amounts which become utterly ineffective as prices, standards of living, and business conditions change.

These principles have been found necessary for adequate pensions among nations having much longer experience with social security than we have. The Social Security Bulletin of January 1954 features this question in a special article. It shows Sweden, after 40 years experience, adopting a cost-of-living adjustment in 1950 and, on top of it, a standard-of-living adjustment in 1953. Operating together, these two adjustments increased Swedish pensions 75 percent above their 1946 base period.

Townsend plan benefits would stay in step, maintaining their real value. It would only be the development of great changes, or after long periods of time, that adjustments would be needed; and then they would be mere adjustments in the light of solid and obvious needs. Once in operation, direct data by which to calculate precise benefit values and tax rates would be readily available at all times. The whole picture of social security, in this respect, would immediately and permanently become automatically available.

Since the amounts payable under the Townsend plan will be determined by subtracting administrative costs from tax receipts with the balance being wholly distributed in the form of benefits, there would be absolutely no surplus; there would be absolutely no debt. As far as social security is concerned, the budget would be balanced exactly. The opposite state of affairs that exists under the present OASI program is certainly thoroughly enough known to require no comment here.

It is obvious that administration of the Townsend plan would be tremendously less expensive than the cost of the present system; especially is this the case when we realize that the problem would be fully solved, while under the present program we are far from solving it.

The tax proposed to finance the Townsend plan is a gross income tax. Practically every argument that can be raised against this tax can be raised against nearly every other tax in force today. Two strong counterarguments, however,

do exist against the so-called regressive nature of the proposed tax. The first is that no tax should be considered apart from the use to which the revenues derived from the tax are to be put. While sales taxes, for example, are objectionable in respect to being regressive, the laudable purpose of the proposed tax overcomes this objection. It is apparent that persons in low-income groups will receive benefits at relatively small cost, while people in high-income groups will pay relatively more for the same benefits. Under the Townsend plan, all will receive the same benefits. Therefore, instead of the tax actually being regressive, its final effect is progressive. Furthermore, it is not improper to suppose that the taxes, to the extent that they are not dissipated by the positive stimulus that the currently paid benefits will have on the economy, will be borne willingly by all in the realization that by paying a tax today they will guarantee themselves an honorable annuity when they, too, are disabled or reach the age of 60. All individual, personal incomes in excess of \$250 monthly will be taxed 2 percent, there will be no other deductions. The tax will be wholly justified by this direct and completely reliable benefit to every taxpayer upon qualifying.

The thought behind this proposal is this: We have repeatedly experienced the production of surpluses that could not be sold with the results of overproduction, underconsumption, and unemployment. Now, again, with industry having surfeited the postwar demand for goods long unavailable, with our rearmament and defense program leveling off, we are face to face with the same forces; surpluses are a looming and foreboding economic fact and unemployment has reached threatening proportions. The Townsend plan would help greatly by creating a new market which would buy up this accumulating surplus; it would keep industry going; it would prevent unemployment; simply everybody would benefit by escaping the great losses which these situations cause to just about everybody, big or small.

Early this year the Senate had quite an open discussion of agricultural surpluses, revealing the astronomical figures to which they had risen, with some 331 million pounds of butter, for example, in Government storage at that time. However, it has also become clear that agricultural surpluses are only a part of the picture. Right across the board of industry and business, accumulating inventories, falling demand and consequent unemployment—which further depreciates demand—have been mounting concerns. The construction of the Townsend bill has been dictated by the obvious fact that raising the tragically inferior living standards of the aged and other disabled citizens to general American standards would enable these millions of people to purchase and consume these otherwise recurring surpluses of every kind. It is our contention that a fully adequate social-security system of this design would, in the long run, not only solve the social-security problem once and for all, but would also have a steady, stimulative effect on our general economy which would benefit virtually

everybody. The economic results would offset the theoretical costs of such a program, completely.

Under such conditions of stabilized prosperity, subject to the powerful forces of expansion and economic growth which we, as a Nation, have proven ourselves capable of, there would be a greater and more confident opportunity for every individual in our land to work, to earn, to risk and to invest without the plague of surpluses with their costs and losses constantly recurring. What other way is there ever to absorb our surpluses except to create the market that can buy them and use them?

This is no longer only the idea of the Townsend movement. In recent times, there has been a constantly growing demand for action to increase buying power in our economy. Even tax-reduction has been proposed for this purpose on the theory that more money would be left in consumers' hands. A very notable instance in the business world was the observation of Mr. T. V. Houser, vice president of the Sears, Roebuck & Co., in addressing the recent national convention of the National Retail Dry Goods Association. He spoke of pension plans as permitting people to spend in a way that would not be "prudent if the protection afforded by these funds did not exist. The average family can more nearly use current income for the immediate enjoyment of better living standards. Families having to draw on such funds when extended illness or retirement comes have more current income for a sustained standard of living than would otherwise be the case." He further explained that pension plans bring about "an accumulated buying power, increasing year by year, which in previous decades did not exist at all."

Mr. Speaker, all of us have long been fully aware of the continuous receipt by Members of Congress of the endless flow of mail from constituents, revealing the widespread, shameful shortcomings of the present act, especially emphasizing its failure to give any relief to millions of already aged people. This has been going on year after year.

In spite of the many efforts to improve this act by amendments, dissatisfaction has grown with the passage of time. As more and more people who have been basing great hopes on our social-security system have come to the point where they have had to depend on it for support, too often disappointment and disillusionment have been their rewards.

The further we go in our technological development in the field of production, the more critical and intense this whole problem is going to become. The President has said that we do not need to rely upon the demands of war and defense in order to have economic prosperity; and with this view nobody could possibly agree more completely than we do. However, it is perfectly plain to us that the present social-security program offers too little toward this great ideal. It is equally clear to us that a sufficient social-security program will contribute tremendously to it.

Now, in approaching the end of these remarks, I wish to speak about the actual specifications of H. R. 2446. Our studies

have shown us that there is a great gap between the average living standards of the American people as a whole and the living standards of the aged. Although we have a social-security program, operating at Federal, State, and local levels; although we have many thousands of private pension and welfare funds; Federal, State, and local retirement systems for public employees; the railroad-retirement system; life insurance; although we have all of the many efforts of the American people to provide for future security by saving and investment—and these complicated efforts are mighty, indeed, in their cost—yet the latest official data from the Census Bureau, showing the distribution of consumer income, reveal the elderly people still enduring income levels barely better than one-third of the national average. This is inclusive of all the income they receive in the form of benefits from any and all existing programs and resources.

H. R. 2446, based on the 2 percent gross income-tax it proposes, would provide benefits which would replace many of these programs now existing—such as OASI and OAA—and would, in addition, bring the elderly people to close equality of income with other groups. The aged as a group would no longer endure inferiority and dependency; they would be equal as a group and none of them would have less than the Townsend plan pension—close to \$130 monthly as of 1952, or close to \$140 monthly as of 1953. As it is, not only is the income average of the aged about one-third the general average, but over 25 percent of the aged are completely dependent having absolutely no money income from any source.

It is time to have done with poverty and despair as the final rewards of life. Let us have full freedom and equality for our aged and disabled, and with it let us have unprecedented prosperity.

Mr. ELLSWORTH. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan [Mr. HOFFMAN].

Mr. HOFFMAN of Michigan. Mr. Speaker, apparently some social-security legislation is necessary because in the last 10, 15, 20, or 30 years the situation in this country has become such that it is almost impossible for an individual to provide, as we did in days gone by, for his own old-age security. Farmers are to be forced in—doctors and some others kept out. Either all should be in or those who do not choose to be in should be left out. Of course, all who are unable to care for themselves—and that through no fault of their own—should be cared for.

I have heard considerable about unemployment lately and the necessity for a Federal program in order to create employment. But last week a constituent phoned me and said he was trying to get a Cadillac for his nephew but was unable to do so. He wanted to see if I could not talk to a sales agent down here and help out. At one time I had helped him get a Cadillac, not by contribution to any part of the purchase price but by talking to the general manager of a sales agency. I told him that I would try. So I called the agent and do you know what he told me? He said, "Now, do not go bothering about

this for it will take 6 months before your friend can get a Cadillac."

I guess Cadillacs are made up there in Michigan. I have heard my colleague from Detroit [Mr. RABAUT], a very distinguished and able Representative, talk about unemployment in Detroit. Now, what is the matter? Is General Motors getting too many Government contracts? Are they too far behind? Or why is it that this man with money to spend cannot get a Cadillac? You talk about giving people more money to increase their purchases. I wish somebody would find out about this so that this gentleman would quit asking me. He has money to spend. But he cannot get the car of his choice. I do not want to be investigated for using undue influence, even with General Motors. I do not know whether it is unemployment or what it is. I suggested they buy a Ford or a Chrysler or an Oldsmobile or go to the secondhand yards. I have been up and down the streets, seen car after car, hundreds of them, yes thousands of them, waiting for somebody to put in some gasoline and, if possible, drive it away.

Mr. RABAUT. Mr. Speaker, will the gentleman yield?

Mr. HOFFMAN of Michigan. I yield to the gentleman from Michigan.

Mr. RABAUT. I was just thinking that it might be a good idea to get that man's name and address because I think there are a few dealers he will hear from.

Mr. HOFFMAN of Michigan. Oh, the gentleman is looking for a commission. I want the credit for doing that if I can get it.

Mr. SMITH of Virginia. Mr. Speaker, I yield 5 minutes to the gentleman from Texas [Mr. LYLE].

Mr. LYLE. Mr. Speaker, I am opposed to this type of rule. Of course, I have no objection to the House considering a social-security bill. I am conscious of the fact that this great Committee on Ways and Means has labored very hard on this legislation, but we do violence to our own intelligence, to our own responsibilities, when we bring in a rule which disfranchises the Members of the Congress. The Members on the Democratic side of the Committee on Rules made the very simple request that this rule provide that any Member of this House might be able to offer an amendment striking any portion of this bill, not adding to it, not extending the field, but simply the privilege, as a United States Representative elected by the people, of offering an amendment to strike a portion of the bill which a Member might feel was not to the advantage of the American people. We were defeated. I have too much respect for you Members of this House on both sides to ask you to vote for a rule making in order a bill which you can do nothing about. You cannot even read it because it is too long.

It is wrong, gentlemen. I know it has been done under Democratic administrations. I thought it was wrong then. I know it has been done under Republican administrations. I still think it is wrong: 435 intelligent men and women, elected by the people, disfranchised by their own vote on this rule, throwing up their hands and saying "We cannot

pass intelligently on this legislation unless you permit us simply to say 'Yes' or 'No'." I am opposed to that because I respect your intelligence and your responsibilities too highly.

Mr. ROGERS of Florida. Mr. Speaker, will the gentleman yield?

Mr. LYLE. I yield to the gentleman from Florida.

Mr. ROGERS of Florida. I just want to say to the gentleman that he has always been mighty sound in his thinking on legislation, and I think he is eminently correct in opposing a rule where a Member of the House can offer no amendments. Now, there are several provisions in this bill that none of us will agree to, I think. They exempted in this bill physicians, but as to the dentists it is specific. The dentists do not want to come under the provisions of the bill any more than the doctors.

Mr. LYLE. The violence is not to the dentists but to the system of government which takes away the right of a Representative to pass intelligently upon sections of the bill.

Mr. ROGERS of Florida. I agree with that. This is just one concrete illustration. Now, some of you will have to vote for some bad parts in order to get some good parts in the bill.

Mr. LYLE. If you vote for the bill, you will vote for some of the parts you do not like.

Mr. SMITH of Virginia. Mr. Speaker, I yield 9 minutes to the gentleman from Mississippi [Mr. COLMER].

Mr. COLMER. Mr. Speaker, when this social security bill was up in 1949, along with other Members, I opposed what was termed a gag rule. I opposed that under a Democratic administration. I oppose it this morning under a Republican administration.

Mr. Speaker, I am in thorough accord with the gentleman who just preceded me, the distinguished gentleman from Texas, [Mr. LYLE]. Why should we in this House disfranchise ourselves so far in the consideration of this legislation when the other body will, no doubt, take as much as 2 or 3 or 4 weeks to consider this legislation?

Here is a bill of some 122 pages. The Committee on Ways and Means considered it for months. Then they brought it to the Rules Committee this morning and asked for a closed rule under which you cannot dot the i or cross the t. In addition to that, we are asked to waive the requirement of its lying over for an additional 24 hours before it may be considered by the House.

Why all the haste? The great Speaker sitting here is quoted in the press as saying that we will be ready to adjourn by July 1. The majority leader in the other body says we will get out around the 1st of August. The minority leader in the other body says we will get out around the 15th of August. In other words the House is a month or more ahead of the Senate on the adjournment schedule. Yet we are going to consider this bill all in 1 day, having run it through the Committee on Rules and put it through the hopper in 1 short day; and there will not be 2 Members of this body, other than the Ways and Means members—and I say this with no reflection upon

anyone, because I will be 1 of them—who will have read that bill. The Members have not had an opportunity to read it. It has just been made available today.

Mr. Speaker, we are going to make a rubber stamp out of this House if we continue to legislate in this manner.

What are we going to do here today? We are going to pass this bill today, and I suspect I am going to vote for it. But I do not like the method of its consideration. We are going to pass it today, and then we may have a program tomorrow and we may not. But I will make the prediction, and I do not write any columns either, and I am not a prophet, but I make the prediction that this House will not be in session more than two-thirds of the time between now and adjournment. Yet we have to rush this thing through today. We are going to lose further caste as a legislative body if we continue to legislate in this manner.

My friend from Texas pointed out a moment ago that we tried to provide in the rules, in the committee for a little simple amendment as to whether you, representing your congressional district, could offer an amendment to strike out one little provision of this bill if you wanted to. But we were told that would be discrimination. The great Ways and Means Committee did some discriminating in the consideration of this bill. When the medical profession raised a great ruckus, it said, "All right, we will let you out." Well, as somebody else has pointed out here, we have heard from some people here who are raising some ruckus too. All I am asking, Mr. Speaker, in all good faith and in all good humor, and with ill will toward none, is that this House be given the opportunity to consider this matter under the regular procedure, and for that reason I am going to vote against the rule.

Mr. ELLSWORTH. Mr. Speaker, I yield 1 minute to the gentleman from Pennsylvania [Mr. SCOTT].

Mr. SCOTT. Mr. Speaker, I am not going to get into any controversy because I very well recognize that after all the tumult and shouting dies, most of the Members of the House are probably going to support this measure which regardless of the party which may be in power represents the desire of the citizens of this country who by their own contribution and the aid of the Federal Government under this system are entitled to expect a stable and continuing Government policy. This bill extends to approximately 10 million people, benefits of the Social Security System. It extends the coverage and it expands the benefits. It is part of the President's promise to the American people in his campaign and in his state of the Union message. This represents a keeping of that promise. I am for the rule and for the bill.

Mr. SMITH of Virginia. Mr. Speaker, I yield myself the remaining time.

Mr. Speaker, this bill contains 122 pages. Obviously, Members of the House have no idea what is in it although they are called upon to vote for it and pass it today.

I asked for a copy of the bill when I arrived on the floor a few minutes ago,

and there were no copies available. Within the last few minutes they have been delivered from the Printing Office, and I have just obtained one of those copies.

This is an extension of the Democratic policy of social security. I differ with the gentleman from Pennsylvania [Mr. Scott], who has just addressed the House, saying that this was a part of President Eisenhower's program. This was a part of President Roosevelt's program and a part of President Truman's program. The difference between us is that under the Democratic program for social security it was recognized that it was a tremendously complicated subject, that it was a subject that would require years of practice and study, public acceptance, and gradual coverage. So we began in a small way to introduce the social-security program. I voted for it. We recognized, and I think the House and the country at that time recognized that it was a program that had to go by progressive stages; that it had to have the knowledge and approval of the general public before it could be successful and a permanent program.

The difference between us this morning and the Democratic policy is that while we have tried to carry on a progressive, gradual program that would make extended coverage over the years as the public became educated to social security, my friends this morning want to undertake to make the whole leap in 1 day. They want to cover the surface of the earth before we have an opportunity to educate the public to this program. I do not know why they should have concluded that we had to do it today; that we would not have time to debate it; that we would not have time to talk about who should be included, and would not have time to talk about the opportunity to offer amendments. We have got the whole week before us, but the program seems to be that it must be put through this day if it is ever going to be put through. Perhaps if this bill and this 100-page report were circulated sufficiently among the Members there might be some objections to the passage of this bill. Anyway, it must be put through today as a Republican program, as the result of a platform promise. I do not know why it has to be put through so suddenly and why the coverage had to be so extended, unless it is the fact that my friends on the left figure they might not be in control too long, and they had better get this thing over while they can.

I object to the feature of this bill that prohibits you from offering any amendment. I think that requires a little discussion and a little understanding. We all agree that on an ordinary tax bill it is not feasible or practical to write it on the floor of the House, and therefore we have adopted the theory that we have closed rules on tax bills. But all we asked for in the Rules Committee was that the individual Members of this House be given an opportunity to offer amendments to designate what classifications of persons should be included. You will note, if you have gotten far enough in this 100-page report, that under the compulsory program all professional classifications are included in

this bill. They include lawyers, dentists, architects, engineers, accountants, funeral directors, osteopaths, chiropractors, veterinarians, naturopaths, whatever they are, ministers, and Christian Science practitioners. The funny thing about it is that they exempted doctors. I asked somebody if it was not a fact that the only reason they exempted doctors was that they made more noise than anybody else, and therefore they were exempted. The other professions, which perhaps did not know anything about it, are being included in this program and are forced to enter into this program against their will.

What I have asked—and I am going to pursue it further on the floor by asking that the previous question be voted down. The committee has put in these classifications. I am going to ask that the previous questions be voted down, and, if it is voted down, I shall offer this amendment that this shall be an exception to the closed rule and provide that any Member may offer an amendment to exclude any classification or occupation or to include an additional classification.

The reason for that is that there are some classifications that Members here on the floor think ought to be included, classifications that want to be included that are discriminated against and are not included. So why should not this House, which is supposed to do the legislating, why should they not have the opportunity not of amending the tax rate, not amending what the tax shall be, but just saying what classification shall be included and what classification shall be excluded?

Take the farmers; let us consider the farmer for a minute. The doctors know what is going on up here; they have their organization, and when something happens here that affects the doctor, you hear from them very quickly. Many of these old farmers out in the country do not belong to any of these farm organizations; they do not know what is being done for or to them. But if this bill passes, every farmer in your district if he makes as much as \$400 a year is going to have to pay a social-security tax no matter whether he wants to come under or whether he does not want to come under, and that applies to every other classification in here.

I am just opposed to this compulsory inclusion in social security of any class of citizens. But that is not the question here this morning; the question is which of these classifications, or whether this House shall have the opportunity to say that we want to include this classification or we want to exclude this classification. So my proposal will be to let the House either enlarge the classifications or restrict the classifications.

It does seem to me that in a democratic body—although we have got to pass this bill it seems today—that in a democratic body such as the House of Representatives that the membership should at least have the opportunity to say what classification they want to include and what classification they wish to exclude.

This bill imposes a burden upon the already overburdened taxpayers of the

country, because under this bill before this tax rate reaches its maturity there will be a tax of 8 percent upon employers and employees, upon farmers, domestics, and what have you. They raised the tax rate progressively in this bill so that a person of very moderate means may find himself in years to come confronted with a tax of somewhere between \$250 or \$300 a year on this social security. So you are putting quite a burden on the people.

This is not any little thing you are putting on the people of America, and it does seem to me that there ought to be full time for discussion, there ought to be full opportunity for amendment, especially as to the classifications to be included or excluded.

Mr. ABERNETHY. Mr. Speaker, will the gentleman yield?

Mr. SMITH of Virginia. I yield.

Mr. ABERNETHY. I am interested in what the gentleman has had to say and I thoroughly agree with his views. Now may I ask the gentleman this question: Do I understand this bill to provide that every farmer in this country, of which there are about 7 million, will be forced under this program, if he earns as much as \$400 a year?

Mr. SMITH of Virginia. Yes.

Mr. ABERNETHY. If it be that a farmer does not desire to come under it and he does not pay this tax, does that mean that an agent of the Federal Government will be out on his farm attaching his property for the purpose of forcing him into a program that he does not wish to participate in?

Mr. SMITH of Virginia. The same rule that affects the collection of other taxes will prevail in this case.

Mr. ABERNETHY. It means then that quite a raft of tax collectors will be raiding the farms of thousands of men in this country, farmers who definitely will not want to come under this program.

May I ask the gentleman a further question: Does this rule provide that no Member may offer an amendment to make the coverage voluntary?

Mr. SMITH of Virginia. Yes.

Mr. ABERNETHY. Such as making it voluntary for the farm people to come under the coverage?

Mr. SMITH of Virginia. What I tried to explain was this: This is what is known as a closed rule, sometimes called a gag rule. You cannot offer any amendments.

Mr. ABERNETHY. I think we are going to have a lot of Federal tax collectors working around the farms collecting taxes which of itself will probably increase the Federal payroll by two or three hundred thousand employees just for the purpose of collecting social-security taxes. They will be nothing but a common nuisance.

Mr. HOFFMAN of Michigan. Mr. Speaker, will the gentleman yield?

Mr. SMITH of Virginia. I yield to the gentleman from Michigan.

Mr. HOFFMAN of Michigan. I am not familiar with the provisions of this bill. Is it true that the owner of a farm will have to pay something to the Federal Government and that he comes under this?

Mr. SMITH of Virginia. Oh, yes, if he makes \$400 a year or more.

Mr. HOFFMAN of Michigan. Suppose he does not work on the farm and the profit is \$400?

Mr. SMITH of Virginia. If he rents his farm he does not have to come under it. That is if he rents his farm out.

Mr. HOFFMAN of Michigan. But he has to pay taxes on the upkeep and so forth.

Mr. SMITH of Virginia. If he is a farmer and makes \$400 a year.

Mr. ABERNETHY. The only way we can get out of this parliamentary situation, this gag rule, and have the privilege of offering an amendment is to vote down the previous question?

Mr. SMITH of Virginia. Vote down the previous question and accept the amendment I shall offer; then you may vote to include or exclude any classification.

Mr. ELLSWORTH. Mr. Speaker, I yield 10 minutes to the gentleman from Indiana [Mr. HALLECK].

Mr. HALLECK. Mr. Speaker, this sort of debate is not new on matters of this kind. I have been present here when the same arguments were made before. Undoubtedly they are made in good faith, in complete sincerity, and with a considerable degree of persuasiveness. However, the plain fact remains that for 15 years extensions of social security have been handled under this type of rule. I think it is completely understandable why that is done. This is a highly complicated piece of legislation and beyond that there is the matter of the necessity of actuarial soundness with respect to the bill as a whole.

The bill is built upon that basis. Problems of coverage and others involved in the consideration of actuarial soundness are involved. To undertake to rewrite the bill on the floor of the House would likely get us into the sort of situation that has convinced us over the years that tax bills from the Ways and Means Committee should be considered under closed rules.

Mr. COLMER. Mr. Speaker, will the gentleman yield?

Mr. HALLECK. I yield to the gentleman from Mississippi.

Mr. COLMER. I am sure that my distinguished friend does not want to mislead anybody. He would not do it, let us put it that way. But if the statement that he made that for 15 years this sort of bill has been considered under a closed rule is correct, then the information that I have is incorrect. The information I have is that only twice has it been considered that way.

Mr. HALLECK. No. I do not know where the gentleman got his information, but may I say, anticipating that something like this might develop, I had a check made by one of the employees of the House whose word the gentleman would not question or whose thoroughness the gentleman would not question. He is the source of my information.

Mr. COLMER. Mr. Speaker, will the gentleman yield for a brief statement?

Mr. HALLECK. Yes.

Mr. COLMER. May I just say to the gentleman that my information came from the same source.

Mr. HALLECK. I trust that the gentleman is not accusing me of misquoting the source.

Mr. COLMER. I certainly am not. What I meant to say was that my information came also from a trusted employee of the House.

Mr. HALLECK. Well, I have some very vivid recollections, too, of the manner in which we have approached these propositions. As the gentleman knows, I served on the Committee on Rules. I understand you can make a great speech about a closed rule and what an awful thing it is to have a closed rule, but recognizing the practicalities of the situation when I was in the minority on the Committee on Rules, I went along with many closed rules because it seemed to me to be the way to expedite the business of the House.

While I am talking about that, let me just say this to my friends who apparently think we should put this legislation off until the last week, that we all recognize this will have to go to the other body, hearings will need to be held, and it should be obvious to all of us that the quicker we get these measures over to the other body, why, the better chance we have to get action completed and adjourn in a reasonable time. It strikes me as being inconsistent, on occasion, to say that the House is not doing anything, the House of Representatives is not getting anything done, but here apparently it is suggested we are getting too much done.

In connection with the coverage, we already have 62 million people under the social-security program. Some people thought that when the Republicans won, we expected to come down here and repeal the social-security law. You know, that would be a little rough for me, because one of the first speeches I made in the House of Representatives was for the social-security proposal when it was first before the Congress. So, I would have to be doing a very, very wide turnaround in order to be for repeal. We might as well recognize the fact that the social-security program is here; it has become an integral part of our economy, and as far as I am concerned, as we extend its coverage, making it more nearly universal, then the better off we will be, because if you can get universal coverage, then you will no longer need the public-assistance program, because people will be taken care of under this program. To my mind, that is a desirable thing.

May I point out another thing? Everyone is paying for this program, whether you are getting the benefits or not. A part of it is in the cost of every automobile you buy or every tractor the farmer buys, the shoes you wear on your feet.

The gentleman from Virginia said that some people in the other professions do not know about what is going on with respect to this bill. It was my privilege just a week ago to be out in the great State of Ohio speaking before the Ohio State Bar Association. I did not press the matter of social-security legislation there in what I had to say, but while I was present the Ohio State Bar Association adopted a resolution, speaking for

the lawyers of that State, asking that they be included in this program.

Mr. SECREST. Mr. Speaker, will the gentleman yield?

Mr. HALLECK. I yield to the gentleman from Ohio.

Mr. SECREST. I have read this report, and I think that these amendments are some of the finest ever proposed. I think the provision to include farmers is one that will meet with the approval of 90 percent of the farmers of this country, and I am going to vote for the bill in order to keep it from being whittled to death.

Mr. HALLECK. The gentleman from Virginia said he is going to ask the membership to vote down the previous question, which would mean that the rule then would be open for amendment. If the precedent that has been established, may I say again, for 15 years is to be upset, vote down the previous question. However, I do not believe that is going to be done. The great Committee on Ways and Means has worked diligently and carefully on this bill.

When they came along with various provisions, statements were made to the press as to what was being done, so I do not think it is quite fair to say that none of us knows what is in the bill. Whether you have read all the bill or not, every one of us has had an opportunity to become acquainted with what is in the bill and to know about it.

Mr. JAVITS. Mr. Speaker, will the gentleman yield?

Mr. HALLECK. I yield to the gentleman from New York.

Mr. JAVITS. I am strongly in favor of this bill. If we open it up for amendment, it could be much less modernized, rather than more; therefore, those of us who are in favor of the most modernization, should be against opening up this rule to amendment.

Mr. HALLECK. Whether it would make for more or less modernization, I do not know, but I do say that the committee has done a good job with this bill. I think it would be a mistake to throw it open for amendment on the floor. Certainly the people on my side of the aisle should not be too concerned about this rule, because we have been having this sort of rule for a long time. To my friends on the right I cannot conceive of their backing up on the program or the method of consideration that was established by them, backing up just because Republicans happen to be in power at this time.

Mr. REAMS. Mr. Speaker, will the gentleman yield?

Mr. HALLECK. I yield to the gentleman from Ohio.

Mr. REAMS. I have had correspondence from some doctors who want to come in under this program. Is the entire profession excluded?

Mr. HALLECK. As I understand it, the entire profession is excluded. Of course, it should be kept in mind that the minority has the right to make a motion to recommit if they wish. That motion may be as limited or as broad as anyone wants to make it. But that is a method that would be open, I might say to the gentleman from Ohio [Mr. REAMS], if one were opposed to the bill—of course,

he would have to be opposed to the bill to qualify to make a motion to recommit. Mr. MORANO. Mr. Speaker, will the gentleman yield?

Mr. HALLECK. I yield.

Mr. MORANO. I have had messages from doctors indicating that they wanted to be excluded from the program.

Mr. HALLECK. Of course, we have had messages from both sides. May I conclude by saying, with particular reference to my colleagues on my side of the aisle, that in 1950 Republican Members of the House and Senate drafted a statement of principles and objectives. This was subsequently endorsed by the Republican National Committee and in essence it went into the 1952 platform. With respect to social responsibility we said this:

The obligation of Government to those in need has long been recognized. Recognizing the inequities and injustices of the present program of social security, we urge:

A. The extension of the coverage of the Federal old-age and survivors insurance program, reduction of eligibility requirements, and increase of benefits to a more generous level, with due regard to the tax burden on those who labor.

B. A thoroughgoing study of the program of more nearly universal coverage, including the principle of pay as you go.

This measure that is before us represents a compliance, a fulfillment of that promise that we made.

I say that the motion for the previous question should not be voted down, and that we should go on to the adoption of the rule and the adoption of the bill.

The SPEAKER. All time has expired.

Mr. ELLSWORTH. Mr. Speaker, I move the previous question on the resolution.

The SPEAKER. The question is on ordering the previous question.

The question was taken; and on a division (demanded by Mr. SMITH of Virginia) there were—ayes 112, noes 30.

Mr. ABERNETHY. 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. Obviously a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 270, nays 76, answered "present" 1, not voting 87, as follows:

[Roll No. 77]

YEAS—270

Adair	Bishop	Campbell
Addonizio	Boggs	Canfield
Allen, Calif.	Bolling	Cannon
Andresen	Bolton,	Carnahan
H. Carl	Frances P.	
Andresen,	Bolton,	Cederberg
August H.	Oliver P.	Chenoweth
Angell	Bonin	Chipperfield
Arends	Bosch	Chudoff
Auchincloss	Bow	Church
Ayres	Bowler	Clardy
Bailey	Boykin	Clevenger
Baker	Bramblett	Cole, Mo.
Barrett	Bray	Cole, N. Y.
Bates	Brown, Ohio	Coon
Beamer	Broyhill	Cooper
Becker	Buchanan	Coudert
Belcher	Budge	Cretella
Bennett, Mich.	Burdick	Crosser
Bentley	Busby	Crumpacker
Bentsen	Byrd	Cunningham
Berry	Byrne, Pa.	Curtis, Mass.
Betts	Byrnes, Wis.	Curtis, Nebr.

Dague	Jones, Ala.	Price
Davis, Wis.	Judd	Prouty
Dawson, Utah	Karsten, Mo.	Rabaut
Deane	Kean	Radwan
Delaney	Kearney	Rains
Derounian	Kearns	Ray
Devereux	Kee	Rayburn
D'Ewart	Kelley, Pa.	Reams
Dollinger	Kelly, N. Y.	Reece, Tenn.
Dondero	Kilday	Reed, Ill.
Donovan	King, Calif.	Reed, N. Y.
Dorn, N. Y.	King, Pa.	Rees, Kans.
Eberharter	Kirwan	Rhodes, Pa.
Edmondson	Klein	Roberts
Ellsworth	Knox	Robison, Ky.
Evins	Laird	Rodino
Fallon	Lane	Rogers, Mass.
Feighan	LeCompte	Sadiak
Fenton	Lesinski	St. George
Fine	Lovre	Saylor
Fino	McConnell	Scherer
Fogarty	McCormack	Scott
Forand	McCulloch	Scrivner
Ford	McDonough	Secret
Frelinghuysen	McGregor	Seely-Brown
Friedel	McIntire	Shafer
Gamble	McVey	Sheehan
Garmatz	Mack, Ill.	Shelley
Gary	Mack, Wash.	Sieminski
George	Madden	Simpson, Ill.
Golden	Magnuson	Small
Goodwin	Mailliard	Smith, Kans.
Gordon	Marshall	Spence
Graham	Meador	Springer
Granahan	Merrill	Stauffer
Green	Merrow	Stringfellow
Gregory	Metcalf	Sullivan
Gross	Miller, Kans.	Taber
Gwinn	Miller, Md.	Talle
Hagen, Calif.	Miller, Nebr.	Taylor
Hagen, Minn.	Miller, N. Y.	Thomas
Hale	Mills	Thompson,
Halleck	Mollohan	Mich.
Hand	Morano	Tollefson
Harden	Morgan	Trimble
Harrison, Nebr.	Moss	Van Pelt
Hart	Moulder	Van Zandt
Harvey	Multer	Vinson
Heller	Mumma	Vorys
Herlong	Natcher	Vursell
Heselton	Neal	Wainwright
Hess	Nelson	Walter
Hill	Nicholson	Wampler
Hilleison	Norblad	Warburton
Hinshaw	Oakman	Westland
Hoffman, Mich.	O'Brien, Ill.	Wharton
Hoitfield	O'Brien, Mich.	Wickersham
Holmes	O'Brien, N. Y.	Widnall
Holtzman	O'Hara, Ill.	Wier
Hope	O'Konski	Wigglesworth
Horan	O'Neill	Williams, N. J.
Hosmer	Osmer	Williams, N. Y.
Howell	Ostertag	Wilson, Ind.
Hruska	Perkins	Withrow
Hyde	Pfost	Wolcott
Javits	Phillbin	Wolverton
Jenkins	Pillion	Young
Jensen	Poff	Zablocki
Johnson, Wis.	Polk	

NAYS—76

Abbutt	Gathings
Abernethy	Gentry
Albert	Grant
Alexander	Haley
Andrews	Hardy
Aspinall	Harrison, Va.
Battle	Ikard
Bennett, Fla.	Jarman
Brooks, La.	Jonas, N. C.
Brooks, Tex.	Jones, N. C.
Brown, Ga.	Keating
Burleson	Keogh
Chatham	Landrum
Colmer	Lanham
Curtis, Mo.	Lantaff
Davis, Ga.	Long
Davis, Tenn.	Lucas
Dempsy	McCarthy
Dies	McMillan
Dorn, S. C.	Mahon
Dowdy	Matthews
Fernandez	Murray
Fisher	Norrell
Forrester	Passman
Fountain	Patman
Frazier	Patten

ANSWERED "PRESENT"—1

Lyle

NOT VOTING—87

Allen, Ill.	Boland	Camp
Ashmore	Bonner	Carlyle
Barden	Brownson	Celler
Bender	Buckley	Cheif
Blatnik	Bush	Condon

Cooley	Holt	Rhodes, Ariz.
Corbett	Hunter	Richards
Cotton	Jackson	Riehlman
Dawson, Ill.	James	Riley
Dingell	Johnson, Calif.	Rivers
Dodd	Jonas, Ill.	Rogers, Colo.
Dolliver	Jones, Mo.	Rooney
Donohue	Kersten, Wis.	Roosevelt
Doyle	Kilburn	Scudder
Durham	Kluczynski	Sheppard
Elliott	Krueger	Short
Engle	Latham	Sikes
Fulton	Lipscomb	Simpson, Pa.
Gavin	Machrowicz	Smith, Wis.
Gubser	Martin, Iowa	Staggers
Harris	Mason	Sutton
Harrison, Wyo.	Miller, Calif.	Thompson, Tex.
Hays, Ark.	Morrison	Utt
Hays, Ohio	O'Hara, Minn.	Velde
Hébert	Patterson	Weichel
Hiestand	Phillips	Wilson, Calif.
Hillings	Pilcher	Wilson, Tex.
Hoeven	Powell	Yorty
Hoffman, Ill.	Preston	Younger

So the previous question was ordered. The Clerk announced the following pairs:

On this vote:

Mr. Wilson of California for, with Mr. Utt against.
 Mr. Engle for, with Mr. Mason against.
 Mr. Roosevelt for, with Mr. Wilson of Texas against.
 Mr. Celler for, with Mr. Sikes against.
 Mr. Allen of Illinois for, with Mr. Lyle against.
 Mr. Rivers for, with Mr. Hébert against.
 Mr. Simpson of Pennsylvania for, with Mr. Rhodes of Arizona against.
 Mr. Rooney for, with Mr. Pilcher against.
 Mr. Hays of Arkansas for, with Mr. Ashmore against.

Until further notice:

Mr. Brownson with Mr. Morrison.
 Mr. Bender with Mr. Miller of California.
 Mr. Hoeven with Mr. Yorty.
 Mr. Corbett with Mr. Dingell.
 Mr. Bush with Mr. Dodd.
 Mr. Hunter with Mr. Bonner.
 Mr. Jackson with Mr. Camp.
 Mr. Holt with Mr. Preston.
 Mr. Hillings with Mr. Powell.
 Mr. Hiestand with Mr. Doyle.
 Mr. Younger with Mr. Buckley.
 Mr. Velde with Mr. Kluczynski.
 Mr. Short with Mr. Machrowicz.
 Mr. Scudder with Mr. Hays of Ohio.
 Mr. Jonas of Illinois with Mr. Boland.
 Mr. Fulton with Mr. Donohue.
 Mr. Gavin with Mr. Elliott.
 Mr. Gubser with Mr. Riley.
 Mr. Patterson with Mr. Sheppard.
 Mr. Phillips with Mr. Staggers.
 Mr. Riehlman with Mr. Sutton.
 Mr. Lipscomb with Mr. Thompson of Texas.
 Mr. Smith of Wisconsin with Mr. Jones of Missouri.
 Mr. Hoffman of Illinois with Mr. Biatnik.
 Mr. James with Mr. Barden.
 Mr. Johnson with Mr. Carlyle.
 Mr. O'Hara of Minnesota with Mr. Chief.
 Mr. Martin of Iowa with Mr. Condon.
 Mr. Dolliver with Mr. Richards.
 Mr. Harrison of Wyoming with Mr. Dawson of Illinois.
 Mr. Latham with Mr. Durham.
 Mr. Krueger with Mr. Cooley.
 Mr. Kilburn with Mr. Harris.

Mr. WILLIS, Mr. DORN of South Carolina, and Mr. BROOKS of Texas changed their vote from "aye" to "nay."

Mr. LYLE. Mr. Speaker, I have a live pair with the gentleman from Illinois, Mr. ALLEN. If he were present, he would have voted "aye." I voted "nay." I withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

The doors were opened.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

Mr. REED of New York. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days to revise and extend their remarks on H. R. 9366.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. REED of New York. 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. 9366) to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

The motion was agreed to.

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. 9366, with Mr. JENSEN 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. The Chair recognizes the gentleman from New York.

Mr. REED of New York. Mr. Chairman, I yield myself 20 minutes.

Mr. Chairman, today the Members of the House will debate and, I believe, favorably act on H. R. 9366, the social-security amendments of 1954. With the convening of the 83d Congress and the new Republican administration assuming office in January 1953, many basic studies were undertaken with respect to programs which had been enacted into law over the years. One of these studies and reappraisals related to our social-security program, a program which had come into being under the aegis and guidance of a distinguished former Member of the House of Representatives whom we all respect and love. I refer, of course, to the Honorable Robert L. Doughton, an outstanding statesman and legislator who is now enjoying the retirement which he so fully deserves in his beautiful State of North Carolina.

Since this social-security program was first adopted by Congress in 1935 there have been five major amendatory acts approved by the Congress. These acts were intended to strengthen and improve the social-security program as experience demonstrated the feasibility of such improvements. Some of this legislation I have agreed with; others, for varying reasons which I stated at the time they were under consideration, I have opposed.

The consultants on social security, appointed as an advisory group by the distinguished and gracious Secretary of Health, Education, and Welfare, the Honorable Oveta Culp Hobby, undertook a comprehensive reexamination of our social-security laws. This consultant group submitted a report to the Secretary setting forth recommended changes and improvements in the existing law.

These recommendations were embodied in the President's message on social security urging the Congress to adopt legislation accomplishing the principles set forth in the message. As chairman of the Ways and Means Committee, I introduced such legislation which was designated as H. R. 6812. Further departmental study pointed up the need for changes in the pending legislation with the result that H. R. 7199 was introduced to supersede the previous bill.

The Committee on Ways and Means undertook extensive public hearings on H. R. 7199, extending from April 1 to April 15. Upon the completion of these public hearings the committee spent several weeks in executive session developing suitable legislation to be presented to the House for debate and vote. This legislation, H. R. 9366, was reported by the committee on May 28, 1954, and is before us today.

Copies of the bill and report were distributed to each Member of the House of Representatives Saturday so that you would have the opportunity to familiarize yourself with the principal provisions of this important legislation.

Very briefly stated, H. R. 9366 would extend old-age and survivors insurance coverage to approximately 10 million persons who work during the course of a year in jobs now excluded from the program. Prudent and appropriate benefits increases are provided in the bill for the more than 6 million persons who are now on the benefit rolls and for the current workers who will retire in the future. The earnings limitation on beneficiaries under age 75—the so-called work clause—has been liberalized to permit our aged citizens to be more productive and to retain at the same time the principle of the old-age and survivors insurance program as providing primarily retirement benefits. Provision is made for the dropout of periods of up to 5 years of lowest earnings in computing an individual's average monthly wage. The benefit rights and insured status of disabled individuals are preserved by means of a disability freeze provision. Federal payments to States for old-age assistance, aid to dependent children, aid to the blind, and aid to the permanently and totally disabled will, for an additional year, be maintained under the matching formulas contained in the present law.

I would now like to address myself to developing in slightly greater detail the amendments contained in this legislation. I will do this by reference to major subject matter.

First. Extension of old-age and survivors insurance coverage:

Under the Social Security Act as originally enacted, about 6 out of 10 paid civilian jobs were included under coverage. Through subsequent amendments to the act coverage was further extended so that under present law about 8 out of 10 paid civilian jobs are included. About 62 million people now work in covered employment or covered self-employment during the course of the year. H. R. 9366 will extend coverage to about 10 million additional persons.

Through this extension of coverage we will establish a minimum floor of

protection to assure continued self-sufficiency for our aged and their dependents, and for the dependent survivors of deceased workers. We will find through this development of nearly universal coverage fewer of our citizens compelled to rely on old-age assistance for their means of subsistence in retirement. By the end of 1953, 19 percent of our senior citizens were receiving old-age assistance compared with 34 percent receiving old-age and survivors insurance benefits, with an additional 13 percent eligible for such insurance benefits but not receiving them because they had not retired. The expanded coverage provided by H. R. 9366 will result in approximately 75 percent of all persons over 65 being eligible for insurance benefits by 1960 as compared to 47 percent at the present time. The particular groups which will have coverage extended to them by this bill include:

First. Professional self-employed persons, other than physicians, whose net earnings from professional self-employment total \$400 or more in a year. Those professional self-employed groups who would be brought under the system are the professions now specifically excluded, such as lawyers, dentists, architects, and other self-employed groups enumerated in section 211 (c) (5) of the Social Security Act, as amended. It is estimated that approximately 400,000 persons will be brought under coverage as a result of this amendment.

Second. Self-employed farm operators whose net earnings from farm self-employment total \$400 or more in a year. Under existing law net earnings from self-employment from any trade or business are excluded for purposes of determining old-age and survivors insurance coverage if such trade or business carried on by employees would constitute agricultural labor. H. R. 9366 repeals this exclusion with special provisions, together with the regular procedures now in effect, prescribing the method of determining covered farm self-employment earnings.

Under the special provisions, a self-employed farm operator who reports his income on a cash basis and who has a gross income not exceeding \$1,800 a year could report for credit toward old-age and survivors insurance benefits either his actual net earnings from farm self-employment or 50 percent of such gross income. A farm operator whose gross income from self-employment is more than \$1,800 could compute his actual net earnings or, if these net earnings were less than \$900, he could, if he so elected, report \$900. Otherwise, he would report his actual net income. If net earnings from self-employment, either actual or presumed, do not amount to as much as \$400 in a given year, he pays no self-employment tax on such income and receives no credit toward benefits.

With this new reporting provision for farm operators we have developed a practical method for self-employed farmers to participate in the old-age and survivors insurance program. Rentals received in the form of crop shares like other rentals from real estate would be

excluded from gross income for social-security purposes.

Third. Farm workers: Present law contains "the regularity of service" factor in determining whether or not a farm worker is eligible for old-age and survivors credit. The employment test under existing law requires a farm worker to have worked for the employer continuously throughout an entire preceding calendar quarter. He is then regularly employed in each succeeding quarter if he does full-time agricultural work for one employer on as many as 60 days in that quarter and earns at least \$50 in cash wages. The new coverage provisions affecting farm workers would require an employee to receive cash wages from one employer of at least \$200 per year. Thus the bill eliminates the present "regularly employed" test as a requirement for the coverage of agricultural labor. Under present law because of the restrictive and complicated criteria for determining coverage eligibility only 700,000 workers are receiving old-age and survivors insurance credits in farm work. The liberalized test would extend coverage to about 1.3 million farm workers.

Fourth. State and local employees: Public employees of a State or local government who participate in a governmental retirement program are, with a few exceptions, presently excluded from old-age and survivors insurance coverage. H. R. 9366 will extend a coverage option to these groups, other than policemen and firemen, provided, first, the State consents to such coverage; and second, the employees affected vote in favor of coming under the old-age and survivors insurance system in a secret written referendum. The referendum of the public employees would require that a majority of the eligible members of the system participate in the voting and that two-thirds of those voting favor coverage. The safeguards of requiring a vote of the majority of the eligible voters, with the further requirement that at least two-thirds of those voting must favor coverage were designed to assure a referendum that is representative of the wishes of the retirement system membership without making the qualifying conditions so restrictive as to make coverage impossible whenever an indifferent minority fails to vote. Through the extension of this coverage option we have permitted the affected State and local employees to express their own wishes as to whether or not they will participate in the old-age and survivors insurance program.

In my opinion, the employees of many States which already have in existence outstanding retirement programs will vote to oppose such participation. The employees of other States having less adequate retirement benefits from the State program will favor coverage. In approving this provision Congress in its wisdom will have legislated on a national level to make the coverage opportunity available on an elective group basis.

There is a provision in H. R. 9366 which states that it is the sense of Congress, in making coverage available to State and local retirement system members, that no rights nor entitlements un-

der existing retirement systems will be impaired or reduced. This extension of old-age and survivors insurance coverage is intended to be optional additional protection and not an incentive to do away with State or local retirement systems.

An important provision affecting State and local employees deals with those public workers who are working in positions covered by a retirement system but who were in fact ineligible because of age or some other factor to participate in the retirement program. The bill provides for covering these employees other than policemen and firemen without a referendum. State consent to such coverage for these employees will still be required.

The bill also provides for covering without a referendum at any time prior to January 1, 1958, State or local employees who could not be included when their group was covered because they were then under a retirement system but later this system was dissolved by action taken prior to the enactment of this bill.

About 3½ million State and local employees are in positions covered by State and local retirement systems in the course of a year. There is no way to estimate at this time the proportion of that total number that may elect to avail itself of this coverage opportunity.

Fifth. Certain Federal employees: H. R. 9366 would extend coverage to all Federal employees who are not covered by a Federal retirement system with certain limited exceptions. In addition, employees of the Federal Home Loan Bank and employees of the Tennessee Valley Authority, both of which agencies already have retirement systems, would also be included in the program. Approximately 150,000 employees would receive coverage under this provision.

Sixth. Ministers and members of religious orders: The bill provides for the coverage of employed ministers and members of religious orders who have not taken a vow of poverty, under provisions similar to those affecting lay employees of nonprofit organizations. For the purposes of the law, ministerial employees and lay employees would be separate coverage groups, but ministerial employees of an organization could not be covered unless the lay employees were also covered.

Coverage would have to be preceded by the filing of a certificate by the employing organization indicating a willingness on the part of the organization for such coverage and at least two-thirds of its ministerial employees would have to certify their desire for coverage. Only those employees desiring coverage would be covered initially. Any minister or member of a religious order who is employed by the organization after coverage is initially undertaken would be covered automatically.

Self-employed ministers are covered on the same basis as other self-employed persons now covered under the present law. Self-employment income received by ministers would be reported on the same basis as income of any other self-employed individual if the income amounted to as much as \$400 in a year.

It is expected that approximately 250,000 ministers and members of religious orders will be affected by this provision.

Seventh. Domestic workers in private homes and others who perform work not in the course of the employer's business: Under present law coverage is granted to such categories of workers only if they are paid \$50 in cash wages by an employer in a calendar quarter and they work 24 days or more in that quarter. As was done in the case of the previously mentioned farm workers, the regularity-of-service factor has been deleted as a coverage criteria for this category of employee.

H. R. 9366 will cover all domestic workers who work in nonfarm private homes and persons performing other types of service not in the course of the employer's trade or business who are paid \$50 in cash wages by one employer in a calendar quarter. This simplified test of coverage will make approximately 250,000 additional workers eligible for old-age and survivors insurance coverage. The common law test in determining the existence of an employer-employee relationship would continue to govern whether a worker is serving as an employee or is a self-employed person.

Eighth. Home workers: Since 1937 old-age and survivors insurance coverage has been extended to homeworkers under the usual common law rules applicable in determining the existence of an employer-employee relationship. The 1950 amendments extended coverage to employees who did not have employee status under the usual common law rules if they worked according to statutory specifications and if their employers were subject to State licensing laws. There are at the present time approximately 16 States having licensing requirements for employers of home workers. This meant that home workers in those States having licensing laws were included under the old-age and survivors insurance program as employees, whereas workers doing similar work under substantially identical circumstances in the other States were excluded as employees.

H. R. 9366 eliminates the requirement of State licensing and extends coverage to all home workers as employees if they work according to specifications for the person for whom the work is done, on material and goods furnished by that person and are required to return the material or goods to him or his designee, provided they are paid cash wages of \$50 or more during a calendar quarter by the employer. Thus, affected home workers are given coverage irrespective of the States in which they are located. It is expected that this provision will extend coverage to about 100,000 additional home workers.

Tenth. Employees engaged in fishing and related activities: Present law excludes from old-age and survivors insurance coverage, service performed by employees in fishing and similar activities unless the employment is performed in connection with commercial salmon or halibut fishing or on a vessel of more than 10 net tons. H. R. 9366 would cover employed fishermen, clam diggers, and so forth, who are now excluded.

It is expected that about 50,000 additional workers will be covered in the course of a year under this provision.

Eleventh. United States citizens employed outside of the United States by foreign subsidiaries of American companies: There are approximately 100,000 United States citizens who are employed outside the United States by foreign subsidiaries of parent American companies who will be eligible for coverage under this provision. H. R. 9366 will make coverage available to these American citizens at the option of the parent American company involved. The election on the part of the American employer is necessary because the United States cannot impose the employer's tax on the foreign subsidiary employer nor can it tax the parent organization because the worker is not technically an employee of the American company.

Under present law American citizens working for American employers in foreign countries are covered whereas those citizens working for a foreign subsidiary are excluded from coverage. This has resulted in an unwillingness on the part of certain employees to go abroad to work for foreign subsidiaries of American corporations. This amendment will eliminate the barrier to such overseas employment existing in present law.

Thirteenth. United States citizens employed by American employers on vessels and aircrafts of foreign registry: The Social Security Act amendments of 1950 extended old-age and survivors insurance coverage to all United States citizens working outside the United States for American employers, with the exception of American citizens employed by American employers on vessels and aircraft for foreign registry. The bill would correct this oversight by covering this small group of American citizens on the same basis as other American citizens working outside the United States for American employers.

The foregoing enumeration highlights the coverage changes which would be made in present law by H. R. 9366.

Because of these new coverage opportunities approximately 10 million American workers, their dependents and their survivors will receive the opportunity for the protection afforded under the old-age and survivors insurance program. With the enactment of this legislation we will have achieved substantially universal OASI coverage. As the system matures, we will have increasing numbers of retired workers receiving the retirement benefits to which they have contributed during their productive years.

II. CREDITABLE EARNINGS

Under present law the maximum amount of covered earnings considered for both tax and benefit purposes is \$3,600 a year. H. R. 9366 would raise this amount to \$4,200, effective January 1, 1955. The principal reason for this proposed increase is to maintain the concept that old-age and survivors insurance benefits should, within limits, reflect the worker's previous earnings. Over three-fifths of the male workers

regularly covered under the program now earn more than the \$3,600 wage base. Average annual full-time earnings in manufacturing industries in 1953 were about \$4,000. The average for the mining industry was about \$4,400, and for transportation was almost \$4,400. By increasing the wage base to \$4,200 we have approximately restored the same relationship between general earnings levels and the maximum wage base that existed in 1951.

III. AVERAGE MONTHLY WAGE

Under the bill, as under present law, an insured worker's average monthly wage determines his benefit amount. However, under present law, this average monthly wage is frequently reduced by periods of little or no earnings. This has resulted in benefit amounts often being substantially reduced below the level they would have been if the worker had been fully productive during the entire period of his coverage. The social-security amendments of 1954 contain a provision which allows for the dropout of up to 5 years of lowest earnings in computing the average monthly wage. In general, every individual who first qualified for benefits after the effective date, or who had at least 6 quarters of coverage after June 1953, or who qualified for a certain type of benefit recomputation after the effective date, could eliminate up to 4 years of lowest earnings from the computation of average monthly wage. If the worker had at least 20 quarters of coverage, he could eliminate an additional low year. This dropout of years of low earnings will be available to those workers covered in the past and those coming under coverage for the first time. The dropout provision eliminates the need for a new start for those who will be covered effective January 1, 1955. Through the 4-year dropout provision such newly covered persons will have their benefits based entirely on their covered earnings after 1954 and after accumulating 5 years of coverage they will be eligible for an additional 1-year dropout.

IV. INCREASE IN OASI BENEFITS

Covered workers will have their benefits increased by the drop-out provisions which I previously referred to and by the disability waiver of premium provisions which I will describe in subsequent paragraphs. In addition, H. R. 9366 contains adjustments in the conversion table and a new benefit formula related to the \$4,200 wage base which will result in substantial increases in benefit levels. A benefit level thus established will represent a more realistic floor of protection for our aged citizens and survivors of deceased workers.

Benefit payments are increased for beneficiaries presently on the rolls as well as for workers who will retire in the future. For present beneficiaries the monthly benefit range will be increased from its present level of a minimum \$25 and maximum \$85 to a new minimum of \$30 and a maximum of \$98.50. For those coming on the rolls in the future the range of benefit payments will be from \$30 to \$108.50.

The present benefit formula takes into account 55 percent of the first \$100 of

average monthly wage and 15 percent of the next \$200 of average monthly wage. The new benefit formula contained in H. R. 9366 will be based on 55 percent of the first \$110 of average monthly wage and 20 percent of the next \$240 of average monthly wage. Under the revised formula, benefits for an individual with average earnings of \$350 a month will represent only 31 percent of his earnings before any increase for eligible dependents, as compared with 55 percent of earnings for workers in the very lowest group.

An individual who retires in the future who would have a higher monthly benefit under the conversion table than he would receive under the new benefit formula may have his benefit computed by the former method.

The 6.3 million present beneficiaries under the system will receive increases in benefits. These benefit increases are effected through the new conversion table provided in the bill. The minimum increase for retired workers will be \$5, with a maximum increase of \$13.50 and with corresponding proportionate increases for their dependents and for survivor beneficiaries. The maximum benefit of \$98.50 for a retired worker available under the conversion table will be identical with the benefits for an average monthly wage of \$300 when computed under the new benefit formula.

Dependents' and survivors' monthly benefits will be increased automatically consistent with the increases of primary insurance amounts. The maximum family benefit will be increased from its present level of \$168.75 to \$200 a month. Provision is also made in the bill that the maximum benefit limitation of 80 percent of average monthly wage will not have application when it will reduce family benefits below 1½ times the primary insurance amount so that a husband and wife or widow and child may receive full benefits. Finally, the bill provides that the minimum amount payable, where only one survivor beneficiary is drawing benefits on an insured individual's record, shall be \$30 a month thus making it the same as the minimum primary insurance benefit. Lump-sum death payments will continue to be computed at 3 times the primary insurance amount with a maximum of \$255 just as in present law.

V. IMPROVEMENT IN THE RETIREMENT TEST

Under present law the so-called work-clause provision allows earnings in covered employment up to \$75 per month and earnings in covered self-employment up to \$900 per annum without loss of benefits. Under present law it is possible to earn both the maximum in covered employment and the maximum in covered self-employment without any reductions in benefit payments. H. R. 9366 permits total earnings of up to \$1,000 per year in covered and noncovered employment and self-employment without loss of benefits.

A worker will lose 1 month's benefit for each \$80, or fraction thereof, in excess of \$1,000 regardless of whether it is earned in covered or noncovered employment. In no case would a worker lose benefits for months in which he neither earned

more than \$80 in wages nor rendered substantial services in self-employment. Beneficiaries residing in foreign countries will have their benefits suspended for any month in which they work on 7 or more days.

Under this new work clause test retired persons will have greater latitude in supplementing their benefit payments with part-time or intermittent regular work and will find that they are permitted to become more productive citizens. The combination of wage and self-employment earnings for retirement test purposes will eliminate the present discriminatory dual exemption.

Under the new test, wage earners will not lose a benefit each month they earn above a specified amount but will be able to take intermittent full-time work or more regular part-time work than at present without the loss of benefits or with the loss of only a few months' benefits, depending on what they earn. For example, a beneficiary could work throughout the year at \$90 a month and lose only 1 month's benefit, whereas under present law he would lose all 12. As another example, a beneficiary could earn \$300 a month for 3 months—such as at Christmas—without losing any benefits, whereas under present law he would lose 3 months' benefits.

VI. INSURED STATUS

H. R. 9366 provides an alternative method of determining fully insured status for an individual at the time of his death or attainment of age 65, whichever occurs sooner. If all the quarters elapsing after 1954 and up to that time are quarters of coverage, he is so insured, with the minimum requirement that at least 6 quarters after 1954 are quarters of coverage. In this way the bill succeeds in avoiding the requirement of a "new start" provision. We have avoided the "new start" provision because a succession of such new starts weakens the principle that benefits should be payable only on the basis of a substantial degree of covered employment.

VII. PRESERVATION OF BENEFIT RIGHTS FOR DISABLED

Provision is made in H. R. 9366 for the preservation of insured status and benefit entitlement for workers sustaining total disability which can be expected to be of long-continued and indefinite duration. Under present law periods of disability can operate to reduce a covered individual's average monthly wage and under certain circumstances can result in the workers having an insufficient number of quarters of covered employment or self-employment to be eligible for any benefits whatsoever. Such a disadvantage resulting from a period of extended total disability would be removed by the provisions in the bill which would prevent such periods of disability from reducing or denying retirement and survivor benefits.

The definition of disability for "waiver of premium" purposes applies only to those individuals who are totally disabled by illness, injury or other physical or mental impairment which can be expected to be of long-continued and indefinite duration. The impairment

must be medically determinable and preclude the individual from performing any substantially gainful work. The individual would also be disabled, by definition, if he is blind within the meaning of that term as used in the bill. The person who does not meet the statutory definition, but nevertheless has a severe visual impairment would be in the same position as all other disabled persons.

A period of disability is defined as being a continuous period of not less than 6 full calendar months during which an individual is under a disability. An individual to take advantage of the disability freeze must at that time have not less than 6 quarters of coverage out of the preceding 13 quarters and have not less than 20 quarters of coverage in the preceding 10 years.

The earliest date on which a disability freeze application can be filed is January 1, 1955. A person will file an application for a disability freeze at the local office of the Department of Health, Education, and Welfare. He will be referred to the State agency responsible for making the disability determination. There will be two aspects in the disability evaluation. First, there must be a medically determinable impairment which is expected to be of long-continued and indefinite duration or to result in death. And, secondly, there must be a present inability to engage in substantially gainful work by reason of this impairment.

Following such a disability determination, the worker would have his old-age and survivors insurance rights protected and he would also be referred to the State vocational rehabilitation agency for rehabilitation.

I particularly approve of the provision of the bill calling for such reference to vocational rehabilitation. The disabled person will be promptly referred to such an agency to the end that the maximum number of disabled persons may be returned to productive activity.

Congress is presently considering an administration recommendation for the expansion of vocational rehabilitation services. I view with confidence the likelihood that we will find an increasing number of disabled American citizens returned to useful productive lives.

The disability freeze provision in the bill contains new safeguards which have been added to the proposal since it first came before the House in 1952. In my opinion, these safeguards eliminate many of the objections which have been made in the past to previous proposals. Determinations of disability will in large part be made by State agencies administering plans approved under the Vocational Rehabilitation Act. This will encourage rehabilitation contacts by disabled persons.

VIII. PAYMENT OF BENEFITS TO PERSONS RESIDING ABROAD

Under present law, old-age and survivors' insurance benefits may be paid to an insured worker, his dependents and survivors regardless of their country of residence, except for certain payments to those persons residing behind the Iron Curtain. Administrative difficulties have been encountered with respect to determining compliance with eligibility re-

quirements such as the "work clause" provision, continuing dependency status, and so forth. This administrative difficulty is particularly prevalent in regard to payments made to dependents and survivors of insured workers. In many cases such dependents and survivors have never lived in the United States and they have had little or no personal contact with the insured worker.

Under the bill, the insured worker will continue to be eligible for benefits regardless of his place of residence. The bill does contain a provision, however, restricting the payment of dependents' and survivors benefits outside the United States.

Hereafter, persons becoming eligible for such secondary benefits will have to show a fairly substantial period of recent residence in the United States to be eligible for OASI payments. Such limitations will not apply in cases in which the insured person was currently insured on the basis of wage credits for services in the Armed Forces or on the basis of his earnings as an American citizen working abroad for an American employer or for a foreign subsidiary of an American company. The residence in the United States requirement would necessitate that a secondary beneficiary be a resident of the United States for 3 out of the 5 years just preceding eligibility for benefits with a slightly different test for a child under 3 years of age. This limitation would not be applicable to persons already on the benefit rolls.

IX. MISCELLANEOUS PROVISIONS

Persons who are illegally present in the United States, or who are under notice of deportation because of illegal entry, conviction of a crime, or subversive activity will not be eligible for benefits.

H. R. 9366 also contains new provisions for recomputation of benefit entitlement for persons who continue to work after reaching age 65. Under the proposed changes an individual may qualify for a benefit recomputation if he has been credited with covered earnings of \$1,000 or more in a completed calendar year after 1953, provided 1 year has elapsed since the individual's benefit was last computed or recomputed.

X. ACTUARIAL ASPECTS

The Committee on Ways and Means in presenting this legislation to the House has carefully considered the actuarial aspects of the bill. The committee has continued in effect the tax schedule contained in present law for periods up through December 31, 1969. The scheduled rates on employer and employee in 1970 will be raised from 3¼ to 3½ percent and in 1975, and thereafter, the rate will be increased to 4 percent, with corresponding changes for the self-employed.

The dollar amount of increased cost in 1955 in the bill over the present act is about \$600 million. The committee report beginning on page 26 presents the actuarial status of the social-security program as amended by H. R. 9366. I bring this information to your attention and will not dwell on it in my remarks. It is significant to note that according

to the intermediate estimate benefit payments plus administrative expenses are expected to be financed from contributions plus interest on the old-age and survivors insurance trust fund for at least the next 50 years. At that time the old-age and survivors insurance trust fund is expected to amount to over \$100 billion.

The concept of actuarial soundness as applied to the OASI program differs to a considerable extent from this concept as applied to private insurance, although there are certain points of similarity, especially in connection with private pension plans. The most important difference arises because the OASI system can be assumed to be perpetual in nature, with a continuing flow of new entrants resulting from the compulsory nature of the program.

Accordingly, it may be said that the OASI system is actuarially sound if it is in actuarial balance, or, in other words, if the future contribution income plus the future interest receipts from the trust fund—including the existing amount at the present time—will exactly support the outgo for benefits and administrative expenses over the long-distant future. Quite obviously, future experience may be expected to differ from any actuarial assumptions made now but the intent of an actuarially sound, or self-supporting, system can be expressed in law if a contribution is developed so that according to an intermediate estimate the system is quite close to being in balance.

For a given cost estimate of future disbursements there could conceivably be developed a contribution schedule which would show exact balance. To do so, however, would require either fractional tax rates of odd amounts or increases in contribution rates at years which have no special significance. Any such procedure as this would, however, be highly artificial because it cannot be expected that long-range actuarial cost estimates can be completely precise.

Therefore, in actual practice it may be said that the program is in actuarial balance when the ultimate tax rate is quite close to that fractional one which would show exact self-support. The ultimate tax rate in both the 1950 and 1952 acts was fractionally short of what might be termed "the self-supporting ultimate rate." Furthermore, if the ultimate employer-employee rate had been increased by one-half percent, which is presumably the smallest practical increase, the system would have been "shown" as more than self-supporting. For practical reasons the Congress then decided that the rounded rate slightly below the self-supporting rate, rather than the one slightly above, was desirable. This procedure has been followed by the Committee on Ways and Means in connection with H. R. 9366. The system as amended under the bill is as nearly in actuarial balance as is practicable.

XI. PUBLIC ASSISTANCE AMENDMENTS

H. R. 9366 also makes certain amendments to the public assistance titles of the Social Security act. The bill extends to September 30, 1955, the match-

ing formula for old-age assistance, aid to the blind, and aid to the totally and permanently disabled enacted in the Social Security Act amendments of 1952. This matching formula provides for the Federal Government to reimburse the States for four-fifths of the first \$25 and one-half of the next \$30 of monthly assistance payments made by a State to a person falling in one of the above categories. The present aid to dependent children matching formula is also continued for 1 year to September 30, 1955.

It is estimated that the cost of continuing such increased Federal payments will be \$210 million for the 12-month period. The bill also extends for 2 years, to June 30, 1957, the provision of the Social Security Act which waives the needs test requirement for certain State plans for aid to the blind.

This completes my enumeration of the highlights of the Social Security Act Amendments of 1954. The presentation of this legislation to the House of Representatives represents a significant example of the legislative branch of the Federal Government working in close cooperation with the executive branch to prepare legislation promoting the welfare of our American citizens. It is appropriate at this time that the Members of the House of Representative will have an opportunity to cast their votes on the Social Security Amendments of 1954, H. R. 9366.

Mr. COOPER. Mr. Chairman, I yield myself 34 minutes.

Mr. Chairman, it is with pleasure that I join the chairman of the Committee on Ways and Means in paying a very deserved tribute to our former distinguished chairman, the gentleman from North Carolina, Hon. Robert L. Doughton. Mr. Doughton was the author of the original Social Security Act and took great pride in the program that has developed from the enactment of that legislation. Certainly the people of this country who are beneficiaries of this great program owe a lasting debt of gratitude to this distinguished statesman who served here with such great distinction for some 42 years. He served as chairman of the Committee on Ways and Means longer than any other man in the history of this country. So I think it is quite fitting and appropriate that today, when we are considering social-security legislation, we pause to pay a deserved tribute to Mr. Doughton.

Mr. Chairman, I support the pending bill. However, as is usually the case on major legislation such as this, there are a few provisions in the bill about which I have some misgivings. At the same time, the bill on the whole makes many constructive improvements in the social-security insurance system.

I am very pleased that the present administration fully endorses the basic principles of the system, and has recommended and supported the improvements proposed in the pending bill. I am also very pleased that the majority of my Republican colleagues on the committee are now endorsing and supporting improvements in the basic framework of the social-security insurance system. In

the past, it will be recalled they have opposed many of the changes which the Democrats have attempted to make. I cannot resist pointing out that practically all of the improvements proposed in this bill have been proposed and supported by the Democrats over the years, and the record shows that the Republicans when they were in the minority opposed many of the improvements which they are now supporting. I am glad that they are now joining the Democrats in their support of these improvements.

SUMMARY OF THE PRINCIPAL PROVISIONS OF THE BILL—EXTENSION OF COVERAGE

The bill would extend coverage to about 10 million additional persons during the course of a year. The largest group which would be included are self-employed farm operators who have net earnings from their farming operations of \$400 or more in a year. In an effort to make the reporting and filing of social-security taxes easy for the farmers, the bill contains a special provision whereby a farm operator who has a gross income of not more than \$1,800 in a year could report for social-security purposes either his actual net earnings or 50 percent of his gross income. By permitting a farm operator this option, he would be relieved of the necessity of keeping a record of his expenses, computing depreciation, and so on. A farm operator who has a gross income from his farm operations of more than \$1,800 would report his actual net earnings for social-security purposes. If his net earnings should be less than \$900, he would have the option of reporting \$900 as his income for such purposes. Rentals based on crop shares would be excluded from a farmer's gross income for social-security purposes. Self-employed farmers would pay social-security taxes at the rate of 3 percent, as is true in the case of all other self-employed persons. The effective date for coverage of self-employed farmers is January 1, 1955, the same date which is generally applicable to the other newly covered groups. The number covered would be about 3.6 million.

The bill would also extend coverage to about 1.3 million additional farmworkers. At the present time, only 700,000 such workers are covered. Under present law, only regularly employed farmworkers who are paid at least \$50 in a quarter are covered. A regularly employed farmworker is defined as being one who has worked continuously for 1 employer for a calendar quarter and who continues working for the same employer on a full-time basis on at least 60 days in the following quarter. The extension of coverage to additional farmworkers is brought about by providing that a farmworker who is paid at least \$200 in cash wages by one employer in a year will be covered. The earnings of farmworkers would be reported on an annual basis. Two quarters of credit would be given where the farmworker's annual earnings amount to \$200 but less than \$300; 3 quarters of coverage where they amount to \$300 but are less than \$400; and 4 quarters of coverage where they amount to \$400 or more.

The presently excluded professional self-employed persons would be covered with the exception of physicians. The newly covered group would be lawyers, dentists, architects, engineers, accountants, funeral directors, osteopaths, chiropractors, veterinarians, naturopaths, optometrists, ministers, and Christian Science practitioners. About 400,000 are involved in this group. As in the case of other self-employed persons, these groups would only be covered if they have net earnings from self-employment of \$400 or more in a year.

Employees of State and local governments who have retirement systems of their own, other than policemen and firemen, could be covered under voluntary agreements entered into between the States and the Federal Government, provided that a written referendum is held, a majority of the members under a particular retirement system voted, and two-thirds of those voting voted in favor of social-security coverage. In addition to requiring that State and local employees who have retirement systems must vote in favor of social-security coverage before it can be given them, the bill states that it is the policy of the Congress in making coverage available to these employees that the protection provided them by their own retirement systems not be impaired. As you know, at the present time employees of State and local governments who do not have retirement systems can be given social-security coverage by a voluntary agreement between the State and the Federal Government. There are about 3½ million people in the new group to whom coverage would be made available.

About 250,000 additional domestic workers in private homes would be covered by the elimination of the present 24-day test and requiring coverage if such workers receive at least \$50 in cash wages from one employer in a calendar quarter.

Mr. O'NEILL. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. O'NEILL. I received a letter in my mail this morning that I think is very interesting. It says:

I would like to bring to your attention and consideration an injustice which I feel now exists in relation to certain domestic workers.

This refers to persons employed in their own home by another member of their family.

At the present time if a member of a family because of illness of another member becomes an employee, rendering services in caring for the sick relative, under the supervision of the employer and doctor and is paid regular wages for such service, this is not considered as employment under the Social Security Act.

It is determined as "services not rendered as an employee, but as services rendered on a cooperative arrangement based on family ties."

After a thorough investigation is made and it is shown that the services were actually performed, the social-security tax deducted and the wages reported on the employee's income-tax returns, social security is denied.

This determination is unfair and causes hardship to those who in good faith perform such service believing that their employment

comes under the Social Security Act as applies to domestic workers.

I should like to know if that type of employee has been included in this category.

Mr. COOPER. As I understand the situation presented by the gentleman, there is no change made in that respect under the pending bill.

Mr. O'NEILL. I thank the gentleman.

Mr. COOPER. Ministers and members of religious orders—other than those who have taken a vow of poverty—could be given coverage on a voluntary basis in the same way lay employees may now be covered. In order to make this coverage available, the employing organization would have to file a certificate setting forth its desire for coverage of the minister and religious order employees, waiving its tax exemption for social-security tax purposes only, and stating that at least two-thirds of such individuals desire social-security coverage. About 250,000 are involved in this group. Those employees who do not sign the original certificate indicating a desire for coverage can be brought in later by filing a supplemental certificate. In the case of new ministers or members of a religious order who are employed by the particular organization after coverage has been elected, coverage would be automatic. As I have previously stated, self-employed ministers would be covered on the same basis as other self-employed persons provided they have net earnings of at least \$400 in a year. In the case of fees and honorariums paid to employed ministers and members of religious orders, the particular employee would treat them as self-employment income for social-security tax purposes. The committee considered very carefully the suggestion of some of the church groups that ministers be allowed to participate in the social-security system as self-employed persons on an individual, voluntary basis. It was decided that voluntary coverage would lead to an adverse selection of risks and would impose an undue drain upon the trust fund. The bill provides that nothing in it shall be construed to mean that a minister is an employee of any organization for any purpose other than for social security.

Civilian employees of the Federal Government at the present time, generally speaking, are covered by social security if they are not covered by a Federal retirement system. The bill extends coverage to all Federal employees who are not now covered by retirement systems with the exception of the President, the Vice President, Members of Congress, employees in the legislative branch, and certain other small groups. The newly covered groups would include temporary field employees in the post-office service, census takers, and employees of Coast Guard post exchanges. In addition, two groups who have retirement systems would be covered. These are employees of district Federal home-loan banks and the Tennessee Valley Authority. It will be recalled that coverage has already been extended to employees of the Federal Reserve Board, who already have a retirement system. This group consists of about 150,000 employees.

United States citizens employed outside of the United States by foreign subsidiaries of American corporations, numbering about 100,000, would be covered on a voluntary basis, since the American corporation would have to agree to paying the social-security taxes. This is because the United States cannot impose the employer tax upon the foreign subsidiaries.

An additional 100,000 homeworkers would be covered as employees by removing the requirement in present law that they can only be covered in those States where they are subject to State licensing laws. These homeworkers, at the present time, are covered as self-employed persons if they have net earnings of \$400 or more in a year. It is made clear in the report that the elimination of the licensing requirements is not intended to include homeworkers in a rural area who are not subject to any supervision or control by some one else, and who buy raw material and make and complete articles and sell them to a person, even though the article is made according to the specifications and the requirements of the purchaser.

Employees in the fishing and related industries who are now excluded from coverage would be covered. About 50,000 would be affected.

American citizens employed by American employers on vessels and aircraft of foreign registry would be covered. Very few are involved.

WAGE BASE

The wage base on which contributions are paid and benefits are computed would be raised from \$3,600 to \$4,200. The effective date of this provision would be January 1, 1955.

INCREASE IN BENEFITS

Benefits would be increased for those persons now on the rolls. The primary benefit amount of retired workers would be increased from a minimum of \$5 to a maximum of \$13.50. This would be accomplished by increasing the minimum benefit from \$25 to \$30 and the maximum benefit from \$85 to \$98.50. This provision would become effective the last day of the month following the month in which the bill is enacted.

A new benefit formula would be provided for persons who retire or die in the future. At the present time, benefits are determined under a formula which is applied to 55 percent of the first \$100 of average monthly wages, plus 15 percent of the next \$200. The proposed formula would be 55 percent of the first \$110, and 20 percent of the next \$240. The minimum payable to a retired worker would be \$30, and the maximum \$108.50.

The maximum monthly family benefit would be raised from \$168.75 to \$200. The present limitation on total family benefits, to the effect that they cannot exceed 80 percent of the worker's average monthly wage, could not reduce total family benefits below 1½ times the insured worker's primary benefit amount or \$50, whichever is greater.

Lump-sum death benefit payments would be limited to the present maximum of \$255.

The minimum amount payable where only one survivor is entitled to benefits would be made \$30. This would have the effect of increasing benefits of survivors where the worker's benefit is at or near the minimum, since survivors' benefits are a proportion of the primary benefit amount—for example, three-fourths in the case of a widow.

DETERMINING OF AVERAGE MONTHLY WAGE

Under present law, the elapsed months are used as a divisor in determining the average monthly wage of a worker in order to in turn determine his benefits by the application of the benefit formula. This means that period in which a worker is not employed due to sickness, and so forth, reduce his average monthly wage and, in turn, his benefits.

The bill provides that there will be dropped, in determining the average monthly wage of a worker, his 4 years of lowest earnings, or 4 years in which he has no earnings. In the case of those workers who have 5 years of coverage—20 quarters—an additional year would be dropped in determining his average monthly wage, making a total of 5 years.

Another thing which the 4-year drop-out accomplishes is to permit those persons who would be covered by social security for the first time to drop out the 4 years between January 1, 1951, and the effective date of the new coverage provisions, January 1, 1955. Otherwise, they would be penalized by a reduction in their average monthly wages.

LIMITATION ON THE EARNINGS OF BENEFICIARIES—THE WORK-CLAUSE PROVISION

At the present time, an employee loses his social-security insurance benefits if he earns \$75 a month or more in covered employment. Self-employed persons are on an annual basis and will lose part or all of their benefits if they earn more than \$900 in a year. The test applies only in those cases where earnings are in covered employment.

The bill puts the test, in the case of employees, on an annual basis, and would permit an employee or a self-employed person to earn as much as \$1,000 in a year without any loss in benefits. It provides that earnings from noncovered employment would also cause a loss of benefits if they go over the \$1,000 amount.

A beneficiary would lose 1 month's benefits for each \$80 or fraction thereof of earnings in excess of \$1,000.

ELIGIBILITY FOR BENEFITS

In order to be eligible for benefits under present law, a person must have worked at least one-half of the time beginning January 1, 1951, in covered employment, up until his death or reaching the age 65, provided he has at least six quarters of coverage.

As an alternative to this requirement and to take care of the newly covered groups, the bill provides that a person would be fully insured if all of the quarters beginning January 1, 1955, and up until the quarter of death or reaching the age 65, are quarters of coverage, provided the worker has at least six quarters of coverage beginning January 1, 1955.

The bill also makes eligible for benefits aged widows, widowed mothers, de-

pendent parents and children of any person who died prior to September 1, 1950, provided the person had at least six quarters of coverage.

It will be recalled that the 1950 amendments to the social-security laws provided for this change in the eligibility requirements for these benefits in cases of persons who died on or after September 1, 1950. As a matter of equity, the committee felt that benefits should be made available also in these particular cases where the individual died prior to September 1, 1950.

FREEZE OF PERIODS OF DISABILITY

At the present time, each and every month which passes is used as a divisor in determining social-security insurance benefits, whether or not a worker is gainfully employed and whether or not his reason for not being employed is due to disability.

This means that the least that will happen to a worker is a reduction in his benefits, and in some cases he may lose completely his eligibility for benefits, due to his being disabled.

The bill provides that periods of disability will be ignored in determining both the size of a worker's benefits and his eligibility for them. This would be done by a so-called freeze of his periods of disability. In order to be eligible for such a freeze, a worker must have 6 quarters of coverage in the 13-quarter period ending with his disability, and in addition, 20 quarters of coverage in the 40-quarter period ending with his disability. His disability must also last for 6 months or more.

This provision is applicable in the past as well as in the future, provided the worker meets the time requirements specified.

It will be recalled that a similar provision passed the House in 1949, and again in 1952. The gentleman from New Jersey [Mr. KEAN] was the author of the provision which passed the House in 1952.

PUBLIC ASSISTANCE

In 1952, a revised matching formula for public assistance payments was adopted. The effect of this revised matching formula was to provide an additional Federal contribution toward payments to the needy aged, blind, and permanently and totally disabled, of up to \$5, and toward payments to dependent children of up to \$3. This present schedule is to expire on September 30, 1954. The bill extends it through September 30, 1955.

SOCIAL-SECURITY TAX RATES

The present schedule of increases in the social security tax rates through 1969 are maintained. The rate on employers and employees is scheduled to increase to 2½ percent in 1960 and to 3 percent in 1965 on each. The present schedule for the rate on each in 1970 and thereafter is 3¼ percent. The bill raises this to 3½ percent in 1970, and would make a further increase to 4 percent in 1975 and thereafter.

The rate of tax on self-employed persons is 1½ times the employee rate, and would reach a maximum of 6 percent in 1975 and thereafter under the bill.

Now I yield to the gentleman from New York.

Mr. KEATING. Would the gentleman explain what change, if any, is made in this bill with reference to municipal employees and their ability to come under the system? Or is there a change?

Mr. COOPER. There is no substantial change between the present law and what is provided in this bill where the employees do not already have a retirement system. As I endeavored to point out, the municipality, or the county, or the State work out a plan covering their employees, and then the State submits that plan to the Federal Government, Department of Health, Education, and Welfare, and if approved, of course, it goes into effect.

Where there is already a retirement system the employees can be given social-security coverage also by a voluntary agreement, provided a written referendum is held, a majority under the system vote, and two-thirds vote in favor of social security.

In practical effect it amounts to this: That if such a plan is adopted, and these employees come under social security, then the social security is the floor, and then their own private plans or individual plans are imposed on top of the floor of social security, as it is in the case of private pension plans of industry and plants throughout the country.

Mr. KEATING. Then what would be the remedy of municipal employees who are not now able to come under the system? Would their remedy be with the municipality or with the State system? Or how would they go about it? I have had a communication from a number of municipal employees who seem to be unable to qualify under social security, and I wondered what the appropriate advice to give them was.

Mr. COOPER. Would the gentleman from New Jersey [Mr. KEAN] care to answer the inquiry?

Mr. KEAN. I will try to.

I think what the gentleman from New York was talking about was those who are in pension systems. You remember the House in 1950 enacted a provision that they could come in with a two-thirds vote; but the Senate took it out of the bill when the bill was in the other body.

We have again put in a provision that those people who are in covered systems may come in with a two-thirds vote, but that a majority must vote. We have also provided that those who are in systems who are not thus covered, that is, those people who owing to illness or age were not able to qualify under a pension system and did not get it under the State or municipal pension system may come in under an agreement of the municipality with the State. The State makes the agreement with the United States.

Mr. KEATING. I thank the gentleman.

Mr. GATHINGS. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. GATHINGS. I notice that this bill covers dentists but does not cover physicians. I am just wondering why it was that dentists were included and physicians were excluded.

Mr. COOPER. I will try to be as helpful as I can to the gentleman. The administration, of course, recommended extension of coverage including those covered in the bill, a number of which are professional people. Hearings were held. A difference of opinion developed among the dentists. Evidence was presented that some wanted to be covered; evidence was presented that some did not want to be covered. It was also pointed out that in the case of physicians, they do not retire at 65. They continue working, therefore they did not think it would be quite fair for them to be required to pay the tax when they did not expect to retire and get benefits. On the other hand, some evidence was presented that the dentists being on their feet working at their chairs it frequently resulted in their having to retire at an earlier age than physicians. I grant there was a difference of opinion. Some of them wanted to be covered, and some of them did not.

Mr. GATHINGS. The Arkansas dentists seem to feel they should be given the same treatment as the physicians.

Mr. COOPER. We have some evidence to that effect, and, as I say, there was evidence presented to the committee on both sides of the question. The bill includes all of the so-called professional groups except the physicians and evidence was presented that they did not retire at 65.

Mr. JONAS of North Carolina. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from North Carolina.

Mr. JONAS of North Carolina. Will the gentleman explain why the committee took firemen and policemen out of the act that applies to municipal employees?

Mr. COOPER. The firemen and policemen requested to be left out. The evidence presented to the committee was to the effect that, instead of working after they are 65, as the physicians state they do, the firemen and policemen have to retire much earlier than 65. The very nature of their employment is such that they do not continue as firemen and policemen until they are 65 in many cases and in many instances it was pointed out that they have retirement systems of their own which they prefer and they requested to be left out.

Mr. SCRIVNER. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Kansas.

Mr. SCRIVNER. Will the gentleman explain for many of us who have had questions asked as to why it was necessary to make so many of these compulsory coverages; in other words why not your doctors voluntary or the farmers voluntary? Why was it necessary to make it compulsory?

Mr. COOPER. I will be glad to help the gentleman on that point. Bear in mind all of these benefits provided have to be paid for from the trust fund.

Mr. SCRIVNER. Yes.

Mr. COOPER. If it is based on an entirely voluntary system it means then that people will wait until they approach the time to be eligible for benefits before they elect to come under the system,

thereby they will not have been paying in the past to help pay for the benefits they will receive. That means, then, that there would be a great drain on your trust fund which would result in your having to have a higher tax rate and more funds provided in your trust fund if you allow people—too many of them—to operate on a voluntary basis so that they may wait until near the time to begin receiving benefits before they elect to come under the system.

Mr. SCRIVNER. Some of them would undoubtedly draw more out of the fund than they contributed to it?

Mr. COOPER. That is one situation, yes.

Mr. SCRIVNER. I thank the gentleman for his explanation.

Mr. COLE of Missouri. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Missouri.

Mr. COLE of Missouri. I was interested in what the gentleman said about members of the medical profession not retiring after they become 65. Is it not true that members of the legal profession continue on after 65 in a majority of cases?

Mr. COOPER. No doubt many of them do.

Mr. COLE of Missouri. Could the gentleman tell me why the committee saw fit to make it compulsory so far as the legal profession is concerned to come under the act?

Mr. COOPER. Of course, as I pointed out a moment ago, the physicians presented evidence indicating that they did not retire at 65 and did not want to be included. There was a difference of opinion. There was evidence presented on both sides of the question with respect to these other professional groups.

Mr. COLE of Missouri. I thank the gentleman.

CONCLUSION

Mr. COOPER. Mr. Chairman, in addition to the principal provisions of the bill which I have touched upon, there are several minor and technical amendments which would be made.

As I stated at the outset, there are some provisions in the bill about which I have misgivings, but on the whole, this is a constructive bill which makes needed improvements in the social security insurance system. I am very happy that many of our Republican colleagues who have not been with us on this side of the aisle in the past are now supporting these improvements.

Mr. COOPER. Mr. Chairman, I ask unanimous consent that the gentleman from Michigan [Mr. DINGELL] may extend his remarks at this point in the RECORD.

Mr. CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. DINGELL. Mr. Chairman, the pending bill is a good one, insofar as it goes. It contains many improvements which I have long advocated and which I have proposed over the years in bills which I have introduced. This bill is a step forward, but there are several direly needed improvements which it does not make.

I am proud of my record in the Congress, and stand on it as one of the architects and builders of the social-security program. I am also proud to be recognized as one of the most active and ardent supporters of the program since its beginning.

H. R. 9366 is a vindication of this program. The fact that it is before us for consideration today is no mean victory, in view of the resurgence of the attacks by the traditional opponents of the social security insurance system upon the advent of the Republicans gaining control of the Congress. The victory today manifested in the improvements proposed in the pending bill is most gratifying to us who have long sought them.

One of my proudest accomplishments, if I may with modesty say so, in my many years in the Congress, is the improvements which have been made in the social security insurance system and of which I have been the original author. Even though my identity as such author has always been lost, in that under our procedure the bills which have improved the social security insurance system are always introduced at the direction of the committee by the chairman, the fact that they have become law is ample reward for the efforts which I and many of my colleagues have made. Substantially all of the improvements which were made by the 1950 amendments in the social-security laws were taken from bills which I had introduced prior to those amendments.

Since the many improvements which the Democrats have made in the social-security system have been in spite of Republican opposition, as the record clearly shows, it must be somewhat surprising to see the constructive improvements which are before us today being proposed by a Republican administration. The answer to this puzzle is very obvious. The social-security program is so popular and so well accepted throughout the country that the Republicans, in spite of their past sorry record on social security, have at last been forced to reflect this popularity in the pending bill. The credit belongs not to the Republicans and their supporters who have fought the pending improvements over the years, but to the working people of the country who have so clearly made their views known to the Congress.

It is unfortunate that the proposed improvements are still short of what many of us had hoped for. The reason that they were not made long ago is that the Republicans never saw fit to go along with the Democrats in their efforts to bring about a more liberal and realistic system.

As a matter of fact, many of the improvements in the pending bill would not be possible had it not been for the support of the Democratic members of the Committee on Ways and Means. A major provision in the pending bill, on which the increase in benefits depends and but for which many of the inequities which are being removed could not have been taken care of, is the increase in the wage base. Only five Republicans on the committee opposed retaining the present \$3,600 wage base. You

can see that full credit for the increase in the wage base belongs to the Democrats.

Even the \$4,200 wage base is pitifully inadequate. A group of Democrats joined together last July in sponsoring what has come to be popularly known as the Dingell-Lehman bill. I am gratified that some of the provisions of this bill are contained in the pending bill. For instance, the Dingell-Lehman bill called for a family maximum in benefits of \$200, which is contained in the pending bill. The administration proposed a maximum of \$190. The Dingell-Lehman bill would have provided a wage base of \$6,000. Such a base is necessary in order to keep social-security insurance benefits on a par to what they were in 1939. Anything short of that amount falls short of carrying out the original purposes of the social-security insurance system. The Dingell-Lehman bill would base a worker's average monthly wage on earnings in his 10 best years. This would avoid having retirement or survivors' benefits dragged down by periods of unemployment or illness. The Dingell-Lehman bill would recognize long-term employment under the social-security system by increasing primary insurance benefit amounts by one-half of 1 percent for each year of coverage.

It is my belief that the goals set forth in the Dingell-Lehman bill helped to defeat the resurgence in attacks on the social-security system by the traditional opponents to the system who made their one last desperate effort to wreck the system when their Republican friends again came in control of the Congress. The Dingell-Lehman bill brought forth so much popular support from the American people that the administration and the Republican leadership decided that they would not dare to cripple the system.

Another provision of the Dingell-Lehman bill which came very close to being adopted in the pending bill is the increase in the maximum benefits for those persons now on the rolls from \$85 to \$98.50. Our bill would have increased these benefits by another 50 cents, to \$99.

I am very concerned that the present bill does not increase the wage base above the proposed \$4,200. As long ago as 1948, President Truman recommended that the wage base be increased to \$4,800. That would have been a fairly realistic figure at that time. We all know that events since then have so changed that even a \$4,800 wage base, which I then advocated, today is quite unrealistic. The more realistic \$6,000 wage base proposed in the Dingell-Lehman bill would permit several needed improvements which are not contained in the pending bill.

By far the greatest shortcoming in the present system, in my opinion, is the lack of disability insurance benefits. These would be provided for in the Dingell-Lehman bill. I am happy that the pending bill does provide for a freeze of periods of disability, as would also be provided in the Dingell-Lehman bill, but this is only a part and the smallest part of the problem facing disabled workers. In most cases, a disabled worker is in

much greater need of benefits which he can receive as a matter of right on his own wage record than is a worker upon reaching the retirement age of 65. The younger worker not only may have paid into the social-security system for many years, but he also is faced with financial demands upon his becoming disabled with which a person retiring is not faced. In most cases, the young worker will have young children to support, he will be buying his home, and getting himself established in a career. Becoming disabled at this period in his life not only can mean financial ruin as far as his business and family obligations are concerned, but added to this will be the burden of medical expenses. It is not much solace to him to say, "We recognize your plight to the extent that we will insure that you will not be penalized due to your periods of disability when you reach age 65." It is true that the public-assistance programs for the permanently and totally disabled are of some benefit, but this assistance is miserably inadequate in many cases and is based on a means test.

Much concern is being expressed in the Congress and throughout the country today about the problem of juvenile delinquency. What better means can we use to combat juvenile delinquency than to insure a secure home for our children? One of the means for doing this is to insure a disabled worker that upon his becoming disabled he will have a steady income as a matter of right.

Since almost anyone will admit that there is a need for the payment of disability insurance benefits, why do we not provide them? You know the answer as well as I—the insurance companies and the American Medical Association oppose them along with a few other selfish-interest groups. The insurance companies claim that they can adequately take care of disabled persons through their insurance. Did you ever take occasion to see what such insurance would cost you? Very few can afford it.

To a person not familiar with the American Medical Association, I am sure it would be difficult to conceive of any reason why they would oppose the payment of disability insurance benefits to the working people of the country. Since doctors are not even under the program and say they do not want under it—they have no interest, it would appear, one way or the other, except, you would think, a humanitarian interest in the welfare of others. I am sure that if we should bring to the person's attention the contentions of the American Medical Association that provision of the most direly needed benefits now missing from the social-security insurance system would lead to socialized medicine and let everyone know about this contention, the workers would revolt. How any responsible and respected organization can urge denying benefits to people where they have no direct interest whatever is beyond me.

Just think of the undue suffering and financial embarrassment and ruin which disabled workers of this country must face primarily because of the stand of the American Medical Association. Not only does the American Medical Associa-

tion oppose the payment of disability insurance benefits, but they were even responsible for defeating the freeze provision on the floor of the House in 1952, and still oppose the freeze provision. Let me quote to you from the testimony of the representative of the American Medical Association before our committee this year during the hearings on social-security revision. He said:

While we are pleased to note that this section of the bill includes a number of safeguards which did not appear in the bills which heretofore have been before this Congress, we are still constrained to oppose this portion of the bill because it most definitely would become an entering wedge for the regimentation of the medical profession by creating the mechanism for the adoption of a Federal cash permanent and total disability program, which in turn could lead to a full-fledged system of compulsory sickness insurance. The provisions in this bill cannot be appraised solely as an isolated, detached effort to provide some measure of aid to the disabled worker. We believe that this and every other step in the direction of a compulsory sickness insurance system must be opposed.

The insurance companies for many years have waiver-of-premiums provisions in their policies. No one would claim that their industry has been socialized. As to disability insurance benefits, we have for years had them for railroad workers, employees of the United States Government, and veterans. The experience with these programs has certainly demonstrated that there is no basis whatever for the contentions of the American Medical Association.

The Democrats when they were in control of the Committee on Ways and Means in 1949 reported a bill which passed the House which would have provided for disability insurance benefits. The Senate deleted this provision, and it did not become law.

I am pleased that my Republican colleagues have finally "got religion" and are now joining the Democrats in supporting improvements in the social security insurance system. I am concerned that these improvements in many cases amount to only a faltering step forward, but a forward step nevertheless. I shall continue my efforts to bring about the many additional improvements contained in the Dingell-Lehman bill.

Mr. KEATING. Mr. Chairman, I ask unanimous consent that my colleague the gentleman from New York [Mr. RIEHLMAN] may be permitted to extend his remarks at the conclusion of the address of the gentleman from Ohio [Mr. JENKINS].

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. JENKINS. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, in a discussion of a bill of this sort, nobody is surprised at the fact that many of us do not understand it thoroughly. It is so complicated, so wide in its application and variations, that it is difficult for anyone, I think, to understand it thoroughly. He would be boasting if he would stand up and say, "I am an expert with reference to this legislation." You know, I would

like to be able to answer all your questions if I could. Heretofore when I have spoken on matters coming from the Committee on Ways and Means, I always had to apologize for the adoption of a closed rule. I do not like closed rules, and apparently you heard a lot of Members today who do not like closed rules. But this is a case, where I think a closed rule is justified, and I will tell you why. This bill was drafted with great care and after a long preparation. We had very extensive hearings before the committee, Government experts and Democrats and Republicans participating. Then the committee had a long session after this bill was first introduced, and a new bill was introduced, and finally when the committee took a vote the vote was unanimous except 1, and as I remember that member was not present. Out of 25 members of the Ways and Means Committee, the vote was practically unanimous. Much of the time indicating that the Democrats and the Republicans were agreed. But, we had come to the place where we thought this thing ought to be closed and we ought to come before Congress and present it for the consideration of the Congress and give it to you. There will be other Congresses again and then if we are wrong we will have a chance to change it, or some other Congress may change it.

Many of you were here, or maybe not so many, either, when we passed the first social security law. We passed that in 1935. I was a member of the committee at that time. You know, that bill did not provide for nearly as much as this bill does. That bill provided only for an old-age pension. Some of the States had old-age pensions at that time. We had one in Ohio. That is about all the first bill did, was to establish an old-age pension; in other words, to provide for the aged and the infirm. It was a fine thing to do. It was a great start. I voted for it. It would have been impossible then for you to have gotten anything like this kind of a bill, and let me give you a little illustration of what I tried myself. The gentleman from Massachusetts [Mr. McCORMACK], was a member of the committee at that time. When we had that bill up before the Ways and Means Committee I tried to include in it a provision for the blind. I made a fight to get the indigent blind included. And, who is there here or any place else who does not want to help the blind? But, our own Ways and Means Committee said, "No, we must not do that; we will be starting in on an old-age pension program, and we will have to carry that through." Well, I came over on the floor of the House and then when the bill came up for consideration, I made another plea for the blind, and I made the very best plea that I could. And, do you know that after a little while the magazines took it up and the newspapers took it up and by the time the bill got over to the Senate the Senate added my amendment and we included the poor blind folks. That is what we had to do then.

Now, then, we have come a long way and we have made majestic strides, and most of them have been acceptable, al-

though I have not been very effective in my advocacy of some of them, because I was afraid and I am afraid now; I do not know what this big trust fund will come to or what will happen if we should find ourselves in a long, devastating war, whether we will have to dip into other funds—I do not know what we will have to do about that, but we cannot be too timid, we cannot be too fearful, we cannot let progress leave us, as it were, and we have to do our part.

Now, as I said before, we could not get the blind in for a long time but finally we did. Then we came to 1939, along about there, and we passed the OASI bill, that is, the old age and survivors insurance bill, and that is what it implies—old-age and survivors. We provided for the survivors, for the wives, and for the children. We built the system up gradually. To those who were most responsible for it should go the credit.

Many questions have been asked today as to why the physicians were taken out. You can blame that on me, if you want to. I made the motion in the committee that took them out. But do not be too hasty in blaming that on me, because nearly every member of the committee voted to take them out. We were all about of one mind about that. We had a pretty good reason for taking them out. But why did we not take the dentists out? I would have taken them out too. I am willing to take them out. But you cannot take everybody out and make the system work. Somebody has got to be in it and somebody has got to pay in order to make this go. I have often said that doctors do more for nothing than any other group. And I say that teachers do more for less than any other group. And that the Lord looks after the preachers. And that the lawyers look after themselves. I can say this and get away with it because I am a lawyer.

Let us go along a little further. We talk about policemen and firemen. Of course, back in the time when the first bill was introduced, I made a fight for them for an entirely different reason than the one that applies now. My reason was that policemen and firemen are public employees, in a very dangerous place politically and in every other way. They have the political boss to tell them what to do and their lives are not free altogether. I have been in favor of taking them out. This year they took them out and they said—and it was a better reason than I had—because a policeman has got no business being on a beat at night, if he is 65 years or older. It is not fair to him. It is not fair to compel a fireman to climb a long ladder 10 stories high if he is 60 or 65 years of age. They have got to quit when they are about 50 or 55. As I understand it they must retire when they are about 50. I was anxious to take them out from under this bill and I voted accordingly.

I see my good friend the gentleman from New York [Mr. KEOGH] over on the Democratic side there who has a remedy for all this and that would be H. R. 10, the Jenkins-Keogh bill, which would probably answer all of these questions of who should be included and who should be excluded. The Jenkins-Keogh bill

would permit these various groups to organize themselves into an insurance plan that would take care of them. It would not be compulsory. But we cannot pass that bill today.

Let us take another group, the State and local employees which include the teachers.

Mr. SCHENCK. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to my colleague from Ohio who I am sure wants to ask me a question about that.

Mr. SCHENCK. I should like my colleague from Ohio to tell us something about the employees in local groups. I understand, for example, that teachers who are already under a State teachers' retirement program can vote to go under the social-security program also; is that correct?

Mr. JENKINS. Yes, they can if they wish. We left that open. I do not know what the law is in other States but, as the gentleman well knows, in our State we have a teachers' retirement fund. It is a very strong one. The teachers are very proud of it and they do not want to give it up. And they will not give it up. And they are not compelled to give it up under this bill, if they do not wish to, because they may come in under social security if they wish. We think that we have a very fair formula for that. I have the assurance from the representatives of the teachers' groups in Ohio that they will be satisfied with the provisions that are now in the bill, which provide that if they are permitted to have a referendum at which more than one-half of their number meet or participate in the way provided by the law, and where two-thirds or more of those who meet vote in favor of coming under the social-security system, then they may be included. If they decide to stay as they now are they can do so.

I am sure that our teachers in Ohio will be free to do as they wish. I cannot tell you what the law would be in every other State, because this social-security system cannot compel State compliance. A State is a sovereign unto itself.

Mr. SCHENCK. May I ask the gentleman if the teachers in one city vote to come under social security, does that bind the teachers in another city in the same State?

Mr. JENKINS. As the gentleman knows, the teachers in Ohio are bound together in an organization known as the School Employees Retirement System of Ohio. All the teachers who belong to this retirement system have been required to pay into a fund from which they would expect eventually to receive their retirement pay. The State of Ohio likewise would contribute into that same fund. This is a very large organization. No doubt there are thousands of teachers who belong to this system, and likewise the fund which has now been accumulated would be a very sizable fund. They and the State are all interested in this same proposition. The State wants to do what is best for the teachers, and the teachers want to do what is best for them. As I have already stated, those representing the school employees retirement system in Ohio may not have

made up their minds as to whether they want to come under a social-security system. If some of them decide that they wish to do so, and if others decide they do not wish to do so, then they can decide this question among themselves with the teachers in accordance with the plan set forth in this bill we are now considering. If one-half of those who would be interested in making the change would get their views together under a referendum, then two-thirds of that one-half could decide the matter. In other words, if two-thirds of the teachers of Ohio, meeting under a referendum call, would want to join the social-security system, they may do so, but if they vote not to join, then, of course, they will not be compelled to join.

On the other hand, if the teachers in Ohio—and probably all of them belong to the retirement system, decide to stay where they are and do nothing with reference to this bill we are now considering, they do not need to do anything. They can stay and continue in their present course.

Mr. Chairman, I should like to discuss the provision that calls for an increase in the earnings base from \$3,600 to \$4,200. There was strong opposition to this provision. I am inclined to support that view, but the membership of the committee was strongly in favor of making the increase.

Now, Mr. Chairman, naturally, from what I have said any Member of this body would be safe in guessing that I expect to vote for this bill. I have given it my very best consideration, and while I am not entirely satisfied with it, I learned long ago that in legislative matters the majority rules. No doubt many will say that the dentists should be excluded if the doctors were excluded. I would have been glad to vote that way, but that did not suit a majority of the committee. Likewise there are several other matters that might be very controversial. However, if this system is fairly administered and fairly worked out, it is sure to be of great benefit to many people who will need protection when old age overtakes them, and when accident or disease strikes them down. I feel sure that this House will pass this bill by an overwhelming vote and thereby approve the honest and faithful service which the members of the Ways and Means Committee on both sides have tried to render in connection with this proposed legislation.

Mr. RIEHLMAN. Mr. Chairman, I approve in general the provisions of the proposed social-security amendments of 1954 reported to the House by the Ways and Means Committee, and I commend the committee for this major contribution to our legislative program. The bill follows in all major respects the administration's recommendations for wider coverage and increased contributions in order to permit an increase in benefits under the old-age survivors insurance program. In the words of the esteemed chairman of the committee:

The development of this legislation is a significant demonstration of the legislative and executive branches of the Federal Government working in close harmony to advance the welfare of the American public.

Old-age and survivors insurance would be extended to approximately 10 million persons now barred from the program, including farmers, many farm workers now excluded, and self-employed professional people with the exception of physicians. All State and city employees except the police and firemen would be made eligible on an optional basis. The committee estimates that this extension of coverage would result in benefits for 75 percent of all persons over 65 years of age by 1960, in contrast with the 47 percent of such people eligible for benefits at the present time. This significant extension of coverage to millions of persons not eligible for benefits at the present time should secure for the future an appropriate relationship between the old-age and survivors insurance program and the old-age assistance programs. The old-age and survivors insurance program, which is being extended, provides a floor of protection against dependency for the aged retired worker and his dependents and for the dependent survivors of workers who die. Old-age assistance programs are a secondary line of defense, which should and will be subordinated to cover only those relatively few cases where insurance plans are not feasible.

Monthly benefits would be raised at least \$5 for all retired workers, and as much as \$31 for some families. To make possible such an increase in benefits without creating an undue strain on our Federal finances, the bill would require gradually increasing contributions by both employers and employees as well as by the self-employed. I have consistently supported extension of coverage and reasonable increases in benefits to keep pace with rises in the cost of living, although I have just as consistently opposed any wholesale raids upon the public treasury to raise benefits indiscriminately to such heights that they would perilize our national economic stability and drive our private insurance companies and other financial institutions out of existence. I believe that the proposed amendments to the Social Security Act substantially correct the shortcomings of the system without exposing our national economy to these dangers.

I am particularly pleased by the provision of the proposed amendments which would permit all retired workers to earn as much as \$1,000 a year without losing social-security benefits. At the present time, those persons less than 75 years of age are now disqualified for benefits in any month that they earn more than \$75 as employees in jobs covered by social security insurance. This change in the law would permit continued gainful employment by those of our senior citizens still able and desiring continued activity, and encourages a contribution to our national product by such persons without depriving them of the benefits of social security.

Again, I commend the esteemed chairman of the Ways and Means Committee and his fellow committee members upon the careful study and consideration they have given to these most important proposed amendments.

Mr. COOPER. Mr. Chairman, I yield such time as she may desire to the gentlewoman from West Virginia [Mrs. KEE].

Mrs. KEE. Mr. Chairman, it is a tribute to the solid work which has gone into previous social-security legislation that this bill before us today is so noncontroversial.

I know of no organized opposition to the measure, even though it contains important improvements in the existing act. For instance, it raises benefits; it will mean higher payroll taxes for both employees and employers since \$4,200 of each worker's pay would be subject to the tax rather than the present \$3,600; and it provides also for a "freeze" for eligibility purposes for workers who become disabled before they are 65.

None of these changes are very revolutionary, of course. They are logical extensions of improvements which have been made by the Congress in 1952, 1950, and earlier. They are logical also in terms of the thinking which went into the original act—an act which has worked exceptionally well.

But I can remember, Mr. Chairman, when provisions such as are incorporated in H. R. 7199, and which will be passed today by the House with virtually no opposition, would have been fought savagely by some of the same people now supporting them. They would have been attacked as "socialism" or worse.

I think it is a tribute to the good sense of the American people as well as to the soundness of the earlier legislation that we have finally brought social security to this present position of being almost noncontroversial in the House of Representatives. For the people took to it immediately and supported it wholeheartedly down through all these years and refused to be diverted by the millions of dollars expended for propaganda in an effort to kill social security. They wouldn't stand for that.

We are now making it possible for farmers to come into the program. They certainly deserve to be covered, just as other self-employed groups are covered. They have been paying the social-security taxes on their own payrolls for hired hands, thus making their employees eligible for retirement benefits, while the farmers themselves remained unprotected. Yet no group of Americans works harder or is more vital to our economy and prosperity and happiness.

Clergymen, too, become eligible under this bill, and that is also a proper step. In most cases, the men of God have little opportunity to amass worldly riches and provide any substantial savings toward their later years.

Eventually, I think the doctors will want to come into the program, too, particularly as they study the provisions for survivorship benefits. While it is true that doctors in good health seldom retire at age 65, many overwork themselves at such a pace that they fail to conserve their own health while protecting the health of the rest of us. Since the medical profession has fought inclusion so vigorously, I do not think they should be forced into the program. But I think the individual doctor will want to study this whole matter carefully.

Most Americans now covered by social security want to see the program gradually improved over the years to approach more closely the needs of the retired individual or the family receiving these benefits. We know that this cannot be done overnight, particularly if the program is to remain sound and based on sound actuarial practices. There will still be a need for supplemental income from defense bonds or other savings or occasional part-time work. It is hard for any individual or family to live on social-security benefits. Those who must try to do so are often in very desperate difficulties, and so we must continually try to improve benefits as much as possible. The average benefit today for a retired single person is only \$50 a month, for a retired couple only \$86, and for the widow of a deceased worker with, say, 2 children under 18, the average monthly check is only \$113. This is pitifully little on which to live. This bill will mean some increases in each case. I wish the increases were greater, as proposed by the bill introduced by the Democratic leadership in the Ways and Means Committee.

Obviously, we cannot consider this bill the answer to social-security needs. It is not enough. If it is the best we can do this year, then we must make up our minds to do more and have a better bill in the next Congress, and continually keep the program under study and constantly improve it.

Only then can we be sure we are building solidly for a better tomorrow for our wage earners, our professional people, our self-employed, and the great body of hard-working people who make up the American free-enterprise economy and the American free society.

Solid work has been done in this field in the 18 years since the first Social Security Act became law. But we must never stop improving so fundamental a part of our social laws.

Mr. COOPER. Mr. Chairman, I yield such time as she may desire to the gentlewoman from Missouri [Mrs. SULLIVAN].

Mrs. SULLIVAN. Mr. Chairman, from time to time I have criticized the Eisenhower administration and the leadership of the Congress for their failure to act on important social problems facing the people of this country. I think those criticisms were more than justified. In instance after instance where the Government could act and act effectively to ease the suffering, the hardship experienced by many of our people as a result of economic dislocation and recession, there has been no action.

Since I have criticized the administration and the leadership of the Congress for this inaction, I think it only fair for me to give credit today to the President and to the leadership of the Congress for harkening to the need for a modernization of our social-security system. I am grateful that in this one area, at least, we are getting some necessary action of a kind which will help millions of individuals and families receiving social-security benefits.

The bill reported out by the House Ways and Means Committee does not go as far as I would like to see it go. The

increased benefits are modest. While provision is made to save the social-security benefits at age 65 of workers who become disabled before that time, there is no effort here to make benefits available immediately to a worker of any age who becomes totally disabled. I think that is one of the necessary areas of new direction in social-security legislation.

The slight increase in the amount of outside income a social-security beneficiary can earn without losing his social-security payments is, I believe, another inadequacy in this bill. How can people live on social security? What we say to a beneficiary is, in effect: Here is some money on which you are to exist. We realize it is not enough. But if you go out and earn some money—if you earn over \$1,000 a year—we will reduce your payments accordingly.

There may be very good reasons why the social-security system cannot pay full benefits to everyone at age 65 whether he retires or not, but I do think we have to provide a greater cushion—more leeway—on outside earnings than this very little amount of \$1,000 a year. Once a man reaches 75, he draws his full social-security benefits whether he is working or not. Could not we perhaps lower that age requirement? In other words, we need a better answer, and we have not got it in this bill.

But even though this bill does not go as far as some of us would like it to go, it is a substantial improvement over the present social-security system and deserves support for its good motives and worthwhile improvements. Since there is no opportunity for us here on the House floor to amend the bill in any way whatsoever, we have then only the choice of voting for or against. Under those circumstances, I shall certainly support the bill. If any further improvements can be made to it in the Senate to liberalize it further along the lines proposed by our Democratic leaders on social-security legislation, I will be very grateful.

There is only one thought that I would like to leave with the House in connection with this legislation. It is this: A bill of this kind deals not with abstract ideas or special interests, it deals with people with families, with men and women who have reached the end of their working careers—careers which have spanned two frightful world wars, numerous panics and recessions, and a depression of unprecedented magnitude. It has been hard for most working people over those years to amass any sizable savings. These are the people we must be thinking about in this bill. These are the kind of people we must never forget, for they have been the backbone of America's great production and great achievements over the years.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. KELLEY].

Mr. KELLEY of Pennsylvania. Mr. Chairman, the people on social security will rejoice in the passage of this legislation because it gives them some sorely needed help. The increases in rents, food, and a lot of other things since the

Eisenhower administration took office have practically wiped out the social-security increases we provided in 1952 and the situation is getting serious.

But what about the rest of the population? Only about 6 million are receiving any kind of social-security benefits. The rest of the people are going downhill economically because of joblessness, lower production, high prices, and yet nothing is being done to restore prosperity. The number of distressed communities keeps growing. In the coal areas we are experiencing not recession but depression.

President Eisenhower promised a dynamic, progressive program. This social-security bill looks like the whole program at this point. It appears to be about the only progressive thing which will come out of this Congress. Of course, it is a Democratic program, pure and simple, and if this were a Democratic Congress the bill before us would be a much better bill. But as long as this is all we can get this year, and since we cannot, under the rules, offer any amendments to it, why, of course, we will support it.

Now, let us get on with some more good legislation. The unemployment-compensation program needs overhauling, and I am glad that hearings are going to start on that at least. But what about my bill for public works to help alleviate unemployment and also to provide the schools and community facilities we need all over the country?

What about getting more of this surplus food to needy families? What about restoring farm prosperity? What about giving the people more opportunities for jobs? What about getting more purchasing power into their hands so that they can buy the things they need and thus stimulate business and stop this trend toward bankruptcy? What about tax relief for the lower-income groups instead of just for big business?

We are informed that the Congress plans to, or hopes to, adjourn in just 2 months. That does not leave much time for a dynamic, progressive program. Of course, it is enough time if all we are going to pass of a progressive nature is this Democratic-inspired social-security bill.

Unless we get busy, Mr. Chairman, we will be saying to the unemployed and the distressed and the small-business man who is in financial difficulties because his customers do not have any money to spend that the Republican Party is taking care of things in a new way—that is, it is telling the people: Just wait until you are 65 and you will have social security to fall back on.

A lot of people cannot wait until they are 65 in order to have some income, Mr. Chairman. They need paychecks, and they need them now.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from New Jersey [Mr. HOWELL].

Mr. HOWELL. Mr. Chairman, to the extent that it improves the present social-security system, the bill before the House today is a good step in the right direction. I think it will receive almost universal support here on the Democratic side of the House because it is in

line with policies we have supported over the years to expand and improve social security.

Many of us had hoped for further improvements in this legislation. We believe the administration has asked for too little, and the amendments it proposed are too modest. But in view of the difficulties the President had to contend with within his own party in getting even this modest improvement before us, and the pressures he faced—also within his party—to try to destroy the basic soundness of the reserve fund, I appreciate even this limited bill and I shall support it.

It does not begin to compare with the proposals which were made in a series of bills introduced by many of us in the minority. Instead of freezing the eventual social-security benefits of workers who are disabled before they reach 65, our bills would treat total disability as the equivalent of retirement and provide for immediate benefits.

Further, instead of basing benefits on a maximum income of \$4,200 a year as this bill provides, we would go further and count in at least the first \$4,800 of income a year, if not \$6,000. That way, contributions to the fund would be higher, and benefits could be correspondingly greater, while still assuring the stability and soundness of the system actuarially. The facts show that 61 percent of the male working force covered by social security earns more than the present base of \$3,600 a year, while 43 percent earns more than the proposed new base of \$4,200. To cover in a larger proportion of their earnings, and base payroll taxes and benefits on the higher maximums, would not be out of line.

After all, if we believed in 1936 when the original act was passed that \$3,000 was a fair maximum on which to base contributions and benefits, the equivalent today would be at least \$6,000.

To the extent that the administration bill fails to approach these reasonable goals laid down in the bills introduced on the Democratic side of the aisle, I am sorry.

These, however, are generally differences in degree rather than in substance. The principles on which the social-security system are based have by now become almost universally accepted, so we no longer have to fight out the basic issues as we once had to.

On the other hand, it would be ridiculous to say that the final, perfect answer to old-age security has been found and put into effect. We are a long way from that. This bill, in keeping with improvements made to the program in 1950 and again in 1952, follows in the right path as far as it goes, even though, as I said, it does not go far enough.

INTEGRATED ATTACK NEEDED ON RECESSION PROBLEMS

The increases in social-security benefits provided for in this bill will be of substantial help to those hard-pressed citizens now over 65 who are attempting to live and make ends meet on their monthly benefit checks. Their plight has been a particularly difficult one, since the last increases were voted in 1942, for food prices, rents, utilities, and most other living costs have gone up in

that period. The slight decrease in the Consumers' Price Index the past 2 months still leaves that index at a much higher figure than it was before the new administration raised interest rates; took off all controls, including local-option rent control, and otherwise followed steps it promised would lower rather than raise living costs. The opposite happened, of course.

Yet all this time economic activity has slowed down, production has declined, jobs have fallen off, in face of an ever-increasing labor force, and business failures have grown by leaps and bounds, particularly in small business.

So while this bill will benefit the 6 million persons presently on social-security rolls and those who retire in the future, the fact is that we need an overall and integrated attack on recession that will help 160 million Americans—many of them in real distress, due to unemployment and layoffs.

I am pleased that the Ways and Means Committee now plans to begin on June 8 consideration of the bills before it for an increase in unemployment-compensation benefits—a long overdue reform which should have been undertaken a year ago when evidences mounted of a downward trend in economic conditions. It is urgent that this matter be taken up quickly. Promises that we would see a great upsurge in employment and in economic levels in March, thus obviating any need for action on what the President called slambang economic measures, just never did materialize, of course. Now administration leaders talk of an upturn by Labor Day, or by next year. In the meantime, those who have lost their jobs through no fault of their own have been forced to try to get along on less than a minimum income for decent and respectable living, and thousands among those have used up all of their unemployment-compensation benefits and have gone off the rolls, still without employment.

WE DARE NOT BE COMPLACENT AS ECONOMY WORSENS

Under these circumstances, Mr. Chairman, we dare not be complacent. We dare not feel that in passing a bill like this providing a modest increase in social-security benefits for 6 million men, women, and children on the social-security rolls we are in any sense meeting the challenge of recession or taking big and imaginative strides toward reestablishing an atmosphere of full employment. For we are doing no such thing.

We are providing only a piecemeal approach to a very tiny segment of the whole problem of recession. What we are doing on social security is worthwhile, just as treating a hurt or a bruise or a cut is worthwhile. But the patient—our economy—is at present undernourished; it needs building up. It needs a heavy dose of vitamins in the form of an integrated economic program which will restore purchasing power, increase job opportunities, stimulate production and expansion, and otherwise get this country once again headed into a climate of full opportunity, full employment, and real prosperity for all.

This bill, as I said, is worthwhile as far as it goes, but in the absence of a

full-scale attack on recession using the economic tools we have developed over the years, it is much too little. Will we wait to discover that until it is much too late?

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. FINE].

Mr. FINE. Mr. Chairman, I heartily endorse the proposed social-security amendments.

The men who led the Democratic Party and the Nation during the 20 years from 1933 to 1952 are responsible for a great many legislative advances. One of the most far-seeing and beneficial of these is the social security program.

During his first term in office, President Roosevelt established a cabinet committee on economic security. That committee recommended in its report, on January 15, 1935, that a program of economic security "must have as its primary aim the assurance of an adequate income to each human being in childhood, youth, middle age or old age—in sickness or in health. It must provide safeguards against destitution and dependency."

On August 14, 1935 the Social Security Act became law. It provided for several distinct programs, each one designed to meet a pressing need of the people. The Federal old-age and survivors insurance program established a system by which employed individuals could insure a retirement income for themselves or regular payments to their survivors in the event of untimely death. The unemployment-insurance program set up under the act helped provide a cushion against loss of employment. The act also called for Federal grants to States for assistance to the aged, the blind and disabled, and dependent children.

The Social Security Act did not set up a perfect system, but it did provide the basic foundation on which to build. Since 1935 the Social Security Act has been amended and improved on a number of occasions.

The bill we have before us today is another step in this gradual process of improving and extending our social-security system. I am sure it does not represent the final answer, but as far as it goes it is a worthy bill. This is exactly the kind of legislation that Democrats have been proposing and supporting for many years. It contains a number of improvements that Democrats are publicly advocating at the present time. In many ways, this is just the kind of social security bill that we used to get when we had a Democratic administration downtown. I see no reason why any good Democrat should not enthusiastically support it.

The unusual thing about this excellent bill is that it is endorsed by the Republican administration and probably will receive the support of most Republicans in the House. And that situation makes this a momentous and heart-warming occasion, for it indicates that the Republican Party is at last putting its stamp of approval on the Democratic social-security program.

It was not always this way. In 1935 Republicans in the House voted 95 to 1 to recommit the Social Security Act—

some of them even called it unconstitutional. The Republican Presidential candidate in 1936 called social security a cruel hoax and "a fraud on the workingman" and the Republican platform that year called for its repeal.

During the 80th Congress, the Republican Party excluded more than half a million persons from social-security protection, until the law was amended by a Democratic Congress in 1950 to cover them. In 1952, a majority of House Republicans voted against liberalizing social-security benefits, though most of them reversed this position on a later rollcall.

But all that is past. Today's events may well mean that the Republicans have changed their outlook, and instead of fighting the Democrats on social security will join us in working for a better program.

To my Democratic colleagues, I respectfully suggest that we accept the conversion of our Republican brethren with good grace. They are deserving of praise, not criticism, for their candor in publicly admitting the error of their previous ways. I hope we will not accuse our Republican friends of coattail riding on the program of Roosevelt and Truman, even though such a charge might seem merited. Let us instead be content to rejoice that they have finally seen the light.

And to my colleagues on the Republican side of the aisle, may I point out that you are on the right road, but you have a long journey yet before you. Many members of your party still oppose public housing, reciprocal trade, and other progressive Democratic programs. I want to remind you that there is more joy over one sinner who repents than over 99 just who do not need repentance. I congratulate you on what you have done on social security; when you are ready to bow to the inevitable march of progress on other issues, we will again welcome you with open arms.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from New Mexico [Mr. DEMPSEY].

Mr. DEMPSEY. Mr. Chairman, this legislation, which is brought before the House for the announced purpose of broadening and extending the provisions of the social-security program, contains one provision which has brought to my office many objections from members of the dental profession, asking one question which I have not been able to answer. They inquire, "Why are physicians being excluded from the provisions of this measure and the dentists included against their will?"

To my mind there is no reasonable answer to that question. In fact I find it impossible under a logical course of reasoning to understand why they should not be excluded along with the other professional group. Not one member of the dental profession has advised me he wishes to be included. I feel we should respect their desires just as we have those of the medical profession.

I believe that we are inconsistent when we attempt to exclude the doctor of medicine and include the doctor of dentistry in the provisions of this bill

and are attempting to enact class legislation. Why not exclude both of those closely related professions?

I have never questioned the desirability of or the need for social security. It is one of the soundest economic programs our Nation has today. As one who strongly supported the original social-security bill in 1935 I am naturally firm in my belief that the Congress should do everything that will broaden and extend its benefits to everyone possible. I am supporting this bill, but deplore the closed rule under which it comes to the floor of the House and our inability to amend it for I firmly believe that if doctors of medicine are to be excluded from its provisions—with which I agree—so, also, should we take the same position with regard to doctors of dentistry.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from Kentucky [Mr. PERKINS].

Mr. PERKINS. Mr. Chairman, let me first say that I will support this bill to amend the Social Security Act. In fact, I believe I am on record as supporting every major change and improvement that is included in this bill. I am very glad to see the majority party accept the principles of social security and take this step toward the application of these principles to all persons who earn their living either as wage earners or independent operators of their own businesses. My only objection is that this step is too small, first, in making no provision for payments to totally disabled workers.

I am wholeheartedly in favor of freezing the benefit rights of these workers, but I also believe that the principle of social security is lacking so long as we fail to provide payments for those workers who are totally disabled for 6 months or more. The basic policy of the Social Security Act is that workers are disabled by age at 65. We know that this is not always true. Many workers are able to continue their earnings many years beyond this age. Other less fortunate workers, either because of the type of work they do or because they lack the physical stamina of the more fortunate ones, become disabled long before reaching the age of 65. I personally cannot believe in the policy of letting such individuals be solely dependent upon welfare programs, either public or private. I hope that the next Congress will see fit to make adequate provisions for those workers who become disabled before they reach the minimum retirement age of 65.

The second omission in these proposals is the failure to include a permanent policy for Federal participation in the State welfare programs. The extension from November 1954 to November 1955 of the so-called cost of living increases for the old-age pensioners under the State programs leaves this problem in the hands of the next Congress. I am not too averse to this action as I feel that the welfare of our aged, the blind, and the dependent children not covered by social security, if now neglected, will be in good hands during the session following the congressional elections of 1954. However, I am opposed to government by

postponement and believe that it is the duty of this Congress to establish a permanent policy for Federal participation in the State welfare programs even if the policy may be changed next year or some ensuing year. Our failure to adopt a permanent policy on this broad national problem will not enhance the prestige of the 83d Congress.

There are other provisions, such as exclusion of amounts paid by a son to his father from the definition of wages under the Social Security Act, that may have been necessary in the early years of the program but are now detrimental. Such minor items should be given more careful study, and I regret that these minor improvements have not been included in this bill. Despite these omissions, even the major ones, these proposals both strengthen and broaden the Social Security Act and deserve the support of every Member here.

The increases in monthly retirement payments of \$5 per month for those workers whose earnings have averaged \$100 a month or less appear small, but they are very important to that large group of wage earners who, having passed the peak of their earning power before this act became effective, were forced to retire on \$25 to \$55 per month. The actual increases exceed \$10 a month for that relatively small group whose average earnings since the act became effective were in excess of \$225 per month. It has been very difficult to maintain an average rate of earnings of more than \$225 per month when the annual ceiling was \$250 per month. This group will become larger as the effects of the \$300 per month ceiling, which became effective in January 1951, and the proposed \$350 ceiling are reflected in future earnings.

I ask every Member present to support this bill as a solid step in the right direction and look forward to more and better improvements in the coming years.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from Kentucky [Mr. WATTS].

Mr. WATTS. Mr. Chairman, I have asked for this time to commend the Ways and Means Committee for the excellent job it has done in bringing before the House H. R. 9366, an act to amend the Social Security Act. It is my intention to support this legislation wholeheartedly on final passage.

The changes made in our present social-security laws by H. R. 9366 are for the most part badly needed and very beneficial. However, I cannot help but believe it would have been much better for this resolution to have been considered on the floor of the House under an open rule rather than under a closed or so-called gag rule as in this case. Had the legislation been brought to the floor under an open rule, it would have been subject to amendment and the membership would have been permitted to have considered other changes in our present social-security laws and in this proposed piece of legislation. Under the closed rule, which I opposed in voting against the previous questions, the membership of the House is not permitted to offer or even consider any amendments to the bill irrespective of their merits. It is my

opinion that had those of us who advocated an open rule prevailed that the legislation could have been made better and more acceptable in several ways. However, the legislation is good legislation and deserves the support of the House.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. GRANAHAN].

Mr. GRANAHAN. Mr. Chairman, the social-security program was one of the greatest among many great achievements of the first 4 years in office of President Franklin D. Roosevelt. It recognized that it is difficult if not impossible for most workers to set aside enough money during their working years to assure anything distantly approaching an adequate retirement income when their years of employment are ended.

Under it, millions of elderly Americans—and also millions of dependents of deceased workers—are collecting monthly benefit checks not as a dole or a charity but as dividends resulting from the payments these workers and their employers have made into the fund during their working careers. As the program has continued, coverage has been broadened and more and more Americans have come under this system.

We can foresee the day when practically every American contributes to the social-security fund out of his earnings and is covered by the program upon retirement. We have been going in that direction in every bill Congress has passed over the years to improve the program, except in the 80th Congress when the Republican majority reduced coverage.

But as we expand the coverage and otherwise improve the Social Security Act, we should keep in mind, I believe, that social security benefits are far from sufficient to assure an adequate retirement income. The increase in the cost of living over the years has been particularly hard on social security beneficiaries. They have fallen steadily behind. In real income—in purchasing power—they are still behind what their retirement incomes would have provided back in the days the program was set up. And when they do get a raise in benefits, as happened in 1950 and again in 1952 and as would happen under this bill now before us, it comes usually well after the increase in the cost of living has already caused them extreme hardship and set them even further behind.

FURTHER INFLATION IN 1953 HURT SOCIAL SECURITY BENEFICIARIES

When we increased social security benefits in 1952, the cost of living had generally leveled off. Had we been able to maintain a stable cost of living, the social security pensioner would have been much better off than he is today.

Instead, however, we had a new spurt in living costs in 1953 when the new administration came into office, and it kept going up steadily well into this year, even though economic activity started to decline last July or August. The cost of living is still substantially over what it was a year ago. That has been a tragic situation for those dependent on social security for their income. It has been inadequate.

In this connection, Mr. Chairman, I would like to see some provision made for keeping social security benefits more closely in line with living costs, and not these long delays between the upswing in the cost of living and a change in benefits.

In 1939, a few years after the social-security system was started, a worker who had earned the maximum amount subject to the program could retire with a benefit of \$46.80 a month. To have the same purchasing power today he would need over \$90. Yet the maximum for a single person at present is only \$85—and it was raised to that only 2 years ago.

Now of course it was impossible to live on \$46.80 a month in 1939, and it is even more impossible to live on \$85 today. The maximum for a family today is \$168.50, and I would like to see any family get along on that.

ADMINISTRATION BILL IS TOO TIMID

Since the bill before the House today has been brought out of committee under a rule prohibiting amendments from the floor and giving the House only the alternatives of passing or rejecting it, our comments today can have no influence on the legislation except insofar as they reflect to the Senate the real sentiment of many of us here in the House.

That is why I want the record to show that while I am voting to pass this bill, I think it is much too timid in its approach to the serious economic problems of persons now on or soon to be on the social-security rolls.

I have joined in sponsoring legislation introduced by the Democratic leaders of the House Ways and Means Committee, including Congressman EBERHARTER of my own State of Pennsylvania, to raise these benefits much more than the Eisenhower administration's bill would do.

Since there is no way for us to vote for the Dingell-Eberharter bill as an amendment to this bill, I can only say that if the Senate, where Democratic Members are in the majority, passes a better bill than this one before us now, I will certainly vote to support that.

That is the only way, it seems to me, that we can get a better bill than this until we again have a Democratic Congress.

Mr. COOPER. Mr. Chairman, I yield 10 minutes to the gentleman from Arkansas [Mr. MILLS].

Mr. MILLS. Mr. Chairman, I ask unanimous consent that my colleague the gentleman from Arkansas [Mr. HARRIS] may extend his remarks immediately following those I shall make.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. MILLS. Mr. Chairman, after listening to the very splendid remarks of the gentleman from New York, the chairman of the committee [Mr. REED], the gentleman from Tennessee [Mr. COOPER], and the gentleman from Ohio [Mr. JENKINS], little remains to be said about the bill before the Committee today in the way of an explanation.

I find, however, that there is some concern existing in the minds of some members of the committee with respect to certain aspects of the coverage proposed under the bill. Let me see if I can clarify in just a minute or so the thinking of the members of the committee, the thinking of the people who proposed the program initially and those who now propose improvements in the program.

Social security was originally conceived, as I understand and I think I am right in my understanding, as a method of at least partially insuring people against the loss of jobs or job opportunities due to unemployment or due to advanced age. In the beginning, it was thought that, since this was a new program, it might well be better for all if the coverage were limited to those who were working for an employer. Thus, we went along for some period of time with a program which provided unemployment compensation for those employees of an employer who employed more than eight people and for those people who retired after reaching the age of 65 who had worked for an employer. As time went by, it became evident that the social-security insurance program conceived for employees only was a program worthy of extension to others. So, in 1950, amendments were passed by the Congress which provided extension of coverage to some 10 million people who were not then covered by title II of the social-security laws, the old-age and survivors insurance program. We did not include everyone at the time although the recommendation was that we include farmers and all professional people and farm labor and almost everyone who was not then included. We did not do that because, frankly, there was considerable opposition among the groups that the 1950 amendments finally did exclude.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. McCORMACK. The gentleman is giving a brief historical statement concerning this legislation. The original concept was based upon the theory of private insurance, and then you remember in the latter 1930's, we recognized the social implications and made the family unit the beneficiary.

Mr. MILLS. That is true. We added the survivor's benefits in the 1939 amendments.

Mr. BOW. Mr. Chairman, will the gentleman yield for just one question concerning farmers?

Mr. MILLS. I yield.

Mr. BOW. In the case of a farmer who passes the age of 65 and no longer works his farm, but has an interest in it, and whose income would be over \$1,000 in profits or other produce of the farm, could he receive benefits or would he have to continue to pay into the fund?

Mr. MILLS. The farmer described by the gentleman from Ohio would receive benefits, if he is not actively and substantially engaged in farming. The fact that he receives an income from an investment in a farm would not exclude him from benefits at age 65. In other words, he might rent that farm to someone who actively carries on the farming operation and the proceeds from the

rental might accrue to him, but that would not bar him from receiving benefits from social security after he retired, and of course, he would not be paying social-security taxes.

Mr. BOW. Suppose the operation is carried on on a sharing basis?

Mr. MILLS. On a sharing basis also, under the definition of what the committee means by the word "rent," the same would apply. Share rentals would not preclude receipt of benefits. They would be treated just as cash rentals. The individual farmer would not be eligible for benefits at 65, if he continues to operate his farm as he has all of his life through the use of a few hired hands with his wife and children helping him. Such an individual would be described under the bill as continuing in his farming operation and would be under covered self-employment, and if he made more than \$1,000 a year in net earnings and was between 65 and 75 years of age, he would not be entitled to benefits. If he does not render substantial services in operation of the farm he would be eligible for benefits.

Mr. BOW. I thank the gentleman.

Mr. MILLS. The gentleman from Ohio has directed my thought to farmers which was the subject I had in mind to discuss first. What is the position today with respect to farm coverage among the farm organizations who know and speak the thinking of the farm people? Two of the three great farm organizations have for some time said that it would be perfectly all right with the farmers for them to be included under social security, and that they should be included under social security. The remaining farm organization, the American Farm Bureau Federation, has consistently over a period of several years said that it was the opinion of the leadership of that organization and its membership that it would be well for us to wait for a while until we have had some more experience with coverage of the self-employed under social security, until the farmers can become better advised on social security, before we bring them under the program. Very frankly, it is my own personal opinion that the majority of farmers want to be included under social security. Otherwise I would not want to bring them in. I want to give you just a little bit of my own thinking on this. As the gentleman from New York well knows, and I refer to the chairman of the committee, farm organizations came before our committee this time. They expressed the views which I have just reiterated here. Several weeks have elapsed since the committee started the consideration of the original social security bill in this session of the Congress. We have had this new bill, H. R. 9366, before us for approximately a week.

There has been little, if any, protest received by Members of Congress from their own farm constituencies with respect to the provision of the bill that includes farmers under Social Security. I can understand the concern of some Members over whether or not their farm constituents want coverage but I am convinced that the majority of American farm people need and want protection

against advancing old age and untimely death. I have had the opportunity while at home in the district I have the privilege of representing, of talking on numerous occasions with farm groups and with individual farmers with respect to the question of whether or not they preferred to be included under social security or opposed the idea. Those with whom I have had the privilege of discussing the matter have almost invariably said, "We prefer a program of social security which will permit us to receive something when we get 65 years of age, without regard to whether we need it at that point in life and which will permit our wives and children to be protected in case we die."

The way the situation operates today, if a farmer in your district or mine finds himself in destitute circumstances, through some economic adversity, or otherwise, he has no recourse except to ask for public assistance. There is no backlog of payments that have been made by him into a fund out of which he or his family can draw benefits without any questions being asked.

Why do we persevere in the assumption that the farmers of the United States are less advised than other groups in the United States, and cannot recognize a real advantage when one comes along, or a real benefit or a real profit when one comes along? It would have been better for them in the long run had they been included some time ago, because now they are faced with a higher rate of tax than they would have had to pay in 1950 or 1946.

The CHAIRMAN. The time of the gentleman from Arkansas has expired.

Mr. BOGGS. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. REED of New York. I am sure the gentleman remembers the splendid statement made by the distinguished Member from Ohio [Mr. SECREST]. He had taken a very exhaustive poll of the farmers of his particular district, and they were almost unanimous in favor of coming under coverage.

Mr. MILLS. I am glad the gentleman called that to my attention. I had not forgotten it. I intended to remark on the fact that the gentleman from Ohio [Mr. SECREST] did conduct such a survey, and the information he brought to the committee was most illuminating to the members of the committee who had not had an opportunity to have free access to people in the farm areas, and to discuss with them some of their problems and desires.

What does it do to the economy of a State, made up largely of farm people, and to the pride and self respect of farmers and their families when the farmers are not included and they have to look to public assistance rather than to a system of benefit payments as a matter of right? You find that in those States a great number of the people have a history of being farm laborers, tenant farmers, farm operators, or farm owners and have not been able to get social-security protection. Not only must they face a humiliating needs test to get

assistance when adversity strikes, but there is also a heavy burden placed on existing taxpayers of a State because they have been excluded from social-security coverage.

The arguments I could make for inclusion of farmers are too many to make within the time allotted to me, but I do want to say that I fear that sometimes we proceed, when we do not hear from someone requesting something, on the basis that someone is not informed and does not want anything done affecting him. Just the other day I had a petition signed by a number of farmers—I do not know how many—from one small segment of my district, not including an entire county, but the individual who sent it to me had obtained the signature of every farmer he had contacted. It was not a protest, but petitioning me to be for the inclusion of farmers. I know there are some who do not want it, some who do not need it, some who will never be in a position of needing any outside security. But the percentage of those farm individuals who wish to be excluded is no greater than the percentage that now exists with respect to other self-employment and persons who would also be covered or are already covered in existing law.

Something has been said about doctors not being included. That is right. I do not think they should be included and I will tell you why. From a practical point of view I do not think they should be included. As Members of Congress we are often influenced with respect to our decision on national issues by examples that come from the local area we represent in Congress. From the experience I have had in my district and State there are very very few, if any, older doctors who do not continue to practice. They continue as they always have, maybe limited by physical handicap, but they continue to practice and I have never heard of any of them retiring.

This program is based largely upon the possibility of a situation arising where a person will have need for a retirement system. If a doctor is not going to retire, and doctors generally do not retire, they do not need retirement benefits.

The same thing may be said about dentists. However, I think, as the gentleman from Tennessee has pointed out, that there is a difference to some extent in the situation involved in the two professions. The dentists, as the gentleman from Tennessee pointed out, have to use their hands—there is one sitting before me; and if I make a misstatement, I will yield to him to correct me—they have to use their hands probably a lot more than the general practitioner uses his, and they perhaps are on their feet more than a doctor. Yes; there may be some justifiable difference. We were advised that the American Dental Association was opposed to coverage, but we know that some State dentists' organizations were for it. There was a general conflict of opinion among dentists. Certainly dentists, if they are not entitled to coverage or do not want to be included, will have an opportunity, a genuine opportunity, to express their

viewpoint to the Finance Committee of the Senate; and if there is merit in their position, certainly the Members of the Senate will be most patient and most considerate of their position.

On the whole, this is a very good bill. There are some things in it which disturb me, but, like every other piece of major legislation, we should look at this in the overall. I regret that time does not permit me to give a fuller discussion.

Mr. HARRIS. Mr. Chairman, the principle of social security was adopted several years ago and is now accepted by the American people as a progressive social and economic benefit. Congress has expanded this program since the original act more than 15 years ago. I have supported the amendments heretofore as providing insurance for our people when they reach the age of retirement and for other benefits for the average American citizen.

We have another bill reported by the Ways and Means Committee to expand the social-security program, extending coverage to an additional nine million or more persons. Some of these, I understand, on a voluntary basis. In addition, this bill, as we are informed, increases the benefits to retired workers.

I think from the experience from the 1950 act, it is generally felt that these additional people should have social-security benefits extended to them. I think this expansion covering these millions of additional people is generally accepted throughout the country. I am therefore, Mr. Chairman, supporting this bill which would expand the program and provide increased benefits.

It is interesting that the additional persons to be included in this system are some 4½ million of our farmers and farm workers. Certainly this group of people should have the benefit of this program in order that they can provide themselves with the necessities of life in their later years.

This additional coverage includes some 200,000 or more domestic servants and some 350,000 professionally self-employed. There are more than 3 million people employed by State and local governments already under retirement systems and some 250,000 ministers included on a voluntary basis. This is for obvious reasons.

I want to also commend the committee for its action in excluding the doctors' profession. Doctors cannot retire. It would be a rare experience for a doctor even in his late years in life to have an annual income of \$1,000 or less. Therefore, they would be paying social-security tax with no chance in most instances of ever receiving any return or benefits from it.

A lot of people will receive much encouragement over increasing the minimum benefits from \$25 to \$30 per month as this bill provides. Also, the fact that the maximum is increased from \$85 to \$98.50 per month.

It is of some interest, of course, that the benefits that would accrue to those who retire after January 1, 1955, will range from a minimum of \$30 per month to a maximum of \$108.50. Also, the maximum family benefits is increased from \$168.75 to \$200 per month. In an

expanding economy as we have, it is apparent that such action is thoroughly justified.

It is well known that to provide increased benefits, it will increase the cost. I, as many others, do not like to see increased taxes. Increasing the base to \$4,200 per year that is taxable actually means a tax boost of \$12 per year to the individual. Efforts have been made to reduce taxes. Nevertheless, for this program we must be realistic in providing the means and method of payment if the people are going to derive the benefits.

Of course, there appears to be no serious or organized objections to this bill, notwithstanding this increase in the taxable base. The present administration recommends it, the former Democratic administration recommended it. Therefore, these proposals have the general support of both of our major parties and is so commending it to the American people.

Mr. REED of New Jersey. Mr. Chairman, I yield 20 minutes to the distinguished gentleman from New Jersey [Mr. KEAN].

Mr. KEAN. Mr. Chairman, I support this bill wholeheartedly. It carries out all of the basic recommendations made by President Eisenhower in his social-security message of January 14. It emphasizes his basic philosophy which is to be conservative in financial matters—but liberal in respect to human problems.

Included in it are provisions which I have advocated for many years.

It was in 1948 that I first introduced a bill which would grant that almost universal coverage provided here, for I have long felt that no social-security system could be sound with so many workers remaining uncovered. But the party in power would have none of it. They insisted on the piecemeal approach. So workers have continued to go in and out of covered employment and the result has been that benefits in many cases have been niggardly.

The need for substantial old age assistance payments by the Federal Government continued high and every time we wish to take in new groups we are faced with difficulties as to how to do so without impairing their future benefits.

Finally in this Republican bill, coverage does become almost universal. However, coverage of physicians was stricken from the bill by the committee. I am unable to see any justification in the philosophy that only physicians should be deprived of the benefits of this system.

Though it is my firm belief that the majority of doctors—in my area at least—do want to come into the system, why, even if they did not, should this comparatively small group be excluded?

At some future time when doctors fully understand the system they will undoubtedly clamor to be covered and when they do so it will be difficult to bring them in without some loss of their benefits, for certainly we cannot include a new start or put in a new drop-out provision for only 150,000 persons.

But enough of what is wrong in this bill. This slight mistake is overwhelmingly outweighed by the many improvements provided.

We have made coverage almost universal.

We have made possible inclusion of nearly all of the State and municipal employees who wish to be covered.

No longer will workers go in and out of covered employment and thus have so spotty a wage record that their benefits will be negligible.

We have increased benefits substantially for both those who retire in the future and those who have retired in the past so that they are more realistic with respect to present wage scales.

In my own State—New Jersey—residents covered by old-age and survivors insurance will receive an additional \$20 million a year in benefits.

We have increased the maximum family benefits to take care of the children of those whose breadwinner has died.

We have provided a more liberal retirement test.

We have arranged that those who become totally disabled will not suffer loss in their wage record as a result, so that their social-security benefits will be based on their earnings when they had good health.

We have provided encouragement for these disabled to become rehabilitated.

No more will years of temporary illness or temporary unemployment reduce their benefits for the dropout will take care of this.

The Ways and Means Committee and the Eisenhower administration can be proud of what this bill does for the aged and their survivors.

Our committee gave very careful consideration to numerous proposals for radical changes in the social-security program. We carefully considered arguments advanced by advocates of these proposals and turned them down.

We accepted and strengthened the fundamental principles of the program advocated by President Eisenhower—that the system should be maintained on a contributory basis and that the benefits should be related to wages. All proposals for weakening the contributory insurance principle of the system were defeated.

A more detailed summary of the improvements in the bill follows. I quote in part from the committee report:

SUMMARY OF THE BILL

A. Old-age and survivors insurance

1. Extension of coverage: Old-age and survivors insurance coverage would be extended to approximately 9.5 million persons who work during the course of a year in jobs now excluded from the program. The groups brought into the program under the bill are as follows:

(a) Self-employed farm operators whose net earnings from farm self-employment total \$400 or more in a year (about 3.6 million), \$400 or more in a year (about 3.6 million), with a special provision to make it easier for low-income farm operators to compute their net earnings.

(b) Most professional self-employed persons now excluded whose net earnings from professional self-employment total \$400 or more in a year, including lawyers, dentists, architects, engineers accountants, funeral directors, osteopaths, chiropractors, veterinarians, naturopaths, optometrists, ministers, and Christian Science practitioners (about 400,000). Self-employed physicians would remain excluded.

(c) Employees of State and local governments who are covered by State and local retirement systems (other than policemen and firemen), under voluntary agreements between the State and the Federal Government, if a majority of the members of the system vote in a referendum and two-thirds of those who vote favor coverage (about 3.5 million).

(d) Farm workers who are paid at least \$200 by a given employer in a calendar year (about 1.3 million), with special provisions to make it easier for the farm employer to report his employees and to gear in the annual test with the quarterly insured status requirements.

(e) Domestic workers in private homes (and others who perform work not in the course of the employer's trade or business) who are paid \$50 in cash wages by an employer in a calendar quarter but who do not meet the 24-day test in the present law (about 250,000).

(f) Ministers and members of religious orders employed by nonprofit organizations if the organization elects to cover them and if at least two-thirds of the ministers and members of religious orders employed by the organization elect to be covered (about 250,000).

(g) Most Federal employees not covered by retirement systems, including temporary employees in the field service of the Post Office Department, census-taking employees of the Bureau of the Census, civilian employees of Coast Guard post exchanges, and certain other groups, and also employees of district Federal home loan banks and of the Tennessee Valley Authority who have a retirement system (about 150,000).

(h) American citizens employed outside of the United States by foreign subsidiaries of American employers (about 100,000); they would be covered under voluntary agreements between the Federal Government and the parent American company.

(i) Home workers now excluded from employee coverage (although they may be covered as self-employed persons) because the services they perform are not subject to State licensing laws (about 100,000).

(j) Employees engaged in fishing and related activities (about 50,000) either on vessels of 10 net tons or less or on shore (other fishermen are now covered.)

(k) American citizens employed by American employers on vessels and aircraft of foreign registry.

2. Computation of average monthly wage: Up to 5 years in which earnings were lowest (or nonexistent) could be dropped from the computation of the average monthly wage. The computation would be simplified by the use of standard beginning-of-the-year starting and closing dates, with computations based on whole years.

3. Earnings base: The total annual earnings on which benefits would be computed and contributions paid is raised from \$3,600 to \$4,200.

4. Increase in benefits: (a) More than 6 million persons now on the benefit rolls would have their benefits increased. The average increase for retired workers would be about \$6, with proportionate increases for dependents and survivors. The range in primary insurance amounts would be \$30 to \$98.50, as compared to \$25 to \$85 under present law.

(b) Persons who retire or die in the future would, in general, have their benefits computed by the following new formula: (i) 55 percent of the first \$110 of average monthly wage (rather than \$100, as in present law) plus 20 percent of the next \$240 (rather than 15 percent of the next \$200); (ii) the minimum monthly benefit amount for a retired worker would be \$30, and the minimum amount payable to a survivor, where only one such person was entitled to benefits on the deceased insured person's earnings, would be \$30; (iii) the maximum family benefit of

\$168.75 under existing law would be raised to \$200; (iv) the provision in present law that total family benefits cannot exceed 80 percent of the worker's average monthly wage would be retained, but this provision would not reduce total family benefits below 1½ times the insured worker's primary insurance amount or \$50, whichever is the greater; and (v) lump-sum death payments could not exceed \$255.

5. Limitation on earnings of beneficiaries: The earnings limitation on beneficiaries under age 75 would be made the same for wage earners and self-employed persons. A beneficiary could earn as much as \$1,000 in a year in any employment, covered or non-covered. He would lose 1 month's benefit for each unit of \$80 (or fraction thereof) of earnings (covered or noncovered) in excess of \$1,000, but in no case would he lose benefits for months in which he neither earned more than \$80 nor rendered substantial services in self-employment. Beneficiaries residing in foreign countries would have their benefits suspended for any month in which they worked on 7 or more days.

6. Eligibility for benefits: (a) In addition to the present requirements for fully insured status, an individual would be fully insured if all the quarters elapsing after 1954 and up to the quarter of his death or attainment of age 65 were quarters of coverage, provided he had at least 6 quarters after 1954.

(b) Benefits would be paid to the surviving aged widow, widowed mother, and children, and parents of any individual who died prior to September 1, 1950, and had at least six quarters of coverage.

7. Preservation of benefit rights for disabled: The period during which an individual was totally disabled would be excluded in determining his insured status and the amount of benefits payable to him upon retirement or to his survivors in the event of his death. Determinations of disability would be made by State vocational rehabilitation agencies or other appropriate State agencies pursuant to agreements with the Secretary of Health, Education, and Welfare.

8. Recomputation of benefits for work after entitlement: An individual may have his benefit recomputed to take into account additional earnings after entitlement if he has covered earnings of at least \$1,000 in a year after 1953 and after the year in which the individual's benefit was last computed.

9. Financing of OASI: Employers and employees will continue to share equally, with the rate on each being as follows:

Calendar years:	Rate (percent)
1954-59	2
1960-64	2½
1965-69	3
1970-74	3½
1975 and after	4

The self-employed would pay 1½ times the above rates.

B. Public assistance

1. The provisions of the 1952 amendments, presently scheduled to expire at the close of September 30, 1954, with respect to Federal payments to States for old-age assistance, aid to dependent children, aid to the blind, and aid to the permanently and totally disabled are extended through September 30, 1955.

GENERAL STATEMENT

Our committee considered all aspects of the old-age and survivors insurance program. We agree with the statement of President Eisenhower in his message to the Congress that—

Despite shortcomings which can be corrected, this system is basically sound. It should remain, as it has been, the cornerstone of the Government's programs to promote the economic security of the individual.

A major shortcoming of the program is its inadequate coverage. As long as coverage is not substantially universal, large numbers of people reaching age 65 will be either wholly without the protection the program affords or eligible for benefits which are reduced because they are based on only part of the individual's earnings. Our committee is recommending substantially universal coverage.

Extension of coverage is fundamental to securing for the future an appropriate relationship between the old-age and survivors insurance and the old-age assistance programs. Old-age and survivors insurance has responsibility for providing basic protection against dependency for the aged retired worker and his dependents and for the dependent survivors of workers who die. Old-age assistance is the second line of defense. After the extension of coverage in 1950, which brought some 10 million additional workers under the system, the percentage of aged receiving old-age and survivors insurance benefits increased rapidly while old-age assistance declined. In 1950, 225 out of every 1,000 aged persons in the country were receiving old-age assistance and 171 were receiving old-age and survivors insurance. By the end of 1953, 190 out of every 1,000 aged persons were receiving old-age assistance as compared to 344 receiving old-age and survivors insurance benefits. With the further extension of coverage recommended by the committee, it is estimated that 75 percent of all persons over 65 will be eligible for old-age insurance benefits by 1960 as compared to 47 percent at the present time.

The committee regards the extension of coverage to the farm population as of special significance. A little over one-half of the presently noncovered groups are farmers and farm workers. In counties where more than 50 percent of the population live on farms, 31 percent of the aged are now receiving old-age assistance and 13 percent old-age and survivors insurance. In nonfarm counties, on the other hand, only 17 percent receive old-age assistance while 36 percent receive old-age and survivors insurance benefits. These data graphically illustrate the fact that where coverage of the program is more complete, old-age assistance more nearly assumes its proper role as a supplementary program. With extension of old-age and survivors insurance coverage to farmers and farm workers, these workers will be building up their own old-age security by the contributions they make during their working years.

Another advantage of extending coverage to these and other groups now outside the system is that not only more of the aged but also more of the young widows and children will be receiving their benefits without a means test. Because their benefits flow from contributions, old-age and survivors insurance beneficiaries are able to maintain a sense of their own continued independence and of their dignity and worth as individuals, even though their support from earnings has been cut off by the retirement or death of the insured worker. The knowledge that benefits will be

paid irrespective of whether the individual is in need supports and stimulates his own thrift and initiative, since he can add his personal savings, pensions he may receive as a result of his work, and the insurance he buys for himself to the basic security he acquires under old-age and survivors insurance. His benefits are related to his past earnings and therefore to his contribution to the Nation's production. The conditions of eligibility and the method of computing benefits are determined by law and are legally enforceable. These basic characteristics of the program are in the best American tradition and consistent with the general economic incentives of a free enterprise system.

The protection afforded by the program may be considered adequate only when benefits are high enough so most beneficiaries will not have to apply for public assistance for the ordinary expenses of living. A first step in accomplishing this objective is to correct the conditions which result in very low benefits which some individuals receive under the program.

The committee's recommendations attack the root causes for most of these low benefits, through provisions assuring that benefits will more realistically reflect the individual's actual earnings on which he customarily depends for his support. Extension of coverage will in itself contribute to a more adequate level of benefits payments by assuring that all of an individual's earnings can be counted toward his benefit payments, regardless of his type of work. Further than this, allowance is made for disregarding limited periods of low or no earnings usually occasioned by short-term absence from covered work. Such periods should not be permitted to distort the level of earnings used as the basis for benefit computation.

Long periods of absence from covered work generally indicate that the individual has not been dependent on his own work earnings for support, and benefits are properly reduced or not paid under such circumstances. An important exception to this principle, however, is in the case of workers who are forced out of employment by reason of a total disability lasting for an extended period of time. The committee bill includes special provisions to prevent loss or reduction of benefit rights on account of such disability. Prompt steps should also be taken to help disabled persons to return to self-supporting employment wherever possible. The special provisions included in the bill are expected to stimulate greater efforts in the State vocational rehabilitation programs by increasing the referral of handicapped persons to those programs.

The goal of providing reasonable protection through the benefits paid under the old-age and survivors insurance system further requires that the level of benefits be kept reasonably current with changes in economic conditions. Benefits need to be adjusted when wages and prices rise.

In recommending increased benefits, the committee has been conscious of the importance of preserving the wage-related character of the old-age and

survivors insurance system, and of accomplishing these increases in such a way as to preserve a reasonable differential between minimum and maximum benefits related to differences in individual earnings. Differential wage payments in our economy reflect differences in individual productivity, differences in costs of living in the various sections of the country, and differences in individual standards of living. It is consistent with our type of economic system that the benefits under the social insurance system should reflect these differences.

Our committee was overwhelmingly of the belief that the program should continue to pay benefits to insured workers who are 65 years of age and over only when they are substantially retired from gainful employment. Our committee believes, however, that more recognition should be given to the value of retired workers of continuing to do some work to the extent they are able. Older people should be freer than at present to take part-time, intermittent, or seasonal work after they retire without losing their benefits. The bill contains, therefore, a more liberal and flexible test, applied on an annual basis, for wage earners as well as for self-employed persons. An increase in the amount that a retired worker may earn while continuing to receive his benefits is provided.

I am especially gratified that the bill includes so many of provisions which I have been recommending for a number of years. I introduced bills to improve the social-security program in the 80th Congress in 1948, again in 1949, 1950, 1952, 1953, and 1954. The bills I have introduced have provided for extended coverage, increased benefits, and a liberalized retirement test—all these are in the bill before the House today.

COVERAGE OF STATE AND LOCAL EMPLOYEES

The bill extends the opportunity for 3.5 million State and local employees to be covered under OASI. In general, the provisions are almost identical with those contained in the bill as originally introduced. However, there is one new provision which I proposed in the committee and which has been added, namely, to permit the coverage of persons who are in positions covered by a retirement system but who are not actually members of the retirement system. There are many such persons in New Jersey who because of age or other reasons cannot become members of a retirement system. Under the amendment included in the bill, they could obtain OASI coverage, irrespective of whether those in covered positions come under the OASI program.

WAIVER OF PREMIUM FOR DISABLED

I am especially proud of the fact that the bill includes a waiver of premium for persons who become totally disabled for an extended period of time. I introduced a bill with such a provision in 1952 and the House passed the provision in 1952. The provision did not become effective. Our committee has restudied the entire question and given consideration to the administrative problems and objections made to the proposal. We have ironed out the difficulties and have included a provision which the commit-

tee and the Department of Health, Education, and Welfare are convinced is sound and workable. The provision is one which will eliminate one of the basic defects in the present law.

I am convinced that the provision can be administered on an economical and efficient basis and will expedite rehabilitation of many disabled persons. Private insurance companies have had long experience in administering waiver of premium provisions. State vocational rehabilitation offices, State workmen's compensation agencies, and State welfare departments all have had experience in administering related programs and working out satisfactory relations with doctors and hospitals.

The following is a summary taken from the committee report of the waiver-of-premium provision in the bill:

SUMMARY OF PROVISIONS IN BILL FOR PRESERVATION OF BENEFIT RIGHTS FOR DISABLED

A. Need for disability freeze

Under present law old-age and survivors insurance rights are impaired or may be lost entirely when workers suffer periods of total disability before reaching retirement age. Unless the worker is already permanently insured when he becomes disabled, he may have lost his fully insured status when he reaches retirement age because the entire period of his disability is included in the elapsed time which is the basis for determining his insured status. When benefit amounts are computed, whether for retirement benefits or survivor's benefits, his total earnings throughout his working lifetime are generally divided by the total elapsed time, including any periods of total disability, in determining his average monthly wage, on which monthly benefits are based. A freeze of old-age and survivors insurance rights during total disability would remove this disadvantage by preventing such periods of total disability from reducing or extinguishing rights to retirement and survivors' benefits.

Such a freeze provision is analogous to the waiver of premium commonly used in life and annuity insurance policies and to maintain the protection of these policies for the duration of the policyholder's disability. One hundred and twenty life-insurance companies (many of the largest) operating in the United States offer a waiver-of-premium clause to both men and women carrying ordinary life insurance. One hundred and ten companies offer a waiver-of-premium clause in connection with term contracts. It has been estimated that about half of the standard ordinary life insurance issued currently is protected through waiver premium in the event of the disability of the insured.

B. Emphasis on rehabilitation

The committee recognizes the great advances in rehabilitation techniques made in recent years and appreciates the importance of rehabilitation efforts on behalf of disabled persons. It is a well-recognized truth that prompt referral of disabled persons for appropriate vocational rehabilitation services increases the effectiveness of such services and enhances the probability of success. The bill is framed to carry out your committee's objective that disabled individuals applying for disability determinations be promptly referred to State vocational rehabilitation agencies, to the end that as many disabled individuals as possible may be restored to gainful work.

C. Insured-status requirements

The insured-status requirements are intended to limit the freeze to individuals who have had a reasonably long as well as recent record of covered earnings. They operate to exclude those who have not established a

reasonably substantial attachment to the labor force and those who had left the labor force before becoming disabled. This provision is necessary to exclude individuals who had voluntarily retired from gainful activity, and had not been compelled to leave the labor force by reason of their disability.

D. Definition of disability

Only those individuals who are totally disabled by illness, injury, or other physical or mental impairment which can be expected to be of long-continued and indefinite duration may qualify for the freeze. The impairment must be medically determinable and preclude the individual from performing any substantially gainful work. Individuals who are blind, as measured by the prescribed test of blindness, are also deemed to be disabled for purposes of the freeze. Those who suffer impairment of vision sufficient to qualify under the general definition of disability may, however, be considered disabled even though they do not meet the prescribed test of blindness.

There are two aspects to disability evaluation: The physical or mental impairment must be (1) of a nature and degree of severity to justify consideration of its alleged casual connection with failure to obtain any substantially gainful work, and (2) it must actually result in loss of substantially gainful work (recognizing, of course, that efforts toward rehabilitation will not be considered to interrupt a spell of disability until the restoration of the individual is an accomplished fact). Standards for evaluating the severity of disabling conditions will be prepared by the Department. They will reflect the requirement that the individual be disabled not only for his usual work but also for any type of substantially gainful activity.

Disability must have lasted for 6 months before it may be considered for the freeze. This provision is intended to help exclude from consideration temporary conditions which terminate within 6 months.

In prescribing that the freeze apply only in the case of impairments "which can be expected to be of long-continued and indefinite duration" the committee seeks to assure that only long-lasting impairments are covered. At the end of the waiting period it will usually not be difficult to discern definite signs that the disability will terminate shortly or to decide that it will continue indefinitely. This provision is not inconsistent with efforts toward rehabilitation since it refers only to the duration of the impairment and does not require a prediction of future actual employment. Under this provision, an individual would not meet the definition of disability if he can, by reasonable effort and with safety to himself, achieve recovery or reduction of the harmful symptoms or handicapping effects of his condition.

E. Determination of disability

By and large, determinations of disability will be made by State agencies, administering plans approved under the Vocational Rehabilitation Act. This would serve the dual purpose of encouraging rehabilitation contacts by disabled persons and would offer the advantages of the medical and vocational case development undertaken routinely by the rehabilitation agencies. These agencies have well established relationships with the medical profession and would remove the major load of case development from the Department without undertaking any onerous responsibilities.

By agreement, the State agencies will apply the standards developed by the Department for evaluating severity of impairments for purposes of the freeze. This will promote equal treatment of all disabled individuals under the OASI system in all States.

In a relatively few cases where there is no agreement with a State or there is delay in obtaining agreement, disability determinations will be made by the Department. There may also be certain types or classes

of cases which, because of their characteristics or their volume (e. g., the backlog), might be handled more effectively by the Department. The cost to these agencies for their services in making disability determinations will be met out of the trust fund.

F. Effective dates

January 1, 1955, has been specified as the earliest date a disability freeze application can be accepted in order to give the Department of Health, Education, and Welfare time to prepare its forms and procedures and negotiate necessary agreements with State agencies. An individual who files a freeze application before July 1, 1955, must, however, be alive and disabled on July 1, 1955, in order to get a period of disability.

Until July 1, 1957, a disability freeze application could establish a period of disability beginning on the earliest date the individual was disabled and met the covered work requirements described above. This means that an individual who was disabled as early as the fourth quarter of 1941 could establish a period of disability provided he was continuously disabled and filed a disability freeze application before July 1, 1957. Despite the administrative difficulties created, your committee feels that the large number of persons who have been totally disabled for several years before the enactment of this provision should be included in the group receiving the advantages of the freeze provision, but only for the period of disability continuing to the date of application.

Benefit increases for disabled individuals already on the benefit rolls would be payable beginning July 1955. Newly entitled persons would be able to have their benefits computed with the exclusion of a period of disability, beginning with the month of July 1955. Survivors of workers who died after having qualified for a period of disability would receive increased benefits.

A period of 6 months is provided between the earliest filing date and the effective month of benefit increases based on the freeze in order to avoid the premium on immediate filings after enactment. This will also promote administrative efficiency by spreading the initial peak workload of freeze applications.

FINANCING

Our committee considered the financial aspects of the program very carefully and is convinced that old-age and survivors insurance should continue to be a self-sustaining program and that the schedule of contribution rates should be such as reasonably can be expected to be sufficient to support the program indefinitely including interest earnings on the reserves.

The basic principle underlying the committee's thinking is that the program should be self-sustaining on the basis of contributions shared equally by employers and employees, with the maximum contributions required to be no higher than the value of the benefits provided for those covered workers who pay the maximum contributions. The present schedule of contribution rates was established with these policies in mind. Recent estimates based on changing conditions made by the Chief Actuary of the Social Security Administration indicated that the rates provided for under the present program in the distant future might in the distant future possibly fall about one-half of 1 percent short of meeting the objective of keeping the existing program as amended in 1950 and 1952 in actuarial balance. Later estimates, based upon more realis-

tic and up-to-date interest rates, employment and earnings levels, may indicate that the present schedule of rates will not fall short of providing for a self-sustaining program. But we nevertheless felt it would be well to increase the contribution rates to avoid any possible charge that the program is not completely self-supporting.

The net effect of the changes in this bill, some of which would increase long-range costs and some of which would decrease them, is an increase in the long-range costs of the program by a little over one-half of 1 percent of covered payroll.

Although the increase in contribution rates from 3¼ percent each on employer and employee in 1970 and thereafter to 3½ percent each (with corresponding increases for the self-employed) as provided in the original bill would come close to meeting the costs of the amendments proposed in the bill we are now reporting, we believe that our policy should be one of utmost prudence in this area and that consequently the long-range schedule of old-age and survivors insurance contributions should be adjusted so as to meet fully the additional costs of the amendments now proposed and also to cover fully any deficiency which may exist in the financing of the present program. With this in mind we have proposed that the scheduled rates on employer and employee in 1970 be raised from 3¼ to 3½ percent and that in 1975 and thereafter the rate be increased to 4 percent.

PUBLIC ASSISTANCE

The bill amends the existing law by extending through September 30, 1955, the provisions of the 1952 amendments, presently scheduled to expire at the close of September 30, 1954, with respect to Federal payments to States for public-assistance programs. This extension will assure the States that they will continue to receive the \$5 increase for old-age assistance which they have been getting the last 2 years. The Federal share in old-age assistance, aid to the blind, and aid to the permanently and totally disabled will continue to be four-fifths of the first \$25 of a State's average monthly payment per recipient, plus one-half of the remainder within individual maximums of \$55. For aid to dependent children the Federal share will continue to be four-fifths of the first \$15 of a State's average monthly payment per recipient, plus one-half of the remainder within individual maximums of \$30 for the adult, \$30 for the first child, and \$21 for each additional child in a family.

CONCLUSIONS

The substantial improvements included in the bill do not mean that we have made all the improvements that may be necessary or desirable in the future.

I hope that we will be able to give further consideration to the coverage of doctors.

Credits for military service expire June 30, 1955. I believe we might give consideration to extension of coverage of military service as contained in the proposal recommended by the Committee on Federal retirement.

After we have had experience with the liberalized retirement test in the bill, I hope we can give further consideration to additional improvements in the test.

We must also always keep in mind that the insurance program must be amended from time to time so as to keep pace with changing economic conditions. We must be sure that the benefits are realistic in terms of prevailing standards. We must see that the benefit formula, the minimum and maximum benefits and the maximum wage base are such that they make for an effective contributory insurance plan which realistically relates benefits to wages.

I believe that it is of vital importance for us to retain the contributory program and its wage related character. In this way, the system enables persons to receive benefits as a matter of right, in dignity and self-respect. The system reinforces the competitive and incentive aspects of our economy by relating benefits to the persons earnings. Within reasonable limits, the more a person earns, the more he receives in benefits. This is in harmony with our American concepts of personal initiative and responsibility. It provides for rewards in accordance with ability while at the same time recognizing the social responsibility for assuring a decent minimum to our retired aged and our widows and orphans.

Mr. SCHENCK. Mr. Chairman, will the gentleman yield?

Mr. KEAN. I yield to the gentleman from Ohio.

Mr. SCHENCK. Mr. Chairman, if the teachers in one school district of a State elected to come under this program, it is not necessary to apply that universally all over the State?

Mr. KEAN. That is up to the State.

Mr. SCHENCK. Does the local school board, whether it may be a city board or a township or district board, or whatever it may be, also have to approve?

Mr. KEAN. That is again a State regulation. We deal only with the State. Our purpose is to refer it to groups so organized. Those groups will have to vote.

Mr. SCHENCK. You have set up in this bill a provision that the teachers may vote on the question?

Mr. KEAN. That is right.

Mr. SCHENCK. If the teachers do vote to go under this plan, is the approval of the board of education also necessary?

Mr. KEAN. The approval of the State is necessary.

Mr. SCHENCK. The State official?

Mr. KEAN. Yes.

Mr. SCHENCK. Now in the case of county employees who may work under several different directions—I mean, they may be under the county clerk, the auditor, the treasurer, and so on, each of whom may employ his own people and the employees are paid out of county funds—may certain officers go under the plan and other officers not go under the plan?

Mr. KEAN. The gentleman is talking about groups that are covered by public employees' retirement?

Mr. SCHENCK. Yes.

Mr. KEAN. It is up to the State to decide which group will be those who can vote.

Mr. SCHENCK. If they do elect to go under the program they must make the proper contributions?

Mr. KEAN. Yes. The State guarantees the contribution is made.

Mr. SCHENCK. Then they would receive 2 benefits if there are 2 benefits.

Mr. HAND. Mr. Chairman, will the gentleman yield?

Mr. KEAN. I yield to the gentleman from New Jersey.

Mr. HAND. I hope the gentleman will forgive me for saying that I think he ought to be complimented for the long, hard, and intelligent work that he has done on this particular bill. I do not know of any Member of the House who has labored on it harder. In my opinion, the House recognizes the splendid work the gentleman has done.

Mr. MCGREGOR. Mr. Chairman, will the gentleman yield?

Mr. KEAN. I yield to the gentleman from Ohio.

Mr. MCGREGOR. It is my understanding that before any of the State organizations can come under this legislation, for instance, the teachers in the State of Ohio, it will require legislation by the State legislature?

Mr. KEAN. By the State of Ohio.

Mr. MCGREGOR. I thank the gentleman.

Mr. BYRNES of Wisconsin. I think it should be pointed out it does not necessarily mean that the State legislature has to act. The Governor may.

Mr. KEAN. The State has to act. Probably under the Ohio laws the State legislature would have to act. It would in the case of New Jersey. It all depends on your State laws. The Federal Government did not want to deal with every little municipality and county in the State, so when we passed the original bill providing for coverage of municipal or State employees in 1950, we provided that we would deal only with the State and the State would deal with its own subdivisions.

Mr. MCGREGOR. I think the gentleman answered me correctly, because in Ohio it would probably require State legislation.

Mr. McVEY. Mr. Chairman, will the gentleman yield?

Mr. KEAN. I yield to the gentleman from Illinois.

Mr. McVEY. Does the gentleman mean, in the case of teachers, that they could come under the social-security law of the State or of the Nation?

Mr. KEAN. By referendum, by groups that wish to be covered. For instance, in our State, it might be a group in some certain community or the teachers in that community that, by a two-thirds vote, would wish to come in. If they did that, they would go to the State and ask the State to make a compact with the Federal Government.

Mr. McVEY. Would that be decided by communities?

Mr. KEAN. By a two-thirds vote.

Mr. McVEY. Of the community?

Mr. KEAN. No; of those to be covered.

Mr. McVEY. Of the teachers?

Mr. KEAN. That is right.

Mr. JONAS of North Carolina. Mr. Chairman, will the gentleman yield?

Mr. KEAN. I yield.

Mr. JONAS of North Carolina. Did the committee give any consideration to relieving young women from losing the money they pay in after they work for a number of years and then marry and get out of the labor market?

Mr. KEAN. No. Of course, a lot of them get back into the labor market. It is perfectly true that some of the young women may work for 2 or 3 years and make some contributions into the social-security fund and then never get any benefits from it, but sometimes some of those benefits paid for at a younger age, especially if they become permanently insured, help them out when they reach the age of 65.

Mr. JONAS of North Carolina. Was any effort made to get the committee to consider that group of people?

Mr. KEAN. No. In the actuarial working out of this whole system it is always figured that there will be certain people who contribute and are covered at that time but who do not get the benefits of the insurance coverage. It is like term insurance. These young women probably had mothers to support. If they had died while they were covered under the social-security system there would have been some benefits for the surviving mother.

Do not forget that this survivors' insurance is one of the greatest parts of this whole social-security system. If one of these doctors who did not want to come in under the system would die at the age of 30 leaving 2 children under 18, his wife would have gotten \$200 a month until the children reached 18. She would have collected \$2,400 a year. If the children were only 2 and 3, she might have collected between \$30,000 and \$40,000. The doctors do not realize that or, as I said, they would have clamored to come in.

Mr. HAND. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. HAND. Mr. Chairman, a moment ago I interrupted my colleague, the gentleman from New Jersey [Mr. KEAN], to pay him what I thought a very deserved compliment. I think there is no man in Congress who has worked harder than he to continually improve our social-security system. Indeed, the bill which is now before us represents in a very large measure the efforts he has made over a period of the last 6 or more years.

As is virtually always the case in legislative proposals, there are some further measures which could have been incorporated which would have pleased me, but on the whole, this is an excellent bill, a great improvement to the old-age and survivors insurance statute, and I am pleased to have the opportunity to support it and vote for it.

After the bill passes the House today, it will be referred to the Senate, and when finally adopted will certainly meet with President Eisenhower's hearty ap-

proval since the bill closely follows his program and his recommendation.

When the time comes that it is enacted into law, I hope to have the privilege of speaking on it again in some detail.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. BARRETT].

Mr. BARRETT. Mr. Chairman, most references to "isms" today are in a derogatory or defamatory sense. I believe there is one "ism" that we should all adopt, and that is humanitarianism. What greater act of humanitarianism can there be than taking care of the aged, infirm, and physically handicapped?

Because social security is being considered by the House of Representatives today, the people who elected us as their Representatives in Congress are under the misapprehension that as individual Members of Congress we have before us the opportunity to enact legislation which will eliminate concern about how the aged and needy of today and tomorrow will meet the expenses of the bare necessities of living. Unfortunately, this is not so. We are presented with a measure (H. R. 9366) which was prepared after more than a year of study and months of hearings, but ultimately drafted by the Administration and reported by the House Ways and Means Committee. We are given several hours to debate this bill, but have only the choice of voting for or against the bill as presented, but not permitted to offer amendments.

H. R. 9366 does have several desirable features which improve our existing old-age and survivors insurance program (OASI), which was originally adopted in 1935 and later had two minor amendments to increase benefits slightly. However, it falls very short of meeting the needs of aged persons who were born too soon to get under the original program. It does not make any provision for persons who are totally disabled before reaching the age of 65. Nor does it provide adequate increases for today's retired aged individuals to meet the increased cost of living since enactment of the original social-security legislation.

One of the commendable features of H. R. 9366 is that it extends old-age and survivors insurance coverage to an additional 10 million persons who work during the course of a year in jobs now excluded from the program. Also it increases the total annual earnings on which benefits would be computed and contributions paid from \$3,600 to \$4,200. The Democratic administration had proposed that this be increased to \$6,000. The new method of computing benefits for persons who retire and for the survivors of those who die in the future results in insignificant increased payments to those beneficiaries of the program. There are several other additions to the social-security program, but these affect very few persons who fall in the average workingman category.

PROPOSED INCREASES NOT ADEQUATE

The average payment to today's social-security beneficiaries is \$50 per month—minimum \$25, maximum \$85.

It is hard to believe that the Congress has not before this time, in the face of inflation and increased cost of living, raised this mere pittance to an allowance to permit a decent standard of living for the aged and needy. H. R. 9366, which we are today given the opportunity to accept or reject, provides an average increase in monthly benefits of \$6. In other words, the range in primary insurance amounts will now be from \$30 to \$98.50 per month, as compared with the present range of \$25 to \$85 per month. This can hardly be considered as corrective legislation. It seems to me to be mere sugar-coating for use as congressional campaign propaganda.

PRESENT AGED NOT INCLUDED

There is one group of our citizens who cannot even look forward to this meager increase in old-age benefits. That group is today's retired aged who, through no fault of their own, are not covered by old-age and survivors insurance because the program did not exist during their years of gainful employment. Our social-security program discriminates against the very group that has the greatest current need for the protection of OASI. It is only fair that we give equal consideration to today's retired aged by providing minimum benefits to them now. Our social-security program also ignores the widows of those now beyond retirement age who do not come under the present system. A majority of these former workers and their widows are entirely dependent on their children for all of their necessities of living, thus spreading poverty into two or several families.

EARNINGS OF BENEFICIARIES TOO LIMITED

The maximum outside income that a beneficiary of OASI under 75 years of age may earn is \$1,000. The maximum amount of social-security benefits that an individual under 75 may receive is \$1,182, making a maximum total income permissible after age 65 of \$2,182. Hence, at the age when an individual's earning capacity decreases, even though he may be physically capable and prefer to continue in gainful employment, he is not entitled to receive the benefits toward which he has contributed for a major portion of his life, and on the other hand is prohibited by law from obtaining an income to meet the bare essentials of living. I do not believe there should be any limitation on the earned income of any person who has contributed to the social-security fund and is otherwise eligible to receive benefits.

BENEFITS FOR TOTALLY DISABLED

Another striking deficiency in the Administration's social-security bill is that it fails to provide benefits for totally disabled workers. If a person covered by OASI is permanently injured in an automobile accident or suffers a heart attack at the age of say 52, even though he or she has contributed to social security, neither the individual nor the family can collect any benefits from the Government until that person reaches the age of 65. The arbitrary retirement age of 65 disregards the human factor that some of

us are forced to retire before that time for physical reasons, while other more fortunate men and women can continue to work well beyond any given age. In 1950 I voted in favor of a bill which included social-security benefits for the totally disabled. This bill passed the House of Representatives, but unfortunately it was not approved by the Senate. Today, we are not given the opportunity to reconsider this important part of social-security legislation because of H. R. 9366 being "closed" to amendments and this particular provision was not included in the Administration's social-security bill.

Mr. Speaker, the rapid rises in cost of living during and since World War II have distorted the structure of our social-security system. I am personally aware of hundreds of cases in South Philadelphia where the old folks are unable to manage on their meager social-security incomes. We are not achieving a truly protective system of social security under H. R. 9366, as it does not provide for a "security" income. I hope that our colleagues in the Senate will have the opportunity to amend this measure to provide greater benefits now and that when H. R. 9366 is returned to us from conference, we can feel that we have truly acted in the interest of humanitarianism by casting our votes in favor of it.

Mr. COOPER. Mr. Chairman, I yield 5 minutes to the gentleman from Rhode Island [Mr. FORAND].

Mr. FORAND. Mr. Chairman, I am happy to support the bill before us. I am happy to note particularly that so many of our Republican friends who have been fighting against the social-security system each time it came to the floor of the House have finally seen the light and are supporting this bill. It is a meritorious bill, although it really does not go far enough, but I realize that it is placing the stamp of approval on that which the Democrats have put on the books over the years and which the people generally have been asking for, have been supporting, and have been urging us to improve.

It is true that in the last campaign the Republicans made the statement that if they were elected to office they would improve the social-security system. This is a very feeble gesture on their part. There are some improvements but they are very limited.

I cite as one example the work clause. For years now I have been introducing legislation urging that the work clause be eliminated completely so that a person who has reached age 65 and is drawing benefits will not be penalized because he goes out and does a little work and earns a few dollars.

The gesture in this bill simply provides that instead of being permitted to earn \$900 a year without the penalty features they can go up to \$1,000, but if they go to \$1,080, for the extra \$80 they lose as a penalty a month's benefits. That is but one example.

One thing I am happy to see, and again it is only in a limited form, is that the so-called McFarland amendment is being extended for 1 year. That is the public assistance temporary increase of

\$5, which was voted some years ago and which was scheduled to expire this coming September. Nothing was being done about renewing this legislation. The indications were that this particular provision would be permitted to expire in September, but after my May 4 introduction of a bill providing for its extension I noted that on one of the days that I was not present in the committee one of my good Republican friends offered such an amendment and it was included in the bill, so that this public assistance increase will be continued for 1 more year.

I want to make mention of one other fact, that is, that had it not been for the Democratic votes in the committee the wage base would not have been raised to \$4,200 as it is in this bill. To the Democrats goes the credit for the increase in the wage base, and therefore to them goes the credit for the increase in benefits which is made possible under that \$4,200 wage base.

Yes, Mr. Chairman, I am happy to support this bill. I hope that this is only the first step in the right direction that our Republican friends are taking insofar as social security is concerned.

Mr. COOPER. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. EBERHARTER].

Mr. EBERHARTER. Mr. Chairman, I am witnessing today something which I never thought possible. The traditional opposition of the Republican Party to the social security insurance system from its very inception all the way through the last amendments which were made to it is historic and well known. The answer is obvious—they have been forced by the weight of public opinion into supporting the amendments proposed here today.

The social-security system, which was originated by the Democrats in 1935, has had every adjective in the book thrown at it. These have ranged from socialism to cruel hoax. Now they have finally realized that the social-security system is well accepted and very popular with the people, and so have been compelled to support improvements within the basic framework of the system.

I need only remind you that it was only last year that the President himself recommended that the social security tax rates be frozen at 1½ percent so as to put the program, in his words, "more nearly on a pay-as-you-go basis." It was freely predicted by prominent administration supporters as late as last summer that the Congress would freeze the rates. A fanfare of publicity was given to this proposed freeze, but when the people of the country rose up in arms and violently protested, the Republicans, against their own convictions, changed their minds and decided to allow the tax rate increase as provided for in the present law.

We all recall that the freezes in the social security tax rates in the past were sponsored by a Republican. The argument has always been that the rates should be frozen so as to reduce pressure for liberalized and more adequate benefits. These arguments have always been advanced by those who have traditionally opposed social security. And it was Re-

publicans who always overwhelmingly voted for these freezes. In 1942 they voted 26 to 1 for the freeze in the Senate; in the early part of 1944, 28 to 1; and in the latter part of 1944, 26 to 3. In 1944, in the House they voted to adopt the freeze 165 to 6.

It is votes on indirect issues such as these which really show attitudes on social security. In recent years they have not dared make the direct attacks which they did in the beginning of the program. These indirect attacks, however, as we well know, can be just as detrimental to a sound social security program as direct attacks.

Despite the attitude of the now majority party as manifested in public records, they have claimed in late years that they are only interested in improving the program. We have just had a very recent experience with that in the Committee on Ways and Means. A recent press release by one of the most prominent of all of them expressed gratification that "the Republicans have been able to provide these substantial increases in benefits." It is my prediction here and now that this statement is an indication of things to come in the election campaigns this year, wherein credit for all the improvements in the pending bill will be sought by the present majority party. That is one reason I think it highly important that the people be reminded again of the record on social security.

Of many significant instances, let me relate just one. We know of the agitation and tremendous pressures brought in an attempt to hold the present wage base at \$3,600. If these had succeeded, it would inevitably have meant lesser benefits. Without the traditional and, may I say, expected help from the Democrats on our committee, the benefit amounts would be considerably less than the bill now provides.

I am bringing these facts to your attention, and to the attention of the public, because I think it is only fair that you and the people know the truth about attitudes on social security. I invite your attention to a speech which I made on June 16, 1952, and appears in the CONGRESSIONAL RECORD, volume 98, part 6, pages 7300-7303, wherein I set forth in some detail the record of opposition to social security. The facts I have set forth there are enlightening. Among other things, I pointed out that when the social-security system was being established in 1935, every minority member of the Committee on Ways and Means signed a minority report claiming that the provision for what have now become known as old-age insurance benefits was unconstitutional; that they would in no way contribute to the relief of economic conditions and might, in fact, retard economic recovery; that they would impose a crushing burden upon industry and upon labor; that they would establish a bureaucracy in the field of insurance in competition with private business, and finally that they would destroy the old-age retirement systems set up by private industries. It is hard for us to conceive, in light of present day circumstances, of anyone having ever made such fantastic statements, but

they are a matter of record which no one can deny.

In 1935, on the floor of the House, the then ranking minority member moved to strike out the provision for old-age benefits, and in support of the motion it was said by another prominent member of the committee:

Now, my colleagues, you know that what you are attempting to do is unconstitutional, and you know that is the reason title II and title VIII ought to be eliminated from the bill. They are not relief provisions and they are not going to bring any relief to the destitute or needy now nor for years to come. It is more of your compulsory, arbitrary, program * * *. This title ought to be removed from the bill.

Equally strong in opposition in 1935 on the floor were practically all of the then minority, one of them contending it would enslave workers.

The fight against social security was an issue in the Presidential campaign in 1936. Presidential candidate Mr. Landon came out against the social-security program and termed it a cruel hoax. The Republican National Committee in 1936 purchased radio time to fight the social-security program, and through its industry committee, composed of representatives of big business, carried out a sneak attack on the program by inserting stuffers in the pay envelopes of workers in October of 1936 in an effort to frighten them into voting for the repeal of the program. The results of the 1936 Presidential election were a resounding defeat for them. But you must give them credit—they did not stop there. All sorts of false rumors were circulated. I particularly remember the ones that each person would have to wear a dog tag around his neck, and the suggestion that social-security numbers be tattooed on workers. The fight was even carried to the Supreme Court, where the contention that the program was unconstitutional was rejected by a decision in 1937.

This is typical of opposition throughout the years and which you will find documented in my speech in 1952, already referred to.

Incidentally, what are the results of the Special Subcommittee on Social Security established early in 1953 for the purpose of making an objective study of the program, and which was given \$100,000 to spend. Probably by this time the \$100,000 has been spent, but personally I have been unable to see any result or locate any report or recommendations.

However, I must congratulate the subcommittee because results appear to have put to rest some erroneous conceptions about the program which were seemingly gaining some slight acceptance.

Just 2 years ago, amendments to the social-security statutes were presented on the floor, and I believe all of you will remember that because of the one amendment which provided that a person under coverage who became totally disabled should not suffer a decrease in benefits, the bill was rejected. Rejection occurred simply because the then minority violently opposed this idea. I am glad that this once-rejected idea is now being wholeheartedly embraced by

those who were so violently opposed to it a short 2 years ago.

The measure before us today makes many needed improvements in the social-security program, although it does not go as far as I would like to see it go. It is my belief that the wage base should be increased to at least \$4,800; that the work-clause test should be raised to \$1,200 yearly; and that the greatest of all gaps in the program—lack of disability insurance benefits—should be filled at this time. Even with these shortcomings, I wholeheartedly support the bill.

All in all, I am indeed gratified that the present majority party has now seen the light and is following the lead and program espoused and advocated for so many years by the Democrats in Congress and by Presidents Harry S. Truman and Franklin D. Roosevelt. I heartily welcome their joinder with us and am happy over it for, as has been often said, "There is much joy in bringing the wayward into the fold."

Mr. Chairman, it occurred to me this morning that an incident of last week should be mentioned in the debate on this measure that is before us today. A certain gentleman, of whom I had scarcely heard before, and whom I am quite certain I have never met, gained headlines in the newspapers by proclaiming that the Democrats were now attempting to ride the coattails of President Eisenhower. I am wondering whether this measure now before us is evidence of the fact that the Republicans are now trying to ride the coattails of the Democratic program and the program for so many years advocated by President Roosevelt under the New Deal and by President Truman under the Fair Deal. Certainly no one will deny that they were strong advocates of the program which the Republicans are advocating today. Of course I give them credit for seeing the light, and I am very happy that they are joining with us, but I do not think that they should at this time attempt to take sole credit for all the improvements that are being actively supported today by both parties.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. REED of New York. Mr. Chairman, I yield 5 minutes to the gentleman from Nebraska [Mr. Curtis].

Mr. CURTIS of Nebraska. Mr. Chairman, many of us have long been interested in improving social security for all our aged citizens and for dependents and survivors. Social security—and I am here referring to title II of the act—is a program involving a tax on productive workers to provide funds for current benefits largely to those who because of advanced age can no longer support themselves, and also to those who because of death of the family breadwinner might otherwise be in need.

Under this bill, some 10 million more will now lend financial support to the program. Also that many workers may, by virtue of working in these newly covered occupations, gradually develop benefit rights for themselves, their dependents and survivors. This extension of

coverage is a large step in the direction of making the program completely universal. Not until it is universal in all respects will we have achieved equal treatment for all our people.

This bill calls for an increase in the amount of earnings subject to the social security tax and on which the benefits are calculated. Moreover, the benefits have been increased. Since benefits are conceived as a so-called floor of protection to prevent need, I have felt that the increases should have been larger for those now receiving relatively small benefits. A very large proportion of our present aged now on the rolls are in this category. They are of advanced age, have been on the rolls for a number of years and hence have not reaped the advantage of the much higher wages of recent years. I wish more had been done for these worthy aged and without raising the wage base.

In our subcommittee hearings last year, several unfortunate and inequitable situations were brought to our attention. This bill corrects some of these. For example, under the present law widows and other survivors are entitled to benefits on the basis of as few as six quarters of coverage, provided the husband died after September 1, 1950. However, many widows and orphaned children are not entitled to benefits if the husband died prior to September 1, 1950, although he may have had many more than six quarters of coverage. This bill will correct this situation.

Under the present law, an eligible aged widow or aged dependent parent receives three-fourths of a primary benefit. Since the minimum primary benefit is \$25 monthly, a substantial number of aged persons receive around \$18 a month. Such a small amount cannot serve the social purpose that social-security benefits were designed for—that is, to prevent need. H. R. 9366 provides that the minimum benefit to a surviving family shall not be less than the minimum primary benefit, or \$30 monthly called for in this measure.

I believe all of us look forward to the time when all our aged people and widowed mothers with dependent children will be eligible for these benefits paid without a means test. Reliance on old-age relief is more prevalent in the rural States because many nonindustrial workers and the self-employed were not under social security for many years after the system was started. Because of this bill, this situation will be corrected in time. I hope that some measure will be devised to accelerate this process. While some important improvements remain to be accomplished, I recommend the passage of H. R. 9366.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. CURTIS of Nebraska. I yield.

Mr. BYRNES of Wisconsin. Mr. Chairman, I want to take this occasion to compliment the gentleman and the subcommittee of which he is chairman which during the course of last year held hearings on this great subject, the hearings were most thorough and complete and developed a great deal of much-needed information on this subject, which I think has been helpful to

a better understanding of the whole system to the members of the committee, to those who are administrators of it, and to the public generally.

I think the gentleman is entitled to a great deal of credit for the vast work which he has done.

Mr. CURTIS of Nebraska. I thank the gentleman from Wisconsin.

Mr. KEAN. Mr. Chairman, will the gentleman yield?

Mr. CURTIS of Nebraska. I yield.

Mr. KEAN. I also would like to say that the amendment for those widows before 1950 and the amendment setting a \$30 minimum referred to in your remarks were suggested by the gentleman from Nebraska.

Mr. CURTIS of Nebraska. I thank the gentleman.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. CURTIS of Nebraska. I yield.

Mr. REED of New York. I wish to compliment the gentleman for the conduct of his subcommittee and the facts they brought out which were so helpful in the framing of this bill.

Mr. CURTIS of Nebraska. I thank the gentleman.

Mr. COOPER. Mr. Chairman, I yield 10 minutes to the gentleman from Louisiana [Mr. Boggs].

Mr. BOGGS. Mr. Chairman, social security as we think of it today is only one of nine programs set up under the Social Security Act of 1935. Of the 9, 4 are programs of public assistance to the needy, 3 are children's service programs, and 2 are social-insurance programs. Of these two, one is the unemployment insurance program operated jointly by the Federal Government and the States. The other is the old-age and survivors' insurance program. This is the program that is generally and commonly referred to as social security, or sometimes it is referred to as OASI. That is the program we are considering here today.

The OASI program was originally restricted to wage earners in private industry and commerce. In January 1951, through a broad revision of the law, it was extended to regularly employed domestic workers, to some agricultural employees and under certain conditions to employees in nonprofit institutions. Also brought under coverage at that time were self-employed apart from farm operators and professional people.

The system has been a matter of continuing study on the part of private groups as well as by the Committee on Ways and Means and the Senate Finance Committee. These studies have demonstrated the need for these basic amendments to the act which we are considering here today.

I think it is of some interest to take a look at the population trends in the United States of America, because they, of course, are vital in the determination of this legislation. At the turn of the century, 1900, the minimum age was just 23. At the time of the last census, 1950, it had risen to over 30 years. As a matter of fact, in the decade between 1940 and 1950 the very young group and the very old group showed decided increases.

In the older-age group the figures may be of interest to you. Persons 65 years old and over increased from a little over 1 million in 1870 to about 9 million in 1940. Over the 70-year period the rate of increase for this group—that is, those over 65—was almost 700 percent, and far exceeded that of any other group in our society.

Some interesting projections have been made by those who study population trends. At the present time, for instance, there are 7.3 million people over 65 in our population. This is expected to increase as follows: By 1960 there will be almost 9 million people over 70, by 1970 people over 70 years of age will number about 12 million in our population; by 1980 the figure is estimated at 14½ million, by 1990 almost 17 million, and by the year 2000 almost 19 million.

These figures, in my judgment, describe better than anything that I can say the need for the enactment of these comprehensive amendments. It means that because of better nutrition, a better way of life, better food, more opportunities, less hardship, better medicine, better treatment, or the fruits of the American way, if you will, our people are living longer, and, having lived longer, then the problem of sustaining them becomes great.

I was particularly interested in the remarks made by the gentleman from Arkansas [Mr. MILLS], when he spoke about the necessity for covering farmers, farm operators, and farm workers, and so on.

If you will take the trouble, as the members of the Ways and Means Committee have, to study the figures on old-age assistance, sometimes called old-age pensions, and if you will compare the number of recipients in agricultural States with the number of recipients in industrial States, you will immediately recognize the need for some type of universal coverage; otherwise we will have as long as we live the system of old-age assistance.

What does this mean? It means that a person over 65 must go to a local welfare office where that person certifies to poverty, and upon investigation by a social worker or some other duly appointed official of the State in question that person is either put on the old-age assistance rolls or is not put on. In any event, that person in most cases has contributed nothing, and depending upon whether or not she or he can qualify to a certain degree of poverty he or she will obtain the benefits. Now, the number has varied from State to State. My State has had a very liberal system, and one that I approve of. But the net effect of it is that something like 70 people out of every hundred over 65 years of age are receiving old-age assistance. The only answer to it is to extend this system to cover all of our people gainfully employed in whatever form of activity they make their living, and as the program advances, as the fund is built up, then we will not have the necessity for a pauper's oath, but each man and each woman, as he or she reaches the minimum age, will, by right, have the privilege of participating in this program.

So, I am happy, Mr. Chairman, to support this bill. I am happy that my Republican friends have adopted this program. I think that when the President used this language, which I shall read to you, he approved the work that the then majority party had done to bring about this program. I quote from the President when he said this:

Despite shortcomings, which can be corrected, this system is basically sound.

Now, I presume that he was replying to all of the propaganda that we had had about abolishing the trust fund and establishing a pay-as-you-go system, so-called. I quote again:

It should remain as it has been, the cornerstone of the Government's program to promote the economic security of the individual. In offering, as I here do, certain measures for the expansion and improvement of this system, I am determined to preserve its basic principles. The two most important are (1) it is a contributory system, with both the worker and his employer making payments during the years of active work, and (2) the benefits received are related in part to the individual's earnings. To these sound principles our system owes much of its wide national acceptance.

I am very happy, Mr. Chairman, that this bill incorporates those principles which have been in the law since 1935.

Mr. REED of New York. Mr. Chairman, I yield 10 minutes to the gentleman from Missouri [Mr. CURTIS].

Mr. CURTIS of Missouri. Mr. Chairman, I am going to strike a discordant note. All the speeches to date have been on the subject of how to spend money. The primary function of the Committee on Ways and Means is to figure out how to get the money that we spend. I have been a great admirer of the system in the Congress which provides for legislative committees to figure out the program and then come before the House with an authorization bill. At a later time the same matter is referred to the Committee on Appropriations for the appropriate amount of money necessary under the authorization, and then a third committee, of course, functions in trying to figure out the ways and means of obtaining this money that has been authorized and appropriated. The social-security legislation, of course, in its early days incorporated all three into one, the authorization, the appropriation, and the finding of ways and means, and it was all referred to one committee. The tragedy here on the floor today—and I say tragedy—is the fact that the Committee on Ways and Means discusses how to spend money and talks about authorizing a program, and hardly a voice is raised as to where we are going to get that money.

Now, there was one little mention of how we are going to raise the money to do all these fine things that I myself will agree with, and I think I could get down here on the floor and picture human misery with the best of you, and how we might go about alleviating human misery, because God knows if we could I would be among those who would seek that goal. My question is, How do you do it? How, indeed, do you do it in this great society of ours that has produced such a high standard of

living for our people? Believe me, I think it is through the private initiative and enterprise system, through encouraging the integrity of our own citizens. And so, indeed, the question comes before us—and that is not one of the things that we have been talking about—what we are going to do for our people; but my question is, How are we going to do it? Every one of the Members heard here one of the amendments that was put in the bill by the committee when it was found that some of these fine benefits we are going to give would make the program not actuarially sound, but not as actuarially sound as it has been in the past. I hope you will note that distinction, because constantly I have asked, Is the program actuarially sound in its inception? And, of course, the answer is, No; it is not; but it will be as actuarially sound as it is with all these benefits, with one exception. And that was taken care of by the amendment, because what did we do? The great Ways and Means Committee is here today recommending in this bill that we increase the tax rate. For 1954? No; for 1970 and for 1975. That is the way we are financing this program. That is, by taxing the future generations. And I say to you just where does this Congress in the year 1954 get the right or the privilege or the prerogative to tax our children and our grandchildren?

Indeed, that is what the whole program has been. That program, right now, for the people who are paying into social security, 87 million of them, is so actuarially unsound that \$250 billion must come from another generation. That is the way we balance our books under this method of legislation. It is something to think about, and I am not going to dwell on it longer.

But I am going to say this, that a lot in this particular bill, in my opinion, is good; not because the program is fundamentally sound but simply because it eliminates a great many inequities.

Five-sixths of our people are now under the social-security program. The question before us was mainly this: are we going to continue to keep one-sixth out? If it is true that for every dollar paid in by a person in this generation they will get out \$3, then why should five-sixths get the benefit to the exclusion of the other one-sixth? Or, if, indeed, this program is going to collapse, as it well might, unless we get down here and start thinking of ways and means, it will collapse by perhaps 1965. If it is that sort of thing, even then all of our population should be in it, not five-sixths with one-sixth excluded, but six-sixths.

Indeed, when our social-security subcommittee made its studies, we found that most of the inequities in the social-security system arose from the fact that five-sixths were in and one-sixth was out. And I was among those who were most ardent in trying to make this a total coverage so at least that particular feature of it would be eliminated. But I added one other thing—one important feature. I introduced a bill and tried to get it as an amendment into this particular bill; and had I gotten that amendment in a great deal of the ques-

tions that have been asked on the floor today would not be asked. My amendment simply said this: That if a person, any individual, whether he was a doctor or a lawyer or was self-employed or a laboring man—if he provides for his own social security through his own private program, then he is excused from social security. That would give the opportunity to any citizen in this country who sought to provide for his own security, which should be essentially a private endeavor—it would give him that opportunity and at the same time the Federal Government and our local governments would be protected against that person ever being a charge on the public, because my amendment required that he have an equivalent private program before he was excused from social security.

Mr. ROGERS of Florida. Mr. Chairman, will the gentleman yield?

Mr. CURTIS of Missouri. I yield.

Mr. ROGERS of Florida. I should like to ask the gentleman, how can he justify the limitation on the amount that a man may make after he retires if he makes it by being self-employed and does not compete in the labor market?

Mr. CURTIS of Missouri. I might answer that by saying that I do not justify it. I simply say that the theory behind social security, or one theory—they skip from theory to theory—one theory is to provide insurance for loss of earning capacity. If the man is actually earning money, whether he is self-employed or in the labor market as an employee, he has not experienced the disaster for which the insurance has been had.

Mr. ROGERS of Florida. But the gentleman believes, after a man has paid into the fund, he is entitled to receive the benefits?

Mr. CURTIS of Missouri. I might say that the people have not paid for it. That is the whole question. Future generations are going to pay for it. That man has paid part of it.

Mr. ROGERS of Florida. But those who have paid for it should be entitled to draw on it after they reach the age of 65; that is fundamental.

Mr. CURTIS of Missouri. It is not quite as fundamental as the gentleman might think. If this is indeed insurance it is to protect a person from loss of earnings, through reaching old age, or unemployment, or whatever it might be. If that is the purpose, then indeed the premium is paid for that, but if the person does not experience the culmination of the risk for which he is insuring himself then he should not be paid because he has not experienced the disaster. I think that is a logical theory.

Mr. ROGERS of Florida. If I go into private enterprise and take out insurance, when I become 65 years of age I can continue to go out and work and make as much as I want to. Why should there be any restriction on a man's benefits because of the fact he might make a little money from which he can enjoy some of the luxuries of life?

Mr. CURTIS of Missouri. I am simply stating the theory of the situation. The gentleman from Rhode Island com-

mented on raising the wage limit, which I am interested in, too, and I am glad it was so raised. The labor leaders are the ones who have been the most ardent in opposing that increase because they want to keep this labor market free for their younger people coming up; and there is possibly some argument to that. I do not happen to agree with it.

I conclude my remarks by again emphasizing the fact that this is the Ways and Means Committee, which is supposed to be responsible to the rest of Congress for bringing out ways and means of financing these fine programs and having the courage to stand before the House when in its own honest judgment the ways and means have not been provided. The bill before us, however, does not make the program more actuarially unsound than it presently is. It does correct many inequities which should be corrected. In other ways it strengthens the program. I shall vote for it; but some day, my colleagues, some Ways and Means Committee, some Congress is going to have to dig into the real subject of how to finance what we have done. This present Congress is the only Congress which had the courage to allow the tax increase scheduled in the original legislation to remain. How many future Congresses will permit the tax increases scheduled on into 1975 and beyond to go into effect? How much reserve fund should we have—\$18 billion or the two-hundred-billion-odd dollars we are liable to pay out over and above the moneys we will take in from the present 87 million paying into the fund? These questions will have to be answered and it is of no avail to say that those who pose these questions are trying to wreck the program. Indeed, it is those who pose these questions who might save it.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from Massachusetts [Mr. LANE].

Mr. LANE. Mr. Chairman, this is a revolutionary age in every land, and under every form of political expression.

Throughout a generation of economic upheavals and wars, as the patterns of the past explode in change or adapt themselves to progress, the need for security against destitution has become the major concern of all peoples.

This ferment is at work in the urgent appeals made by constituents to their Representatives in Congress. From veterans' affairs to labor legislation, from the problems of Government employees to farm-aid programs, there are separate but similar efforts to eliminate insecurity.

Each human being is worried by the haunting specter of poverty in his old age.

So strong is this demand for social security that even the Republican Party is forced to recognize it. In the show-down, Democrats will support this bill because we pioneered in this type of legislation. We shall try to make it better by extending coverage and increasing benefits, but if too much caution prevails we shall nevertheless support H. R. 9366, reserving the right to improve upon it at the next session of Congress.

The morale of our own people is dependent upon their confidence in the present and the future.

What they ask is not excessive.

Just insurance to protect them from the financial hazards of old age.

No reasonable person can deny them this fundamental right derived from their efforts in building the material power of this Nation.

There is also the voice of conscience that must be answered.

"Conscience" in Government?

A few may try to maintain that this is an old-fashioned concept.

One look at the international scene, however, with its shifting expediences, should be enough to convince any realistic person that compromise with truth and justice invites disaster.

So long as old people in the United States have no income to maintain a decent standard of living, our struggle for the minds of men to convince them that the solutions arrived at by free men are superior to the promises of communism will suffer from lack of performance.

The issue is clear.

We must remedy the weaknesses within our own society before we can win the allegiance of others to freedom's way.

To each person, social security, worthy of the name, provides a protection in old age that he has earned.

In the larger context, it is a solid example of the ability to alleviate those tensions and provide for basic human needs that would do much to eliminate the causes of desperate unrest and war.

Opportunities for youth, steady employment through the high tide of life, and security in old age, all these are musts to make freedom succeed.

For ourselves and for others.

The social-security revision program we have under consideration is deserving of praise for the advances it makes and of condemnation for its shortcomings.

The minimum increase from \$25 to \$30 in primary benefits is meager. The raising of maximum benefits from \$85 to \$98.50 for present beneficiaries, other benefits proportionately, is better.

Although it seems to many of us that the minimum should be much higher, so that good people will not have to go begging for public assistance which makes a mockery of social security.

No society that rewards the bold with fortunes, and reluctantly gives a \$30 bone per month to the laborer or the farmer whose working days are over, is in a position to meet the challenges of this century.

Economically, it is putting a premium on aggression.

How, then, can it expect its own people to comprehend and resist with full faith those other and deadly forms of aggression that menace us?

Halfhearted and begrudging concessions to the imperatives of our age will not suffice.

Raising the minimum \$5 and bringing a few million more under coverage is a step forward, but such a timid one.

Especially when a forthright and upward revision of the wage tax base would finance complete coverage and adequate benefits in a sound and solvent manner.

It is gratifying to see more groups and individuals brought under the protection of the social-security program.

The House Ways and Means Committee, going beyond the administration's proposal, approved a 1975 tax rate of 8 percent, to be divided equally between employer and employee.

Twenty-one years from now.

A long time for some to wait for authentic benefits.

History is moving at a much faster tempo.

We did not have any social security 21 years ago.

Only the wreckage of the past in a world convulsing with change.

The people will not be put off by remote and abstract arguments.

They insist on progress that will not lag behind history.

H. R. 9366 will pass.

It represents some improvement, which is better than none.

The fact remains that the people of the United States need, want, and are still without the protection of genuine social security.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from Kansas [Mr. MILLER].

Mr. MILLER of Kansas. Mr. Chairman, I wish to compliment the committee for the fine work that has been done on this bill which is not controversial in its nature, yet presented many difficult problems of application. I wish especially to compliment both the chairman and the ranking member of the committee for the fair, unbiased spirit in which they have cooperated. This bill, representing many weeks of hard work, is an example of what can be accomplished by intelligent, conscientious leadership of both political parties. I am one of the last to speak upon this bill, after having listened to nearly 3 hours of discussion by more than a dozen able Members of Congress. In all that discussion, I have not witnessed a single instance of partisan or political maneuvering. This bill is not perfect. No bill so comprehensive in nature and covering so broad a field could be perfect. But it is an improvement over the present law, as it should be, and it will be further improved in the future sessions of Congress. It has, at their own request, brought under coverage millions of people not heretofore enjoying the benefits of social security. It has increased the cost of coverage to make more secure those already covered. This is something that had to be done in any case, as social security is a business undertaking and must be on a business basis. Next to the United States Government this is the greatest business in the Nation. It must be actuarially sound. It is with great satisfaction that I support this bill.

Mr. REED of New York. Mr. Chairman, I yield such time as he may desire to the gentleman from New Jersey [Mr. CANFIELD].

Mr. CANFIELD. Mr. Chairman, I desire to thank Chairman REED and members of the House Ways and Means Committee for their courtesies in connection with the statement I presented to the committee on April 15, last. At that time I called attention to the fact that I

had introduced several bills in the past designed to build a stronger and more protective social-security system. I pointed out that this purpose was being achieved by the splendid program outlined in the President's message of January 14, and documented so well by representatives of the Department of Health, Education, and Welfare.

I endorse the administration's goal of practically complete coverage not only because it will increase the protection of the system by adding about 10 million persons to its rolls, but because it will also overcome many of the inequities in the existing system. Workers who shift between covered and uncovered employment, for example, are now penalized in a number of ways. Sometimes they lose their right to a benefit entirely—and thus forfeit their tax contribution. Today any period spent outside of covered employment acts to decrease the amount of benefit. The 4-year dropout provision of the administration bill will remove part of this inequity. The wage credit freeze for the totally disabled will preserve their rights in this respect. But even more important, perhaps, is the fact that the existing penalties for working in uncovered employment are automatically removed if practically all jobs are covered.

I approve of the increases in the amount of benefits provided by the bill. For I am greatly concerned with the fact that the average old-age benefit in February 1954 was only \$51.44 per month and that the average widow's benefit was even smaller, averaging only \$41.74 per month. Let us remember, in looking at these pitifully small monthly amounts, that a recent survey of people receiving social-security benefits showed that 1 out of every 8 men, 1 out of every 6 women, and 1 out of every 4 aged widows had no other money income.

The improvement in the work clause which will result from placing it on an annual basis and increasing the amount of earnings allowed is, to my mind, of special importance. I have always been opposed to this provision, which, in effect, penalizes people for working. My own bill would remove it entirely. The administration bill is a long step in this direction and will remove many of the existing inequities in this respect.

I am confident that this Congress will act promptly to make the President's program a reality. For, as he said on January 14:

The human problems of individual citizens are a proper and important concern of our Government.

Mr. REED of New York. Mr. Chairman, I yield such time as he may desire to the gentleman from West Virginia [Mr. NEAL].

Mr. NEAL. Mr. Chairman, I expect to vote for this bill. In that it makes it easier for a larger group of deserving people to qualify for benefits, it is an improvement over the existing law. A great many persons who have had no opportunity to contribute from their earnings would, without the provisions in this bill, be left entirely without relief and at the mercy of old-age assistance, which, administered at the local level, is too often politically dominated. At pres-

ent, Federal contribution is insufficient, The States do not uniformly contribute enough funds to complement Federal funds to provide a liveable income, hence the habit of local administrators to draw on federally provided OAA to make the OASI workable. Even then, too many recipients are unhappy because they do not participate uniformly.

It will be a long time before the old age group will be able to qualify for pensions solely through their contributions from wages. Until then we will still have many aged and disabled to care for through some other means. This, OAA does not do. The real need for relief is for that class of old and disabled persons who have no property nor any responsible relatives willing or able to make homes for and to properly care for them. It is one of the greatest tragedies of our social system that such a large number of these people live in slums and go half starved because of the pitifully meager relief allowed.

Furthermore, to the extent that the proposed broadening of the field of social security coverage will take care of some additional categories of our people when they shall have reached retirement age and can collect a monthly stipend to enable them to obtain the necessities of life, I favor the bill. However, I am convinced that the program does not go far enough, in that a great many of these individuals are now near that age, and who have not during the prior years made provision of shelter for themselves, and cannot do so without rental outlays or crowding in with relatives or strangers at some cost not covered by retirement benefits; that, therefore, the program should embrace some arrangement for housing for these people as a special group which may live out the remaining years of life free of the care and worry attendant upon the old age status. Because, the younger and working generation will, decade by decade, be sufficiently tax-burdened as to be entitled to whatever relief, in advance, that can now be spared them.

Mr. REED of New York. Mr. Chairman, I yield such time as he may desire to the gentleman from Connecticut [Mr. SADLAK].

Mr. SADLAK. Mr. Chairman, comprehensive explanatory statements of today's bill, H. R. 9366, amending the Social Security Act and the Internal Revenue Code, have been presented by my distinguished committee chairman, the gentleman from New York [Mr. REED], and the gentleman from Tennessee [Mr. COOPER], the ranking minority member. Added to these have been further fine remarks by my colleagues of the Ways and Means Committee and members of the Whole House on the State of the Union, each contributing worthwhile comments on this new bill which originally was introduced as H. R. 7199.

Prior to the hearings, during the time testimony was being taken and in the interim pending today's consideration on the floor, I had received many communications from my Connecticut constituency urging favorable action on the sections recommended in Mr. REED's original proposal which, in large measure were retained in this revised, so-called

clean bill incorporating clarifying language rather than additional sections.

I am particularly pleased with the new suggestion allowing an annual computation of earned wages by persons over 65 years of age and under 75. The present monthly basis has resulted in many severe penalties causing the forfeiture of subsequent checks because the monthly allowance of earning \$75 had been exceeded by the annuitant in a part-time job. I sought to overcome this barrier by my bill to raise the monthly earning check to \$100. The new provision raising the annual allowable wage income before loss of check to \$1,000 and placing the earnings on an annual basis will relieve the refunding of later checks, especially where a very small amount of excess over the \$75 monthly wage caused the return.

May I emphasize one other provision which brought much mail to my office and which has been resolved quite satisfactorily. I tried to afford every possible protection to the retirement systems of municipal and State employees. It was after much discussion, writing and re-writing that we finally hit upon the referendum provisions that pertain to this part of the legislation.

Mr. COOPER. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. KEOGH].

Mr. KEOGH. Mr. Chairman, I shall not take any time to commend the majority for bringing out the pending bill. I shall leave that task, pleasurable as it is, to those far more capable, other than to observe that a legislature that extends the opportunity for providing for superannuation is a legislature that well serves its people.

Neither shall I spend any time with respect to the treatment accorded in the pending bill to the professional groups, other than to observe—and I am sure my friends on the committee will not mind my saying this, knowing that it is quite impersonal—that I have not been impressed with the arguments advanced for the inclusion of most professional groups and the exclusion of only one, for, Mr. Chairman, if the benefits of this system are as good as we believe them to be, they are good for all professional groups. I do, Mr. Chairman, hope to point out to this committee, as I will on every appropriate occasion, an obvious and glaring omission from the pending bill.

Mr. Chairman, until we have provided for the professional groups, for the self-employed, for their dependents, for their survivors, and for their now pensionless employees, a system of private, voluntary, restricted retirement insurance, our job will remain unfinished.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. KEOGH. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. Has the gentleman any idea as to why the medical doctors were left out?

Mr. KEOGH. I have utilized the afternoon as well as I could in studying the report on the pending bill, and I am sorry to say that it gives no reason for their exclusion.

Mr. McCORMACK. Has the gentleman himself any knowledge of why that has been done?

Mr. KEOGH. I, perhaps, do have, but I do not think they are particularly relevant.

Mr. McCORMACK. They might be relevant. Would the gentleman care to express them for the Record?

Mr. KEOGH. I think I should prefer to hold that for some other time. I mean not to complicate the discussion on the pending bill and its omissions. Whether that group has been omitted for good reason or ill, we must recognize that their spokesmen were undoubtedly speaking for whom they thought were the vast majority of their profession. But, I say to you, Mr. Chairman, that no organization of professional men is in a position to speak for all those engaged in that profession, and I dare say that many of us will be hearing from those doctors within our districts who would like to provide social-security benefits for themselves, but even more important who would like to make certain that their widows and their children come under the social-security system. The important thing for us to do, closing as we are some gaps in our social-security system, is to give immediate attention to the need for providing a retirement system for all professional groups. Let me cite this example. Four men are graduated from a university the same year. Two are licensed to practice medicine and two are licensed to practice law. Dr. A becomes a full-time, paid employee of corporation Y. Dr. B becomes engaged in private practice. Lawyer C becomes a full-time, paid employee of the legal department of corporation X, and Lawyer D engages in private practice. Under the law, as it now stands, Dr. A immediately becomes eligible to qualify not only for social-security benefits, but for the pension system that has been set up by so many corporations, generally, on a non-contributory basis. Dr. B is not qualified either to obtain the benefits of social security nor is he able to provide for his superannuation when it comes, except out of his net income after taxes. Lawyer C is in the same position as Dr. A and Lawyer D, under this bill, will become eligible for social-security benefits. Mr. Chairman, the inequities are obvious and will be closed only by the enactment of the voluntary, restricted retirement system for all professional groups. I hope the committee will give early and favorable consideration to the pending bills which would make that possible.

Mr. REED of New York. Mr. Chairman, I yield such time as he may require to the gentleman from Wisconsin [Mr. BYRNES].

Mr. BYRNES of Wisconsin. Mr. Chairman, this bill improves the social-security program of the Federal Government. There are some aspects of the bill with which I disagree, and I must say very frankly that even with the enactment of the bill, the program of old-age and survivors insurance will be deficient and will contain serious inequities and unsolved problems.

The bill does make one very important step in the direction of establishing a sound social program for the retired aged. As I view it, one of the biggest defects in the present program is that it affects only a part of our people.

Governmental programs should be applicable to all of our people, not just to selected groups. For all intent and purposes, this bill provides for universal coverage. Practically all of tomorrow's retired aged will be eligible for the protection provided by this program. That is a real forward step. It will remove many of the inequities and problems created by the present system of partial coverage.

There is, however, one serious injustice that will be continued. There will still be one large group that will be ignored. I speak of today's retired aged.

Up until now the coverage of OASI has been restricted. Many of today's retired aged were denied the right to participate in the program. Many of the people who today are over 65 and have been retired because of age had no opportunity to come under the system. The vast majority of those who are today over the age of 70 were excluded from the program through no fault of their own. They were born too soon or the Congress acted too late to bring them within the program. There are slightly over 3½ million in this group of retired persons over 70 years of age who are ineligible for even the minimum benefits under OASI. Yet, Mr. Chairman, this is the very group that is most in need. These people were the hardest hit by the inflation of the last 12 years. Almost half of this group are today on relief. It is this group of people, over 70 years of age, that makes up 80 percent of our relief rolls. Can we say that we have a fair and just social program when we turn our backs on this part of our society and force them to go on relief while we provide benefits as a matter of right to other segments of our people? Of course not. Some of the people who are today drawing benefits as a matter of right have themselves contributed as little as \$3 by way of social-security taxes. Many of the people who will draw minimum payments of \$30 per month or couples who will receive \$45 per month for life will have contributed under the system for a period of only a year and a half. The maximum contributed by any individual or couple that is today receiving the minimum benefit is \$106. This constitutes a very fine line between those who are entitled to the benefits of the system and those who are ignored. It is too fine a line to be considered a legitimate distinction.

Argument is made that no benefits can be paid to those who have not contributed to the system. It is argued that the soundness of the system depends on relating the benefits to the contributions made. That may be all well and good, but remember this: Since 1950 we have gratuitously increased the benefits of persons already retired, and we are doing it again in this bill. These benefits will cost in excess of \$11 billion. Nothing extra will have been contributed by the recipients of these increased

benefits. I do not find fault with the increases that are made, but I do find fault with the argument that the system cannot provide benefits which are unrelated to contributions. The fact of the matter is that we are doing it today for a select few.

It is my position that this system will never be just until we give consideration to today's retired aged. During the committee's consideration of this bill I proposed an amendment which would have given consideration to this group. I outlined the proposal to this House on May 20. The details will be found at page 6949 of the CONGRESSIONAL RECORD. I regret that the committee did not accept the proposal. I hope that the Senate will see the equity and justice of the proposal and will include it in the bill.

I have never been more serious in my life, Mr. Chairman. We must expand this system of old-age and survivors insurance to include today's uncovered retired aged. Of all our people, they have the greatest right to our attention and consideration. In the name of all that is honorable and just, please let us not ignore those who have contributed so much to the greatness of this Nation and the benefits which we today enjoy—our aged people.

Mr. REED of New York. Mr. Chairman, I yield 5 minutes to the gentleman from Tennessee [Mr. BAKER].

Mr. BAKER. Mr. Chairman, I favor the enactment of H. R. 9366 as reported by the Ways and Means Committee.

In addition to substantially increasing benefits and liberalizing the so-called work clause, and other provisions of the old-age and survivors insurance system, this bill extends substantially universal coverage, which is of tremendous importance to the future of the entire social-security program. As pointed out in the committee report, a major shortcoming of the present program is its inadequate coverage.

I was a member of a subcommittee which conducted rather extensive hearings on this entire subject last fall. There are 6.3 million persons now on the benefit rolls. This bill will extend substantially increased benefits to those on OASI rolls at the present time. It would extend coverage to approximately 10 million additional persons. These are persons who now work in jobs presently excluded from the program: about 3.6 million farmers, about 400,000 professional self-employed persons, about 3½ million employees of State and local governments who are covered by local retirement systems, excluding policemen and firemen. Employees of State and local governments under this bill are permitted to come into the social-security system after an affirmative vote of two-thirds of the members, with the additional requirement that at least 50 percent of those eligible must participate in the election. About 1.3 million farmworkers who receive at least \$200 a year from a given employer; about 250,000 domestic workers; about 250,000 ministers, upon an optional basis; about 150,000 Federal employees not covered by retirement systems, including employees of Tennessee Valley Authority, who do have a retirement system.

The average increase in benefits to be paid to presently retired workers would be about \$6 per month, with the minimum monthly benefit increased from \$25 to \$30 per month. The maximum monthly family benefit of \$168.75 would be increased by this bill to \$200.

The work clause is substantially liberalized. Under the present law a beneficiary under the age of 75 cannot draw benefits if he earns more than \$75 a month. Under H. R. 7199 a beneficiary can earn as much as \$1,000 a year in any employment and would lose 1 month's benefit for each unit of \$80—or fraction thereof—of earnings in excess of \$1,000.

Benefits under this bill will be paid to a surviving aged widow, a widowed mother and children, or parents of an individual who died prior to September 1, 1950, and had at least six quarters of coverage. This cures an inequity which has long needed attention.

H. R. 9366 extends to individuals who are under extended total disability substantially the same benefits and privileges now enjoyed by persons insured under private life insurance with the waiver of premiums provision. This is a most salutary provision of the bill.

The bill extends for 1 additional year the temporary increase of \$5 per month to old-age assistance recipients, aid to dependent children, aid to the blind, aid to the permanently and totally disabled. Without this amendment this \$5 a month increase, adopted in 1952, would have expired on September 30, 1954.

In my judgment, this bill goes a long way in the right direction. I urge its passage.

Mr. COOPER. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. SECREST].

Mr. SECREST. Mr. Chairman, I want to say that I think the committee has done a wonderful job in the testimony they heard from many, many people and in the bill they have reported to this House.

Elimination of the 5 worst years in a worker's record in computing the amount that he is to receive is fair and just. Increasing the benefits for those who have retired and who will retire is needed, especially will it be needed by those who now receive a minimum of \$25, and who will receive \$30 under this bill.

Preservation of the benefit rights for disabled I think is very essential. Extending the coverage will strengthen the bill because now you will have 10 million more people who have an interest in seeing that this trust fund is not impaired by any future Congress.

I want to ask two questions, if I may, just for clarification in my own mind, of two points, and then I shall not use any more time. If a farmer 65 years of age, 70 or 75 years of age qualifies under social security, this bill, pays in his money for a year and a half, would he then be eligible for the minimum pension at least of \$30?

Mr. COOPER. The answer is "Yes." He qualifies with six quarters of covered employment.

Mr. SECREST. He would be entitled to not less than \$30 a month.

The second question I think as far as the group in Ohio is concerned and in which they are very much interested relates to State employees in Ohio. They have a very excellent retirement system. They are fearful that this might in some way jeopardize the system. They have the protection, of course, that half of them must vote to come under before they can and of that half at least two-thirds must vote affirmatively before they would be eligible for the program. If they vote to come under the program and if the State Legislature of Ohio takes such steps as are necessary to pay the State's share of contributions, the social security tax, and they do come under it, is there any reason why the State legislature if it wants to could not continue the State pension system and when these people are eligible to retire they would retire under both systems?

Mr. COOPER. None whatever.

Mr. SECREST. That is all I want to know. Then they have absolute protection and the only thing that could happen to any local or State employee if his State is willing to do so would be to give him two retirement pensions instead of one.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. SECREST. I yield.

Mr. REED of New York. Will not the gentleman please give the membership the benefit of his survey of the farmers of his district?

Mr. SECREST. I shall be glad to. I wrote to every single farmer in my district, and I have 15,100 farms; I wrote to every single one of them and asked if they wanted to be included in this social-security system. To date I have received replies from over 40 percent of those I wrote to, and of the replies received 9 to 1 say they want to come under the social-security system. This I think demonstrates very vividly that the farmers of this county want to be included and so expressed themselves when given an opportunity.

I talked to the editor of the largest farm magazine of this country. It has been interested in this question of social security. Letters come to the magazine from all over the United States, and those letters were 7 to 1 in favor of social security.

Mr. REED of New York. I thank the gentleman.

Mr. SECREST. I think the farmers want it without any question, and why would not the farmer want it, especially those who now could qualify in a year and a half and retire and the young ones can build up until they are old enough to retire and their retirement payment will be very substantially larger.

I think these are wonderful amendments and I hope this bill passes unanimously.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from West Virginia [Mr. BYRD].

Mr. BYRD. Mr. Chairman, while the administration bill may improve the present law in some respects, it completely ignores three of the major deficiencies in our social-security sys-

tem. It fails to provide benefits for totally and permanently disabled workers; it has not lowered the eligibility age for recipients of old-age and survivors insurance; and it does not provide a lower eligibility age for widows, as it most certainly should.

An arbitrary retirement age, such as age 65, disregards the human factor that some people are forced to retire before that time for physical reasons. Owing to the fact that only one disablement in 20 is work-connected and thus covered by workmen's compensation—the other 19 people cannot qualify for disability benefits under social security. Not until we have provided benefits covering this exigency will we have achieved a truly protective system of social security in the United States.

The eligibility age for all recipients should be lowered to 60 years. Industrialization has restricted job opportunities for older workers. A number of studies in recent years show that employers may retain older workers already on their payrolls, but that many apply strict age limits in hiring new workers. Urban industrialism has shortened the worklife of most Americans, making age 60 a more realistic retirement age than 65. In 1890, about two-thirds of all men aged 65 and over were in the labor force. By 1940, this rate had dropped to about two-fifths. Even under the pressure of a wartime labor market, older workers were not hired until supplies of younger men were exhausted. These reasons are ample, in my opinion, to provide the incentive for action by the Congress in bringing into fruition legislation which will lower the eligibility age and which will be a step forward on the path of humanitarian progress.

I believe we should lower the eligibility age for widows to 55. There is a difference of about 2½ years between the age of husband and wife, on the average. In too many cases, the widow is denied the benefit at the time she most needs one, at the death of her husband. It is practically impossible for a widowed woman to obtain employment after age 50, even if she is able to work. Many widows, of course, have spent their lives making a home and raising a family and so have not had the opportunity to acquire technical or other skills which are required to hold a job today. Even those women who had worked before marriage, and who have wanted to return to a job after the death of their husbands, are finding that production processes or sales methods have changed so much that it is very difficult to find employment.

The widows of this country are now the victims of a real inequity, and the administration bill has failed to correct it.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from Wisconsin [Mr. ZABLOCKI].

Mr. ZABLOCKI. Mr. Chairman, it is with sincere pleasure that I join with my colleagues in urging the full membership of this House to approve the bill before us, the 1954 amendments to the Social Security Act.

There is nothing novel or surprising about this legislation, except, perhaps,

for the fact that today it is receiving some support from the elective members of the Republican Party. The social-security program was originated, extended, and improved periodically by the Democratic majority—at times over some very stiff opposition. Today, however, we witness many changes of heart.

The legislation before us proposes to make some needed changes in our Social Security Act. It proposes to extend the coverage of the program to 10 million persons who are not presently covered; it also suggested limited increases in the levels of benefits; it broadens the wage base for social-security contribution tax from \$3,600 to \$4,200; and, finally, it recommends a number of miscellaneous amendments to the present act.

These improvements have been suggested on many earlier occasions. Since they have been debated at length. I shall not use the limited time allotted to me in reviewing the arguments brought forth in support, as well as in opposition, to these various proposals. Instead, I should like to make a few brief comments on certain possible additional amendments to the Social Security Act, which are not included in the bill as it was reported to the House.

There are three improvements which I have particularly in mind. They pertain to the lowering of the retirement age, the extension of benefits to insured disabled workers and their dependents, and an increase in the work clause. These specific amendments do not exhaust the several ways in which our present social-security program could be improved, but they constitute an important step in that direction. They were proposed in my bill H. R. 3554, and I should like to comment on them.

In the first place, there is every indication that the present age requirement for social-security retirement should be carefully reappraised. This applies particularly to women, to wives and widows of insured workers, and to insured women workers. The present retirement age of 65 is creating hardship on many of them.

Let us consider, for instance, the case of a wife of an insured worker. Statistics show that the average age of a wife, in the case of older men, is 5 years less than that of their husbands. This means that, under the present law, supplemental wife's benefits may not be payable until the husband reaches the age of 70 and has been eligible for retirement for 5 years. This should certainly be remedied.

Then, too, women workers are generally considered as retiring earlier than men. Many private companies have pension plans which provide a retirement age of 60 for women. Our social-security program takes no cognizance of these facts. Under our present law, the retirement age for women is the same as for men—age 65.

This is one shortcoming of the present law which should be rectified. The retirement age—at least for women—ought to be carefully reviewed and lowered.

Secondly, let us look at the plight of a fully insured worker who becomes disabled before he reaches age 65. Under the present law, he has to wait

until he reaches retirement age before he can draw benefits. The bill before us, while making certain provisions for the disabled workers, by stipulating that the months of total disability shall not count against them in the computation of their rates of benefits, does not strike at the heart of the problem: it makes no provision for the disabled worker and his family while they are in need and before they reach age 65.

I had proposed that totally disabled workers be granted those very same benefits which they would receive under ordinary circumstances upon reaching age 65. However, these benefits would commence shortly after the worker becomes totally disabled, regardless of his age at that time. In addition, it was my suggestion that the dependents of disabled workers be also considered in conjunction with this problem. Unfortunately, the bill before us has no provision of this type.

Then, finally, it has been my conviction that the present \$75 a month limit on income earned in covered employment by retired persons below age 75 is extremely unrealistic. That limit should have been increased to at least \$100 a month. The bill before us does not go that far: it merely increases the present limit of \$75 per month—\$900 per year—to \$1,000 per year, compounded annually. While this proposal will bring some relief to our retired folks, the degree of relief will be small. A \$1,200 a year limit, compounded annually, would be much more in line with the realities of today, particularly since the bill before this body proposes to do away with the distinction between covered and uncovered employment for these purposes.

Mr. Chairman, I shall not take up any more time at this point. I wish to reiterate, however, that while the legislation before us is not as comprehensive as could be wished for, it nevertheless represents a step toward the improvement of our social-security program along the lines conceived and outlined by the Democrats during the past 15 years.

It is my hope that this legislation will receive prompt approval from this House.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. SHELLEY].

Mr. SHELLEY. Mr. Chairman, I am happy to be able to vote today for H. R. 9366. This extension of our social-security system to increase the amounts of present benefits to those now covered and to bring additional millions of Americans under coverage is long overdue. I am particularly happy over the action by the House today because of my gratification at noting that many of those Members who have consistently opposed past efforts to liberalize social-security benefits and coverage are among those supporting this bill. I am reasonably sure that were it not for the fact that those Members have now joined those of us who have fought for years for a really adequate program, the bill we have before us here would not have gone as far toward reaching that goal as H. R. 9366 does.

I know, Mr. Chairman, that the action of the House in passing H. R. 9366, as I am sure we will, will be reassuring to the great body of people who have been concerned as the future of the Democratic social-security program under a Republican administration. The fact that this bill has emerged as a bipartisan measure, although nominally under the sponsorship of the present Republican majority of the Ways and Means Committee, should be sufficient proof that the majority in both of our great political parties now recognize the wisdom of the program. Let us hope that in future years, regardless of which party may control the Congress, the need for continued improvement of the social-security system will be similarly recognized and that this vital function of our Government, founded and fostered by Democratic administrations, will no longer be threatened by reactionary forces.

I speak of the need for future action because H. R. 9366, although it is another step forward, does not go far enough toward giving the American worker and his dependents sufficient protection against the time when his full earning power is diminished or lost through old age, disability, or death. The effort to reduce and eliminate the weaknesses still present in even the expanded program this bill provides must continue. While I do not have time to detail all of those weaknesses at this time, I am particularly sorry that H. R. 9366 did not go farther in increasing the general scale of benefits payments. Even with the small additional amounts we are providing here, on any realistic basis we cannot claim that the benefits provided are enough to support any individual or any family or to provide the barest minimum of the necessities of life without outside income. On the same basis, I feel very strongly that the \$1,000 per year ceiling on outside earnings, although an improvement over the present \$75 per month limitation, is still far too severe a limitation to impose. Even with maximum benefits from social security and an additional \$1,000 from other sources, the struggle to maintain a decent standard of living will be far from easy. To reduce the incentive for an aged person to keep his self-respect and increase his earning power is, it seems to me, heartless and economically unwise.

To sum up, Mr. Chairman, I am voting for H. R. 9366 as a step in the right direction—but only one step which must be followed by many more.

Mr. REED of New York. Mr. Chairman, I yield 2 minutes to the gentleman from Michigan [Mr. KNOX].

Mr. KNOX. Mr. Chairman, I know we have a very limited amount of time left and I have asked for this brief period to pay my compliments to the subcommittee which made the exhaustive study of the overall question of social security.

The subcommittee report aided the Ways and Means Committee greatly in rewriting the social-security program.

I concur in the statements of my colleagues in support of this bill.

Mr. Chairman, I yield back the balance of my time.

Mr. COOPER. Mr. Chairman, I yield 5 minutes to the gentleman from Louisiana [Mr. LONG].

DENTISTS IN SOCIAL SECURITY

Mr. LONG. Mr. Chairman, I want to call to the attention of the House today at least one discrimination contained in the bill H. R. 9366, outlining the proposed Social Security Act Amendments of 1954. I am sure that it will be of interest to every Member of this body. For in the section of the bill covering self-employed professional persons, the committee acceded to the expressed wishes of doctors by making them the sole exception to coverage among self-employed professional persons.

Doctors did not want coverage and the committee honored their wishes in the matter. Dentists did not want coverage, but they were covered by the bill. Now I am confident that there is one major reason why the wishes of dentists did not prevail with the committee, and that is because members of the association did not attempt to overwhelm them on this point with letters from all over the country, since their position was clear from the statement of their authorized representative who appeared before the committee. I am equally confident that the Senate will be fully informed by member dentists when the bill reaches that body for consideration. For as you know, the bill is to be considered by the House under a closed rule and will go to the Senate without amendment.

A man from my own State, Dr. J. Claude Earnest, of Monroe, La., appeared before the Ways and Means Committee on April 9, 1954, to oppose coverage of dentists. Dr. Earnest, I might add, is a member of the house of delegates of the American Dental Association and vice chairman of its council on legislation. Because his testimony indicates so conclusively that the opposition of the association is firm and considered, I insert it in full in the RECORD. It makes clear that, for more than 6 years the association has studied the matter openly, and with full participation on the part of some 93,000 member dentists throughout the country. The opposition to coverage under social security on the part of dentists then is a grassroots opposition, based on full knowledge of their own particular needs as they relate to the social-security system.

Dentists are opposed to coverage under social security, among other reasons, because of the particular conditions of their profession. For example, self-employed dentists do not normally retire, but continue to practice well beyond the normal retirement age until they die. The average age of death of dentists is 65 years and those who survive longer do not retire until the average age of 68. This means that the average dentist will be required to pay into a system from which he will never receive any benefits, and as a self-employed person, he will pay one and one-half the amount of the tax contribution paid by the average employed individual. For dentists, as for doctors, coverage under the system

would mean payment of taxes—scheduled to rise from the present 3 percent to a high of 4½ percent by 1970—often without any return to them except for a lump-sum payment upon death.

Dentists want to be omitted from social security so they can invest their funds in retirement plans of their own choice from which they will receive at least a return upon their investment. On behalf of the dentists of this country, and especially those of my own State and region, who are violently opposed to inclusion, I call this matter to the attention of the House today, confident that the matter will be adjusted equitably before those amendments are finally enacted.

In speaking today, I am speaking as a representative of the American Dental Association.

The house of delegates of the American Dental Association meets something like our Congress here. It appoints committees. Those committees take up various subjects, consider them and report them back to the house of delegates where they are debated by men from every State in the Union. They come to some conclusion as to what they think should be done for the best interest of the dental profession.

This subject has been before the house of delegates four times. Each time they have considered it, they have voted that they do not want to be included in this program.

I cannot see, for the life of me, why the committee would put one group of doctors under social security, then take another group out. A dentist is a doctor just as much as is a physician, only his treatment is confined to the mouth. He operates, he gives treatment, he does everything that it is necessary to do so far as the teeth and the mouth are concerned, the oral cavity. Why, then, would you take a doctor, who is an M. D., out of this program just because he asks to be taken out, then when the dentists come before you with their representatives and ask you to take them out, you refuse to do that?

This idea of retirement has little to do with it, in my opinion. Very few dentists, in the really strict term, ever retire. Some of them go back to their homes. Maybe they do a little work there and make almost as much money as they did when they were in actual practice; but the majority of the dentists over this country do not want to be included in this. That is 80 percent of the dentists who are practicing dentistry in the United States of America. Surely that group should be able to speak for the large portion of dentists involved.

I know there are doctors who want to be in the program; I know there are dentists who want to be in the program; I know there are farmers who want to be out; I know there are those who want to be in; so we have to take the majority of those people and govern ourselves according to the desires and the wishes of the majority of the particular profession or trade. When 80 percent of the dentists have faith in their congress, in their meetings, and state that they do not want to be included in this

program, why, in good judgment, cannot the Congress take them out?

I am making these remarks hoping that someone in the Senate will look further into this matter and that we will be able to take the dentists out of the program and let them go along with the rest of the doctors.

While I realize there are some repetitions in my discussion, they were made for the purpose of emphasis.

I thank you very kindly.

TESTIMONY OF THE AMERICAN DENTAL ASSOCIATION BEFORE THE HOUSE WAYS AND MEANS COMMITTEE WITH RESPECT TO OLD-AGE AND SURVIVORS INSURANCE, H. R. 7199, 83D CONGRESS, PRESENTED APRIL 9, 1954

My name is J. Claude Earnest. I am a self-employed practicing dentist of Monroe, La. I am a member of the house of delegates of the American Dental Association and vice chairman of the association's council on legislation. I am here today to present to the Congress the views of the association with respect to the proposed inclusion of self-employed dentists in the old-age and survivors insurance system.

The present policy of the association was adopted by the house of delegates in 1949 and may be found on pages 265 and 266 of the transactions of the association for that year. It reads as follows:

"Whereas the house of delegates in 1948 directed the council on legislation to seek to have self-employed dentists included in the benefits of the old-age and survivors insurance program; and

"Whereas further study of this question has indicated that the expansion of the social-security system to self-employed persons upon presently proposed bases would tend to jeopardize the financial security of the country; and

"Whereas the real security of the professionally self-employed lies within the individual and in his contribution to the community rather than in any Government-sponsored system of old-age insurance: Now, therefore, be it

Resolved, That the policy expressed by the 1948 house of delegates is hereby rescinded; and be it further

Resolved, That the council on legislation is directed to seek amendments eliminating dentistry from any proposals to extend old-age and survivors insurance to the self-employed."

Permit me to give you some figures and to tell you something about the American Dental Association so that you may be able to evaluate our policy. There are, at the present time, in the United States, approximately 83,000 persons who are engaged in the practice of dentistry. There are approximately 10,000 others still living who have graduated from dental schools but who have either retired or turned to other occupations. For practical purposes, therefore, we may say there are 83,000 dentists in the United States. Of this number, 70,361, or 84.8 percent, are members of the American Dental Association. Obviously, therefore, the association has the right to speak for the dentists of this country.

You may be interested in the mechanics by which policies of the association are adopted. The policymaking body of the association is known as the house of delegates. It consists of elected representatives from every State, Territory, and possession of the United States. Members of the house of delegates are chosen within each State or Territory on the basis of number of members of the association in that State or Territory. No State has less than 1 delegate and the largest State, New York, has as many as 53. The house of delegates in 1953 numbered 394 members.

Matters come to the attention of the house of delegates from reports of the standing committees of the association (usually called councils), from recommendations of the trustees, from resolutions transmitted by State or local societies, and from resolutions proposed by individual members of the house. When a matter has come properly before the house of delegates it is referred to a reference committee which is similar to your own committees of Congress. Reference committees conduct open hearings just as you are conducting this one today. The time and place of the hearings are announced weeks in advance and any member of the association, whether a delegate or not, is free either to submit a communication to the committee or to appear before it in person to discuss his views with respect to any matter which has been referred to it. The committees ordinarily meet in open session for an entire day, holding both morning and afternoon sessions. At the close of the hearing, and after all have been heard who so desire, the committee, in executive session, considers the questions before it in the light of the information which has been presented. It then files a formal written report containing its recommendation to the house of delegates and the matter is then taken up and considered by the entire membership of that body. The resulting decision becomes policy of the association until revised, modified, or revoked by the house of delegates.

This question of including self-employed dentists in the old age and survivors insurance scheme has had the attention of the association's house of delegates five times. In 1948, in connection with the annual meeting of the association, the council on legislation sponsored an open forum on old age and survivors insurance, presenting Mr. Wilbur Cohen of the Federal Security Agency as a speaker to explain the provisions of the law, as it then existed and the provisions of the bill then pending before Congress which proposed to include self-employed persons. Of the more than 5000 dentists registered and in attendance at that meeting about 100 appeared at the forum. Following the forum, the informal sentiment of those present was favorable to including dentists in the OASI system. The council on legislation, therefore, submitted to the house of delegates a supplemental report recommending that the association support the pending measure. This recommendation was approved by the house of delegates.

The house of delegates in 1949 reconsidered this matter and adopted, without a dissenting vote, the resolution which I quoted earlier.

In 1950 the subject was not before the house of delegates specifically. The house, however, passed a resolution directing the association's council on insurance to make a study of insurance matters of interest to dentists, including old-age and survivors insurance. As part of its study the council sent a questionnaire to every seventh member on the active and life membership lists or to about 9,300 dentists. In response to the question, "Should Federal legislation be sought to include dentists under OASI?" 51.7 percent said "No" and 48.3 percent said "Yes."

The 1951 house of delegates had before it the results of this survey together with a resolution from the Massachusetts State Dental Society requesting the house to reverse the existing policy. More than 100 persons appeared before the reference committee and expressed their personal views. In its report, the reference committee stated that the views of those who appeared convinced the committee that the membership was about equally divided; that there was considerable misunderstanding of the pro-

visions of the law and it recommended, therefore, that the entire matter be postponed for 1 year during which period, the State and local societies could attempt to inform their members concerning the law.

During the ensuing year the association prepared a kit of material setting forth in considerable detail information about the whole subject which kit was sent to each of the 53 constituent and 440 component societies. Most of these societies appointed their own special committee to study the question and to report to the membership. Many of the societies, in plenary session, heard the subject discussed pro and con by panels of experts including representatives of the Social Security Board and informed members of the bar.

After all of this study and debate, the subject was again considered by a reference committee of the house of delegates in 1952. At least 8 hours were devoted to public hearings following which the reference committee, which apparently had taken the temperature of the association through its hearings, once again recommended that the association oppose inclusion of dentists and once more the house of delegates reaffirmed its 1949 position.

In 1953 the Wisconsin State Dental Society sent a resolution to the house of delegates requesting it to reconsider the present policy. The house by a vote of 312 to 64 rejected the Wisconsin proposal and adopted the following resolution instead:

"45-1953-H

Resolved, That the house of delegates direct the council on legislation to present the Congress of the United States the association's policy of opposing the inclusion of members of the dental profession under the old-age and survivors insurance provisions of the Federal Social Security Act." (Transactions American Dental Association 1953, p. 224.)

I have set out this history of the proposal within the association so that you could see that American dentistry, through its formal organization, has studied this proposal for more than 6 years; has considered it openly, permitting all of the freedom of participation in the final decision on the part of members that citizens of the United States have with respect to the decisions of Congress but, nevertheless, has 4 times, in its most recent actions, rejected the idea of having self-employed dentists under old-age and survivors insurance.

Thus through action of their official body the dentists of the United States have consistently indicated that they do not desire to be included within the OASI scheme.

Except in unusual cases, dentists continue working throughout their lives. Since they cannot continue to work and simultaneously derive benefits from their contributions to this scheme, they prefer to be omitted from it so that they can invest their funds in retirement plans of their own choice from which they will receive, at least, the return of their investment.

The association respectfully requests that H. R. 7199 be amended to exclude the self-employed practice of dentistry from the list of types of employment covered by old-age and survivors insurance.

Mr. REED of New York. With reference to the dentists, the editorial staff of Dental Survey reported the results of a poll of dentists in its February 1951 issue. The interviewers asked dentists, "Would you like to have dentists included under provisions of the amended Social Security Act on the same basis as other self-employed persons?" The vote was 53 percent in favor of inclusion to 47 against.

The Ohio State Dental Society recently conducted a poll in which it found that on the basis of 1,685 returns the dentists voted 8 to 5 to be included under the provisions of the Social Security Act. That is taken from the Iowa Dental Bulletin, October 1953.

The committee can only depend very largely on the hearings and the polls that are taken to find out just how people feel in regard to this measure.

Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. OSTERTAG].

Mr. OSTERTAG. Mr. Chairman, the bill before us is a good bill. I applaud most of its provisions and I shall certainly vote for it. In fact, it is so good that I am at a loss to know, why it does not go further and correct more, if not all of the inequities of our social security program.

Its virtues have been amply extolled, and in the time allotted to me I shall not repeat them here, but shall direct my remarks to some of the serious flaws which the bill has ignored or dealt with, as I believe, inadequately.

One of the most important of these, in my judgment, is the wage ceiling in the social security act. The present bill relaxes it, to the extent of \$100 a year, and puts wage earners on a par with the self-employed in computing penalties for exceeding it. It also relaxes the formula for deductions. In my judgment, however, the earnings ceiling is still an unrealistic provision, and constitutes a gross discrimination against those who are obliged to work after age 65, as contrasted with those who are able to retire on income from investments. We should get rid of this provision. Eventually, we shall have to get rid of it. Americans are shocked to be told in effect, by their own Government, that after age 65, they will be penalized for working; whereas, if they have independent incomes, or if they become drones and ride on the backs of other workers, they will be subsidized for it. That is what the wage ceiling now does. How long will we impose this noxious doctrine on our fellow countrymen? How long before we get rid of it? The elderly people will eventually blast the ceiling out of the act. Must we, as Gladstone said, wait for the day of dishonor to yield to necessity that which we refuse to yield to justice. I, for one, want to dissociate myself from any semblance of approval of this provision in the act. H. R. 9366 provides a variety of ways to evade the wage ceiling. The self-employed, professional people, the farmer, or the small-business man can virtually ignore it. It is only the low-wage earner, whose responsibilities are such that he is obliged to continue at fulltime employment who is really hurt by the provision. After age 65, he is boxed in like a man in a Chinese torture chamber.

Let us consider this individual for a moment. He has been paying into the system for 15 years, and is now 65. Let us say his benefit is above average—say \$70 a month. His wife is 10 years his junior, but ill and unable to work. She is ineligible, however, for benefits. He cannot live and support her on \$70

a month, and in order to meet their increasing medical costs by himself, he has no choice but to continue at his \$50-a-week job. He urgently needs his social-security benefit, but if he continues at work, he will lose every cent of his benefits, although he will continue to be taxed for social security.

Now let us consider another individual who may be his next door neighbor. He was covered into social security in 1950 and retired in 1952. His earnings were high, and although he may have paid into the system for only 18 months instead of 15 years, he and his wife—who is also 65—have retired on social-security benefits of \$127 a month, which, under this bill will be raised to approximately \$148. Since he was fortunate enough to work for a company that provided industrial pensions for its employees, he also gets a pension of \$3,000 a year, and he also has some income from investments he made over the years—something quite possible to the high-salaried worker, but difficult if not impossible for the low-income worker. This income does not count as earnings, however, and he is able to earn \$1,000 a year over and above his social-security benefits and other income without loss of benefits. And if he is a farmer or small-business man, and can show that he has made no substantial contribution to his farm or business but has turned it over to others, he can derive any amount of outside income from it without losing his social-security benefits.

The inequity in this is so obvious that it cries out for correction. Yet we go on perpetrating it upon the elderly people of this country—and in some ways in the present bill making it more acute—and resort to flatulent sophistries to justify it.

I have pressed for 3 years now for removal of the wage ceiling at age 65 instead of age 75, as is now the law, but in the light of formidable opposition to such a step, introduced into this Congress two bills which would at least ameliorate the hardships caused by this provision. One would provide for a flexible wage ceiling, so that less-than-maximum beneficiaries could earn the difference between their benefits and the maximum payable to any individual under the law, plus \$1,000 annually, without loss of benefits. This would at least enable the low beneficiary to equalize his income with that of the maximum beneficiary, through his own efforts, without being penalized by his Government for so doing.

The second measure takes cognizance of the fact that more than a million elderly people, who cannot afford to retire on their benefits and are obliged to continue at work, are not only deprived of benefits but continue to be taxed on their earnings for social-security purposes, although they will never receive one extra penny in benefits for the taxes thus extracted from them. They are not helped by the program. They are victimized by it.

I introduced a bill earlier this year which would at least recognize their added contributions to the system. It would provide for a 2 percent increase in their benefits, when they do retire, up to age 70, when the wage ceiling

would be removed entirely, and they would be free to retire on their increased pension or continue at work, without being deprived of it.

I regarded both of these proposals as interim measures, pending the removal of the wage ceiling at 65. In the light of the relaxations and loopholes provided in the present bill, however, it seems evident that the ends of justice will be served only by complete removal of the wage ceiling.

Mr. Chairman, there are two other provisions sorely needed in our social-security system, and I am happy indeed to see that one of these has been incorporated in the present bill. I have been pressing for it for several years, but was always assured, heretofore, that it presented administrative difficulties that were insurmountable. Evidently, however, the insurmountable has been surmounted. I refer to the provision affecting survivors of workers who died before the 1950 amendments became effective. Heretofore, such survivors were ineligible for benefits unless the breadwinner had contributed to the social-security system for 24 quarters. After the 1950 amendments, survivors of covered workers were eligible for benefits after contributions of as little as six quarters. But the law was not retroactive, so that workers who had the lack of foresight to die before 1950 left their survivors without benefits. What a travesty on justice. There is among my constituents an elderly widow whose husband contributed to the social-security system for 21 quarters, but he had the bad judgment to die in 1949. She has therefore been ruled ineligible for benefits, although widows of workers who died after that date can and do receive survivors' benefits based on contributions for as little as 6 quarters. I have received mail from many widows in many parts of the country who have been discriminated against by this ill-conceived and unjust provision, and I am delighted that the bill before us contains amendments to correct it.

Unfortunately, there is one other inequity upon which the present measure is silent. Under the act as now written, an elderly woman who married a social-security beneficiary does not become eligible to receive benefits herself until 3 years after the marriage. If, as sometimes happens, she is the widow of a social-security beneficiary at the time of her remarriage, she loses her widow's benefits when she remarries, and she does not become eligible for a wife's benefits for 3 years. Moreover, if her second husband dies within a year of the marriage, she will lose all rights to all benefits from either marriage. Why? What is the rationale of such provisions?

Mr. Chairman, from one end of this country to the other, people are growing increasingly concerned about the problems of the aged. Medically, scientifically, socially, economically, we must concern ourselves with their problems, for this is a rapidly aging Nation. Everyone is agreed that it is of vital importance to keep our elderly people busy and useful within our society. It is not only undesirable, it is inhuman, to force them to become drones, and to penalize them for seeking to help themselves. Yet our

social-security system does just that. It penalizes them if they marry in old age, and it penalizes them through loss of benefits if they exceed the wage ceiling; and the less they have to fall back on in old age, and the greater their need, the more it penalizes them. Its effect is to reward those who need help least and deprive those who need it most. I refuse to believe that that was the intent of the Congress, but that is the effect of the law as it now operates. As a Government program, there is no justification, in my judgment, for such discriminatory provisions. I shall continue to press for correction of these inequities until they yield to justice.

Mr. JAVITS. Mr. Chairman, will the gentleman yield?

Mr. OSTERTAG. I yield to the gentleman from New York.

Mr. JAVITS. I would like to compliment the gentleman for leading this fight to take off this earning ceiling on the initiative of older people. I join in being a sponsor of the bill behind the gentleman's bill. I think the gentleman is waging a noble fight for the older citizens of our country, and they should be backed up 100 percent as all other Americans are.

Mr. OSTERTAG. I thank the gentleman.

Mr. COOPER. Mr. Chairman, I yield 2 minutes to the gentleman from New York [Mr. KLEIN].

Mr. KLEIN. Mr. Chairman, I rise at this point to commend the committee for bringing out this bill. I am in favor of it. I would agree with the previous speaker, that in some instances the bill does not go far enough. I do not believe we ought to limit elderly people in the amount they may make after they have reached the age of 65 and want to continue in employment. There is no reason why we should say, "If you make more than a certain amount you will forfeit what you get under the social-security system."

Not too long ago we heard a splendid colloquy and a fine address by my colleague from New York [Mr. KEOGH]. He was asked by the former majority leader, the gentleman from Massachusetts [Mr. McCORMACK], the reason why doctors were excluded from this bill. That is something I would like to know myself. Judging by the mail that I have received from the doctors in my district, every one of them feels that he ought to be included. They feel that they are being discriminated against and, indeed, they are. We have included every type of professional man, every person self-employed, with the exception of the doctors. Why are they not included, particularly if they want to be? I know that the chairman of the committee has said that everybody who asked to be included was included. The AMA, however, which says that it speaks for the doctors, did not want to be included. That is another indication of the fact that the AMA feels that this is socialization. They are so afraid of that, that any time anything comes up which will benefit the average doctor, they are opposed to it.

I say, as I have said many times on this floor and in my committee, that the

AMA does not represent the average doctor. The average doctor wants to be included. So while I do not blame the committee, I might say that I believe it was an oversight. I do not think they should have listened to this group who were ostensibly speaking for the majority of the practitioners but who actually were not. We should include these people who want to be included and as to whom there is no reason for exclusion. It is not a valid reason to say that a spokesman—who is actually not a spokesman—claiming to represent the doctors, is representing the average doctor, especially because, as I think, the average doctor is afraid to speak up for himself and against the AMA. So they are stuck with this. However, they ought to be included and I hope sometime we will approve an amendment that will bring them in.

Mr. REED of New Jersey. Mr. Chairman, I yield such time as he may desire to the gentleman from New Jersey [Mr. WOLVERTON], chairman of the Committee of Interstate and Foreign Commerce.

Mr. WOLVERTON. Mr. Chairman, I rise to commend the chairman and members of the Committee on Ways and Means for the consideration that has been given to improving the Social Security Act, and bringing this bill before the House to accomplish the purpose.

I shall support this bill, although I regret that in some particulars it has not gone as far as I would have liked it to do. However, we can expect that as further consideration is given to the subject that additional improvements will be made, particularly with reference to increased benefits. The cost of living has reached a point that the beneficiaries under the act find it impossible to make ends meet. Thus the increase provided for in this bill will to some extent, at least, be a help to those dependent upon monthly payments under the act.

Furthermore, the bill now before us also seeks to remedy what has seemed to me to be a glaring defect in the act, namely, its failure to cover all persons who are entitled to be included. This failure has caused considerable dissatisfaction and real hardship to a large portion of our people. This bill recommends substantially universal coverage.

The old-age and survivors insurance program now covers about 8 out of 10 of the Nation's jobs. The bill will extend coverage to about 10 million additional people who are not now covered. Specifically, coverage would be extended to about 3,600,000 farm operators; to about 400,000 people who are self-employed in the practice of certain professions—excepting physicians and who in my opinion should be included; about 3,500,000 employees of State and local governments under retirement systems subject, however, to voluntary agreements between the individual States and the Federal Government due to inability of the Federal Government, under the Constitution, to impose social-security taxes on the States; about 1,300,000 farm workers; about 250,000 domestic workers in private homes; about 150,000 Federal employees not covered by retirement systems; about 250,000 ministers and mem-

bers of religious orders employed by non-profit organizations if the organization elects to cover them and if at least two-thirds of such individuals elect to be covered; and certain even smaller groups.

Certain technical provisions for improvement of benefits will provide an increase for beneficiaries presently on the rolls as well as for those qualifying in the future. For present retired workers, monthly payments will range from \$30 to \$98.50, as compared with \$25 to \$85 under present law with the average increase in benefit amounts being about \$6 per month. For those coming on the rolls in the future, the range of benefit payments, taking into account the increased earnings base, will be from a \$30 minimum monthly benefit to a maximum \$108.50. There is also a substantial change in making possible the right to earn a greater amount after retirement than is now permitted under existing law.

While the benefits have not been increased to the extent that I would have liked to see, yet I am highly pleased that at least 10 million additional persons have been brought within the act and will upon enactment of this bill be permitted to draw monthly benefits.

Mr. COOPER. Mr. Chairman, I yield to the gentleman from Mississippi [Mr. WINSTEAD].

Mr. WINSTEAD. Mr. Chairman, I take this time to make an inquiry about a type of case which arises but which I have not heard discussed here today; that is, the employment of a son by his father or of a father by his son. I know of a few such cases. I had a bill before the Ways and Means Committee on that subject, and there are a number of other such bills. I know the committee did not go into that particular type of case in this bill as you have advised me. However, I should like to have that explanation for the record as to just what the committee plans to do on that.

Mr. REED of New York. We did not change the present law on that at all.

Mr. COOPER. If the gentleman will yield, I may say further that, as stated by the chairman of the committee, the present law is not changed in that respect; however, it was considered by the committee and discussed at some length, and we have the assurance of the Department of Health, Education, and Welfare that further study will be given to that particular question.

Mr. WINSTEAD. I am glad to have that information in the record. I hope the committee will see to it a correction is made.

Now may I say that in this bill many new groups are included. Some individuals prefer to be in, other individuals do not. I had hoped we would have an open rule so we could offer amendments to make such inclusion on a voluntary basis. If we cannot do that here, I trust the other body which operates under different rules, will make such election possible.

Mr. REED of New York. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. VAN ZANDT].

Mr. VAN ZANDT. Mr. Chairman, as many of you know, I have long been associated with various groups in the old-age pension field, including the Townsend organization and the American pension plan. I am sure you will agree with me that these pension groups are entitled to a lot of credit, for they are the pioneers in the effort to bring to the attention of the American people the general problem of old-age pensions.

For over 20 years the American people have been faced with the problem of old-age pensions and from that day until this, there has been a constant effort by pension groups and many of us in Congress to solve this distressing problem. In recent years these pension groups have had their forces augmented by organizations in the field of business and by persons in all walks of life who have come to recognize that the problem is national in scope and must be dealt with at the national level and without delay.

When Congress approved the Social Security Act, our Government accepted the responsibility to provide that segment of our population eligible for benefits with security in their declining years. Since the passage of the law, it has been amended in many ways to expand its coverage, liberalize its provisions, and increase its scale of benefits. Despite all these amendments, in my opinion, the elderly citizens of this Nation do not have adequate security.

I realize that in addition to the fact-finding studies made by the Curtis subcommittee that the House Ways and Means Committee has received over the period of the past several months a lot of information from experts in the field of social security. Therefore, what I recommend will be a repetition of information that I gave to the House Ways and Means Committee during hearings on this bill and I repeat it here because it represents the views of a cross-section of the citizenry of my congressional district.

During the 83d Congress I introduced the following bills designed to amend the Social Security Act:

H. R. 1853, a bill to provide that the eligibility age for old age and survivors insurance benefits be reduced from 65 to 60 years of age.

H. R. 1942, a bill to provide that voluntary agreements for the coverage of State and local employees may include positions covered by retirement systems, without forfeiting their rights to benefits in their own retirement systems.

H. R. 2150, a bill to amend title 2 of the Social Security Act to provide that any person covered under old age and survivors insurance shall be entitled to the same primary and survivors benefit rights during a period of disability as he would be entitled to had he attained retirement age on the initial date of such period of disability.

H. R. 3103, a bill to repeal the \$75 work clause that applies to old-age and survivors benefit under title 2 of the Social Security Act.

H. R. 3105, a bill to provide every adult citizen with equal basic Federal social-security payments permitting retirement with benefits at age 60 and also covering total disability and for other purposes. This legislation is com-

monly referred to as the Townsend plan and was explained in detail to this committee on Saturday, April 10, by my colleague the gentleman from Oregon [Mr. ANGELL].

H. R. 8420, a bill to amend the Social Security Act to eliminate the retroactive limitation upon the period with respect to which certain widows and children of veterans may receive benefits thereunder.

Mr. Chairman, all of the bills I introduced were called to the attention of the House Ways and Means Committee when I appeared before that committee April 14, 1954.

In addition to the bills which I have introduced and which represent the thinking of a cross-section of the people in my congressional district, I would like to comment on the following summary of principal provisions of the committee bill now before us.

SUMMARY OF PRINCIPAL PROVISIONS OF THE BILL

A. Old-age and survivors insurance:

First. Extension of coverage: Old-age and survivors insurance coverage would be extended to approximately 10 million persons who work during the course of a year in jobs now excluded from the program. The groups brought into the program under the bill are as follows:

(a) Self-employed farm operators whose net earnings from farm self-employment total \$400 or more in a year, with a special provision to make it easier for low-income farm operators to compute their net earnings—about 3.6 million.

(b) Professional self-employed persons now excluded, other than physicians, whose net earnings from professional self-employment total \$400 or more in a year, including lawyers, dentists, architects, engineers, accountants, funeral directors, osteopaths, chiropractors, veterinarians, naturopaths, optometrists, ministers, and Christian Science practitioners—about 400,000.

(c) Employees of State and local governments who are covered by State and local retirement systems, other than policemen and firemen, under voluntary agreements between the State and the Federal Government, if a majority of the members of the system vote in a referendum and two-thirds of those who vote favor coverage—about 3.5 million.

(d) Farmworkers who are paid at least \$200 by a given employer in a calendar year, with special provisions to coordinate the annual earnings test with the quarterly insured status requirements—about 1.3 million.

(e) Domestic workers in private non-farm homes—and others who perform work not in the course of the employer's trade or business—who are paid \$50 in cash wages by an employer in a calendar quarter but who do not meet the 24-day test required in the present law—about 250,000.

(f) Ministers and members of religious orders employed by nonprofit organizations if the organization elects to cover them and if at least two-thirds of such individuals elect to be covered—about 250,000.

(g) Most Federal employees not covered by retirement systems, including

temporary employees in the field service of the Post Office Department, census-taking employees of the Bureau of the Census, civilian employees of Coast Guard post exchanges, and certain other groups, and also employees of district Federal Home Loan Banks and the Tennessee Valley Authority, who have retirement systems—about 150,000.

(h) American citizens employed outside of the United States by foreign subsidiaries of American employers, under voluntary agreements between the Federal Government and the parent American company—about 100,000.

(i) Those homeworkers who are now excluded from employee coverage (although they may now be covered as self-employed persons) because the services they perform are not subject to State licensing laws (about 100,000).

(j) Certain employees engaged in fishing and related activities, either on vessels of 10 net tons or less or on shore (about 50,000).

(k) American citizens employed by American employers on vessels and aircraft of foreign registry—very few people involved.

Second. Computation of average monthly wage: Up to 5 years in which earnings were lowest—or nonexistent—could be dropped from the computation of the average monthly wage.

Third. Earnings base: The total annual earnings on which benefits would be computed and contributions paid is raised from \$3,600 to \$4,200.

Fourth. Increase in benefits: (a) More than 6.3 million persons now on the benefit rolls would have their benefits increased. The average increase for retired workers would be about \$6 a month, with proportionate increases for dependents and survivors. The range in primary insurance amounts would be \$30 to \$98.50 as compared to \$25 to \$85 under present law.

(b) Persons who retire or die in the future would, in general, have their benefits computed by the following new formula: (i) 55 percent of the first \$110 of average monthly wage—rather than \$100 as in present law—plus 20 percent of the next \$240—rather than 15 percent of the next \$200; (ii) the minimum monthly benefit amount for a retired worker would be \$30, and the minimum amount payable where only one survivor is entitled to benefits on the deceased insured person's earnings, would be \$30; (iii) the maximum monthly family benefit of \$168.75 would be increased to \$200; (iv) the provision of existing law that total family benefits cannot exceed 80 percent of the worker's average monthly wage would not reduce total family benefits below 1½ times the insured worker's primary insurance amount or \$50, whichever is the greater; and (v) lump-sum death payments would not exceed \$255, the maximum under existing law.

Fifth. Limitation on earnings of beneficiaries: The earnings limitation on beneficiaries under age 75 would be made the same for wage earners and self-employed persons. A beneficiary could earn as much as \$1,000 in a year in any employment, covered or noncovered. He would lose 1 month's benefit for each unit of \$80 (or fraction thereof) of earn-

ings (covered or noncovered) in excess of \$1,000, but in no case would he lose benefits for months in which he neither earned more than \$80 in wages nor rendered substantial services in self-employment. Beneficiaries residing in foreign countries would have their benefits suspended for any month in which they worked on 7 or more days.

Sixth. Eligibility for benefits: (a) As an alternative to the present requirements for fully insured status, an individual would be fully insured if all the quarters elapsing after 1954 and up to the quarter of his death or attainment of age 65 were quarters of coverage, provided he had at least 6 quarters of coverage after 1954.

(b) Benefits would be paid to the surviving aged widow, widowed mother, and children, or parents of any individual who died prior to September 1, 1950, and had at least 6 quarters of coverage.

Seventh. Preservation of benefit rights for disabled: The period during which an individual was under an extended total disability would be excluded in determining his insured status and the amount of benefits payable to him upon retirement or to his survivors in the event of his death. Only disabilities lasting more than 6 months would be taken into account. Determinations of disability would be made by State vocational rehabilitation agencies or other appropriate State agencies pursuant to agreements with the Secretary of Health, Education, and Welfare.

Eighth. Limitation on payments to persons outside the United States: Benefits to survivors or dependents would not be paid for any month in which such survivor or dependent resided outside the United States unless such survivor or dependent met certain requirements of residence in the United States or the insured individual on whose record the benefit is based was currently insured on the basis of military service wage credits or earnings as an American citizen employed abroad by an American employer.

Ninth. Deportation, and periods of unlawful residence: All benefits payable on the basis of an individual's wage record would be terminated upon notification by the Attorney General that the individual has been deported from the United States for certain specified causes. Earnings derived during periods of unlawful residence in the United States as determined by the Attorney General could not be used in determination of insured status or benefit amount.

Tenth. Recomputation of benefits for work after entitlement: An individual may have his benefit recomputed to take into account additional earnings after entitlement if he has covered earnings of at least \$1,000 in a calendar year after 1953 and after the year in which his benefit was last computed.

Eleventh. Contribution rates: Employers and employees will continue to share equally, with the rates on each being as follows:

Calendar years:	Rate (percent)
1954-59	2
1960-64	2½
1965-69	3
1970-74	3½
1975 and after	4

The self-employed would pay 1½ times the above rates.

B. Public assistance:

First. The provisions of the 1952 amendments, presently scheduled to expire on September 30, 1954, with respect to temporary increases in Federal payments to States for old-age assistance, aid to dependent children, aid to the blind, and aid to the permanently and totally disabled are extended through September 30, 1955.

Second. The provisions of the 1950 amendments for approval of certain State plans for aid to the blind which did not meet the requirements of clause 8 of section 1002 (a) of the Social Security Act are extended from June 30, 1955, to June 30, 1957.

First, I want to commend the proviso that will extend social-security coverage to some ten and one-half million additional persons which include farmers, the professional self-employed groups, many additional farm hands, domestic workers, certain State and local government employees, and clergymen, on a voluntary-group basis. In my opinion, this is a step in the direction of providing security for many Americans heretofore denied social-security benefits.

It is commendable also that you have given recognition to the plight of the disabled by granting a waiver of premium provisions to protect the old-age and survivors insurance rights of persons when they become permanently and totally disabled. There are also other provisions of H. R. 9366 which meet with my approval.

Mr. Chairman, I do not wholly agree with that provision of the bill which on the average increases benefits by approximately \$6 monthly for those now receiving benefits. In my opinion, the increase is too low and I am hopeful that at a future date the House Ways and Means Committee will further review the question of a further increase in benefits so that the benefit levels will keep pace with the cost of living.

One of the most serious injustices that was written into the original Social Security Act was the provision that placed a limitation of \$14.99 monthly on the amount a person might earn without forfeiting his eligibility for earned benefits. Later the ceiling was increased to \$50 and then \$75 monthly. By H. R. 9366 the limitation is increased to \$1,000 annually.

In my opinion, Mr. Chairman, I think that the ceiling on the amount a person may earn should be removed entirely because it penalizes an active retired person in good health by forcing him to give up the productive pattern of his life and relegates him to the rocking chair.

I am sure that every Member of this House will agree that this change of tempo is not good for an elderly person and in countless cases has hastened his death.

In all fairness to the retired person willing and able to work, I favor that he be permitted to do so without any strings attached.

Mr. Chairman, I would like for a moment to depart from the principal provisions of the bill to comment on the Railroad Retirement Act and its rela-

tionship to social security. H. R. 9366 will increase benefits on the average by about \$6 monthly for those already retired.

Do you know that if this increase is granted the amount will be deducted from the monthly retirement benefits of railroad employees retired under the Railroad Retirement Act who are also entitled to earned social-security benefits.

This group comprises some 38,000 who are already adversely affected by the 1951 amendments to the Railroad Retirement Act which prohibits the payment of dual benefits.

Mr. Chairman, my bill H. R. 356, to amend the Railroad Retirement Act by repealing the restriction on dual benefits passed the House last July by an overwhelming vote and is now pending on the Senate Calendar. When this legislation was considered by the House, many of you recognized the validity of my argument that the prohibition against dual benefits abrogated a solemn contract and I am grateful to you for supporting my bill H. R. 356.

In concluding my statement, I want to mention again that H. R. 9366 is a step in the right direction of providing security for many Americans.

It is my hope that the House Committee on Ways and Means will immediately begin a study of H. R. 7200, a bill designed to amend the public-assistance provisions of the Social Security Act.

It is imperative that the entire field of public assistance be reviewed immediately because it is in this area of social security that there is wholesale inadequacy of benefits to a growing segment of our population.

I am of the opinion that until this situation is corrected in the field of public assistance the social-security law of our country will not—and cannot—be recognized as having solved the plight of the elderly citizens of this great Nation.

Mr. Chairman, since this bill is being considered under a closed rule which denies Members the right to offer amendments, I find myself in the position of having to vote for H. R. 9366 whether or not I approve of all its provisions.

As I mentioned, H. R. 9366 is a step in the right direction and I hope that the House Ways and Means Committee will continue its study in an effort to perfect the Social Security Act or write a new law that will give the elderly citizens of this Nation the security they are entitled to in the twilight of life.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from Massachusetts [Mr. PHILBIN].

Mr. PHILBIN. Mr. Chairman, this bill is not all that I should like it to be, but on the whole it moves in the right direction and I will support it.

Since the first social security bill was enacted and I may point with considerable pride to my association with it in its origin and early development, it has been very apparent that there are distinct gaps in the coverage, and distinct inequalities in the entitlements.

The present bill seeks to extend the coverage to certain farmers, ministers of the Gospel, Federal employees, State and municipal employees, professional classes, domestic workers, and many others not now covered. Coverage is available to State and municipal employees on an optional basis.

The bill eliminates certain discriminations and inequalities in existing eligibility for coverage. Professional classes particularly benefit from its provisions in that current disparities relating to them are removed. Doctors are not covered by their own choice and decision.

Several obvious inequities remain to be dealt with such as the maintenance of a decent wage or earning ceiling. The present provision is un-American—a penalty and a discouragement upon initiative. The effect of the law moreover is to work discriminations and inconsistencies destructive of worker morale.

Another unjust provision of present law bars employment by relatives of relatives even in case of serious illness. This is neither fair nor helpful to a great many people. I hope it will be relieved at an early date.

I regret that time does not allow me to discuss the bill at length.

Since it is a step toward ultimate perfection of a salutary national law enacted by the Congress which has overwhelming support, I hope this bill will be passed by a very impressive vote.

It is with a sense of strong approval that I record myself in favor of the measure.

Mr. DAWSON of Utah. Mr. Chairman, it is with a good deal of enthusiasm that I rise in support of this measure.

One of the major inequities of the present social-security law is the unrealistic monthly earnings limitation that is placed upon our citizens who have earned the right to draw social-security benefits. For example under the present act if a retired worker wants to supplement his modest monthly social security payment by doing outside work he faces the loss of all his benefits in any month during which he earns more than \$75. This unfair provision, in effect, sentences him to the odd-job field of employment, prohibits him from taking advantage of fulltime seasonal employment opportunities or leaves him with the choice of forfeiting benefits he earned and paid for prior to becoming 65 years of age. When it is considered that a similar person who draws supplemental income—no matter how great—from dividends, rents or interest runs no risk of losing benefits, the present act in this regard becomes even more discriminatory.

It is with pleasure, then, that I note that the committee in this bill has done something to correct this situation. Instead of being limited to outside earnings of \$75 per month, the recipient of social security may earn up to \$1,000 annually in outside covered employment. This will enable those now drawing benefits to increase their living standards by taking a more active part in utilizing the skills they have developed and still retain for many more productive years.

I also would like to make this further observation on the measure as a whole.

I am proud to vote for it because it is sound legislation. We have increased and liberalized benefits, but we have provided for the cost of those benefits by increasing the contribution rates. Too many times in the past our programs have suffered from an election year expansiveness. We unhesitatingly and unethically dished out money with one hand and failed to have the necessary integrity of foresight to provide a sound financial basis for our generosity. This type of doubledealing, of course, resulted in the cancellation of the entire program. What was added in the amount of grants, was pilfered back through continued inflation that more than wiped out the effect of the dollar increase. This administration, as indicated in this measure, is determined that when an increase in benefits is made its necessary partner, adequate financing, also is provided. It is the honest way to deal with our people and I am happy to support the President's program.

WE WELCOME REPUBLICAN ENDORSEMENT OF SOCIAL SECURITY

Mr. LESINSKI. Mr. Chairman, since the Social Security Act was originally enacted back in 1936, this represents, I believe, the first time the leadership and the rank and file of the Republican Party in the Congress have not tried in one way or another to torpedo it or to water it down or to knock people off the rolls.

Instead, we are seeing the majority come forward with a bill which improves the system along lines we on the Democratic side have been urging, and have not found any unfavorable or harmful provisions in this measure. It is not as good a bill as I would like to see, but it is so much better than the last social security bill to come before the House when the Republicans were in control—in the 80th Congress—that I am glad to support it. It is a startling contrast with the 1936 Republican platform promise to repeal social security.

I would like to think that the Republican Party was getting more progressive and that it will now go forward to support other needed economic improvements. There is hope, at least, even if it did take it 18 years to get around to supporting social security.

What all this proves is that if we just have patience enough and wait long enough, the Republican Party in the Congress will finally learn to understand some of the needs of the people and might even do something about them. It will, that is, if the Democrats first show the Republicans how to do it and give them 18 years to think it over, as has happened on social security. Maybe in another 18 years the Republicans will even support good housing legislation.

Mr. BENNETT of Florida. Mr. Chairman, I had hoped by the last vote on this bill to secure amendments which would have improved this legislation; but as the matter now stands I feel that it would be a mistake not to pass the bill now as it is, despite our inability to improve it by amendment. It contains needed improvements in our social security system which should not be delayed in enact-

ment. Therefore I urge the passage of this bill at the earliest possible moment.

Before I am seated I bring to the attention of the House an extremely interesting editorial from the Jacksonville Journal which points out that America is improving with regard to stability of marriages and the birth of children, two of the most important things in any civilization.

The editorial is as follows:

SEVEN NEW PROBLEMS BORN EVERY MINUTE

American marriages remain sound, America's birth rate is one of the highest in the world.

Twenty years ago those two statements would have sounded like stuff from which dreams are made.

During the dark years of the 1930's it was widely believed that the marriage rate was dwindling, there was concern expressed that sexual restraints were breaking down, everywhere the statement, "American marriage is going on the rocks" was heard.

Cosmopolitan magazine recently took a good look at American marriage and found that, contrary to the fears of two decades ago, today American marriages are stronger than ever before. It was a rough period 20 years ago, a period that strained the institution of marriage, but that institution survived very well. We have now become the most marrying people in the world. Our present marriage rate runs 93 percent of all those of marriageable age. Couples are marrying earlier. The divorce rate has reached its peak and is now declining.

This solidity of American marriage is being reflected in the birth rate. It is hard to believe, in view of the dire predictions of the mid-1930's, that our population had reached its peak because of the declining birth rate, that today the rate is approaching that of teeming India. A child is born in this country every 8 seconds, 7 per minute. Last year there were 4 million births, only 1,500,000 deaths, a net gain in population of 2,500,000 in native-born alone. In just 4 years our population has jumped 15 million. Our population growth is 8 times that of Great Britain, of France, of Italy, or of Canada.

Instead of the cry of 20 years ago that this Nation faced suicide because of the declining marriage and birth rate, today we need to show some concern about how we're going to handle our burgeoning population. In a period of food surplus it seems strange to worry about shortages, but at the present rate we are going to have 30 million more mouths to feed in the next 10 years. We are going to need some planning on our school systems to handle the continuing baby boom when they get to be school age. Our people over 65 are growing by leaps and bounds as medical science stretches the average life span. There were 9 million over 65 in 1940; there are 13,600,000 today; there will possibly be over 20 million by 1975. And the oldsters present special problems, too.

We had better get busy with these problems, for every minute we delay 7 new problems are being born and 2 or 3 older problems are living to a riper old age.

Mr. BROOKS of Louisiana. This is a period of graduations. Young people throughout the Nation are graduating from high school and from college. It is a great thing in the lives of these young people to be able to receive their diplomas with the benediction of having successfully completed a long, arduous course of study in the public schools of the Nation. There are three outstanding events in the lives of every person; namely, birth, graduation and marriage. I have just returned from the graduation of my daughter, in the schools here, and

I am very proud of the fine scholastic record which she made.

I now leave the field of academic endeavor and turn to a more practical situation, the passage of this bill to amend the social-security law. This morning I voted against the motion for the previous question. I want to defeat the motion. If the motion ordering the previous question had been defeated, the House then would have been free to vote for amendments to this bill which is before us and which has for its purpose the amending of the social-security law. Certain groups wished to be included in the bill as presently drawn, and other groups wish to be excluded from the terms of the bill. My idea has been always that we should include within the terms of the social-security statute those groups which wished to be included and eliminate therefrom those groups which have no interest in being covered by social security.

A great many dentists have written me asking that they not be included in the terms of this statute. The amendment does include dentists. Other groups no doubt are equally as interested in being excluded from the terms of the bill but the failure to vote down the previous question earlier today gives us no opportunity to vote for any amendment whatsoever to the bill.

Because of this parliamentary situation, we have been gagged into accepting the bill as it is or rejecting it as it is. Between the two I am supporting the amended bill.

Social security as we know it in the United States is still on trial. It has been the law of the land for almost 20 years and so vast is it in scope and so multitudinous are its benefits that 50, and perhaps 100 years, must go by before we can truthfully reach a fair judgment as to the value of this type of legislation. I therefore want to build carefully, judiciously and yet progressively legislation which we can say over a period of years will have a chance to work out as being benign, helpful legislation for the vast majority of the people of the United States of America.

I think the real test of the value of social security is yet to come. I am going ahead in supporting this legislation. When a real serious depression comes, or if it should ever come again to the United States, the true value of social security will then be made fully known to our people. The test will then come as to whether the reserves set up under our system are adequate and whether the payments are sufficient to support our people properly in times of deep economic distress and to maintain the warp and woof of our national economic system when the stress and strain becomes greatest. The measure puts hope and courage into the hearts of the little people of America.

I do not look for any serious trouble in passage of the measure. I doubt that there will be a dozen votes against this. We are largely sold upon the necessity of some sort of legislation adding to the social-security system which we have given to the people of America.

Mr. FISHER. Mr. Chairman, it is regrettable that the pending measure, providing for an expansion of coverage of social security and an increase in the social-security tax, is before us on a closed rule. I voted this afternoon against the closed rule. Now we have no opportunity or right to even offer an amendment which we may think desirable. The only way a Member can protest the provisions which are considered undesirable is to vote against the measure. We cannot separate the desirable from the undesirable in expressing our views.

I call attention to the expansion feature which makes it compulsory that dentists, lawyers, veterinarians, farmers and ranchmen, as well as certain others, be included. These people are given no option. The inclusion is compulsory. The bill makes it a felony for anyone to refuse to participate, and pay—eventually—up to 6 percent of their income, in the case of the self-employed, up to \$4,200 per year, into the social-security fund. They are given no option, no choice, no voice, no right to decide for themselves. We are called upon to make that decision for them here today. In regard to this compulsion, the Texas Dental Association, for example, in a telegram states that the dental profession in Texas is unalterably opposed to the compulsory provisions of the bill.

There are admittedly a number of inequities in the present law which need to be corrected. This measure contains some improvements in the present program but other inequities are not adequately dealt with. Again, Mr. Chairman, I voice my disappointment in the action of the House earlier today in refusing to permit amendments to the pending bill.

Mr. RHODES of Pennsylvania. Mr. Chairman, I intend to vote for this social-security bill, known as H. R. 9366. In my opinion, the proposal is a step in the right direction, but it is far from adequate. In view of the tremendous surplus of food and other essentials of life that are piling up in the Nation's warehouses, I can see no reason why retired persons should not have a greater opportunity to help consume this surplus. Added purchasing power in the hands of retired folks who depend on social-security checks would be put into consumer goods and services. It would be a stimulant for business and prosperity, as well as a measure of justice for deserving old folks.

The bill falls short in that it does not provide benefits for disabled persons at whatever age misfortune strikes. It is quite evident that a husband and father who becomes disabled at an early age is in far greater need at the time of disability than a man who reaches age 65 without becoming disabled. To make totally disabled persons eligible for social-security benefits would be doing justice to many unfortunate families who are now denied proper care. It would give children of disabled persons opportunities they should be entitled to but do not now enjoy. Furthermore, adequate purchasing power for such families would also contribute toward solving the challeng-

ing problem of abundance which seems to befuddle and confuse administration leaders and which has contributed so much to the present business decline.

Another provision which should have been incorporated is one which would reduce retirement age for both men and women. It is especially important that consideration be given to reduce the retirement age for women to at least 60 years. There is a lack of employment opportunities for widows over 50 years of age. It is virtually impossible for many of them to find jobs. For that reason I believe the Congress makes a mistake in not adopting the 60-year provision for women at this time.

This bill, which proposes to increase minimum benefits from \$25 to \$30 is inadequate in this respect also. Many of us feel that the amount should have been increased by at least another \$5 per month. Even at \$35 it is quite clear that the money will not go very far unless the retired person has an additional source of income.

If these proposals which I suggest would have been included we would have a much better social-security program, one which would have contributed substantially in blocking the present recession trend.

But when it is considered that the social-security program has been bitterly opposed ever since its enactment in 1935, the improvements proposed this year and now supported by old-time foes of this so-called welfare-state legislation, is indeed a great step forward.

Opponents of old-age pensions and social-security generally have been afraid to attack the program head on, but social security was the very heart of the hated welfare-state program, as GOP opponents of this New Deal-Fair Deal legislation liked to call it.

In 1936, Republican Presidential Candidate Landon proposed direct repeal of social security in his campaign. Even President Eisenhower, in his presidential campaign, referred to security as something to be had in a prison cell.

As late as a few months ago, social security was described as "a trojan horse within our walls" by George E. Morton of the Wisconsin Bar Association. Morton said:

The social security of the National Government for real security of living in time of want or need, and as insurance for payment of which the tax is the premium is the greatest fraud that was ever perpetrated on the free people in the history of the world.

In December of 1953, the U. S. News & World Report questioned the safety of old-age security pensions. It raised doubts about the future of retirement checks. The magazine was playing up the point raised by the so-called investigating committee of the Congress, which studied social security. It referred to shaky security and questioned how much security there is in social security. The story also quoted Representative CARL CURTIS of Nebraska on the legality of social security. He questioned it on the grounds that there is no contract or binding commitment between the Government and millions of workers and their families.

Nation's Business of December 1953, an article by Leonard J. Calhoun, referred to social security, and said:

It's social but it's not security.

The Houston Post, the newspaper published by the husband of Mrs. Oveta Culp Hobby, Secretary of the Department of Health, Education, and Welfare, praised housewives of Marshall, Tex., for defying the social-security law by failure to pay social-security taxes for household servants.

There are still bitter foes of social security. But many old opponents, including Members of the Congress, have accepted social security as something that is here to stay. Perhaps some of them have decided that it is unwise to oppose such popular legislation which is now deeply entrenched in the hearts of American citizens and written into the laws of the land.

All of that shows that H. R. 9366 reflects a tremendous change on the part of ancient foes. This most controversial legislation of the past now becomes the most popular noncontroversial issue.

It was once said that social security and pensions for the aged would destroy initiative. Actually the progress which has been made on this vital legislation is a result of increasing interest and initiative on the part of the average citizen. People do not accept the theory in this age that any person should go hungry or without the necessities of life when we are blessed with abundance.

This same spirit of initiative will help correct inadequacies which remain. It will wipe out other evils which deny justice to our senior citizens who unfortunately did not have the opportunity for coverage under social security.

There is a great need for improvement in Federal legislation which now provides aid to the States for public assistance, aid to the blind, and other needy persons.

The means test employed by the States is morally and socially wrong. It destroys many family relationships. It is embarrassing and heartbreaking to many aged persons. The means test creates a burden to many families of young people. It is a serious problem which deserves the attention of the Congress.

A bill which I introduced would compel States to abolish the means test in order to receive contributions from the Federal Government for public-assistance programs. The Social Security Act should be amended to include such a provision. It would greatly improve inadequate State laws on public assistance.

There can be little doubt that Congress will take such steps in the future. It is unfortunate that there should be any delay. There are many shortcomings that I can see in the present bill but what is proposed is a forward step and will have my support.

Mr. DOLLINGER. Mr. Chairman, it is gratifying to have the opportunity to vote for the proposed social-security amendments now before us for consideration. The benefits provided will be a great boon to the millions dependent upon social security, and those who have suffered hardships because of lack of coverage under the law or insufficient

payments in these days of high living costs.

The amendments are a step in the right direction, a reversal of the former policy of the Republicans who heretofore have opposed the program. There is much room for improvement but at least the value, soundness, and need for this great program of economic security have been recognized by its erstwhile enemies, who at one time advocated its repeal and did all they could to halt its progress.

It was in 1935 that the Social Security Act became law under the leadership of President Roosevelt. At that time the Republicans bitterly opposed the act; thereafter, they cut down on the coverage of the law and fought against liberalizing the benefits provided. The Democratic Party can take pride in the fact that under its leadership this great and beneficial program for workers was begun, that its leaders saw the need for safeguards against unemployment, destitution, and dependency, fought for the law, and won against powerful opposition. It is good to know that the Federal Government, under Democratic administration, recognized its duty to aid the States in caring for the aged, the blind, the disabled, and dependent children.

Under the present law, many employees upon becoming disabled, unemployed, or forced to retire, have found themselves without financial assistance of any kind because they were not covered by the act. The amendments before us extend the old-age and survivors insurance coverage to several hundred thousand workers. Among those are persons, in certain categories, employed in domestic service, those who perform services not in the course of their employer's business; seamen; ministers. Many other employee groups have asked for coverage under the law, and it is hoped that adequate protection will be given them before long.

We know that retired persons have been unable to exist on small pensions or retirement payments and have had to supplement their incomes by doing some kind of work. Under the present law, those retired on social-security pensions were permitted to earn only \$75 a month—if they earned more, they would lose the social-security benefit for that month. They were penalized for trying to earn enough to meet the simplest needs of living. Now it is proposed that all retired persons be permitted to earn \$1,000 a year without losing any pension benefits—and then to lose only a limited amount if they earn more than this total.

There has been a crying need for this change in the law—it will mean the difference between bare existence and decent living for many thousands of persons. Considering the high cost of living and tremendous taxes, this earning exemption should have been increased even more, and I shall continue to advocate liberalization of the law in this regard.

The amendments before us guarantee a minimum increase of at least \$5 a month to all present beneficiaries. Pensions will be raised by amounts ranging from \$5 to to \$23.50 a month. Under the present law, payroll taxes apply to in-

come up to \$3,600 per year; this would be increased to \$4,200 per year. The law also provides for increases in payments to widows and children getting survivors' benefits. It is also proposed to bring many groups of self-employed persons into the old-age insurance system. Self-employed persons have needed the protection of social security and it is hoped that the groups now omitted will receive favorable consideration soon, for they have proved their need for the assistance provided by the law.

As stated before, the Social Security Act constituted a great stride toward fulfilling our duty to those who could not care for themselves, who were without assurance of any income of any kind, who after years of hard work found themselves destitute. Its shortcomings have been apparent. The amendments before us will help. I am happy for all those who will receive adequate help and whose needs will now be taken care of. However, we must not lose sight of the fact that as the economic picture changes, more help must be given; that many thousands not now covered by the law need assistance.

Congress cannot afford to rest on its laurels after passage of these amendments—we must continue to work toward the day when all those who need protection under social security will be given it, when all the needy in our country will receive adequate benefits.

Mr. ADDONIZIO. Mr. Chairman, on Friday, May 28, the Ways and Means Committee of the House of Representatives reported out a bill described as the Social Security Act amendments of 1954. May I say that, in the beginning, any proposal for amendment of the Social Security Act must receive the closest attention which each one of us can give. For when we are legislating with respect to social security we are intimately concerned with the problem of nearly every family in this country. The letters from such families which come to my office every day are ample evidence that the existing system contains many inadequacies. Indeed, I am perfectly certain that we have a long way to go before we can be sure that the word "security" properly belongs in the title of our social-security system.

I am, then, concerned that we consider this legislation in the light of the situations of these families as we know of their unhappy circumstances from personal experience or through the letters from home. I am concerned with the plight of the aged men and women, the widows, and the mothers who write of their problems in the individual terms of trying to stretch their social-security income to meet today's costs of food, clothing, and shelter. It is, I think, only necessary to remind this Congress that the average benefit under social security today is around \$50 per month—or \$600 per year—to make the point that we are far from the goal of providing assurance against want through our social-security system.

The present bill is, in many respects, a short step in the right direction. It provides a slight increase in benefits. It contains a wage-credit freeze for persons who must retire from the labor

force because they are permanently and totally disabled—but this is a very short step ahead, in my opinion, because it fails to provide the much-needed benefits for disabled persons. It revises and liberalizes the work clause—or retirement test—so that those people who are able to work and able to find work can earn more substantial amounts without being penalized by losing their benefits because of that work. And it substantially extends the coverage of the social-security system.

We are told that coverage has been extended as substantially as is practical and possible at this time in order to meet the wishes of those occupation groups who now lack such protection. I hope this is true. For it is clear to me that, until we have achieved practically universal coverage—so that every family in the United States will have the assurance of social-security protection—we will not have conformed to the purposes of this genuinely sound social-insurance system.

How many people do you know who have lost their benefit rights entirely—or whose benefits have been substantially reduced because they worked for a considerable period of time in uncovered employment?

How many letters have you received from young widows with small children who found themselves alone and penniless as a result of the untimely death of the husband and father—because he was not working in covered employment? And remember that, if he had been covered, the social-security system would move in, in this time of great tragedy, to provide benefits not only for the young widow, but for each of the children under 18 years of age. In my mind, this one protection alone is justification for providing coverage for every worker in the United States.

I recall that, back in 1937 when the payroll tax first went into effect, many covered workers were concerned, and questioned the incidence of this payroll tax for an untried and sometimes misinterpreted social-security system. The warnings and protestations of that time have, as we know, all disappeared as the system has grown. The fact that the skeptics of those early days have been convinced of the essential soundness of the principles enunciated in that first social-security law was amply demonstrated at the recent hearings before the Ways and Means Committee when representatives of labor and industry, of insurance companies as well as of social-welfare organizations, all joined together in approval of the purpose of extending the coverage of social security substantially.

I am glad, therefore, that the bill, H. R. 9366, which has been reported for the consideration of this House increases the coverage of the social-security system by about 10 million persons. But I regret that action is feasible only under a closed rule, which will permit no amendments from the floor because I am convinced that it does not go far enough in certain other important respects.

I question, for example, whether the small increase in benefits which it provides will represent much help when it

comes to meeting the living costs of today. When I am told that the committee's bill will provide an increase of from \$5 to \$7 per month in social-security benefits, I remember that the average benefit today is, as I have said, only around \$50 per month. Can any of us really believe that by increasing this average to around \$55 or \$57 per month we shall actually have provided a form of basic security for the American people? I am not surprised, in view of these figures, that 1 in 6 men, 1 in 5 women, and 1 in 8 widows now receiving social-security benefits are forced to seek supplemental payments from public assistance programs in order to meet the barest of living expenses. And I remind this Congress that 1 in 8 men, 1 in 6 women, and 1 in 4 aged widows now receiving benefits have no other income. Let us not, then, imagine that we are, in this bill, providing any genuine or meaningful improvement of existing benefits. It will help a little—and for that reason, of course, I shall support the bill. But I am supremely aware of the fact that it is only a token gesture—a small step, as I have said, in the right direction. For my own part, I am looking forward to the day when we can genuinely liberalize the benefit schedule so that when we talk about social security we will mean real security for our old folks and for young widows and their children.

Another much-needed improvement which is completely ignored in this bill is a lowering of the eligibility age. Why is it, I wonder, that we have moved in the direction of bringing our social-security system up to date with the magnificent productivity of our time in most other respects—but we still cling to the eligibility age of 65 which was set arbitrarily almost two decades ago?

Meanwhile many other retirement plans have been adjusting their plans to allow for retirement at age 60 or, in some cases, to as low as age 55. This trend has grown in many industrial plans because of the realities of an industrial society—and in spite of the fact that most of these plans are geared into social security and must thus make special arrangements for the interval between their own earlier retirement age and age 65 when social-security benefits will be made available.

By lowering the retirement age to 60 years at least, we would be conforming with modern practice in private plans. I remind you that this Congress has accepted a lower retirement age in connection with certain other public programs approved by legislation. Workers under the railroad retirement system, for example, are eligible at age 60 with 30 years of service. By lowering the retirement age of social security to 60 years at least, we would be conforming with modern and enlightened pension planning. And, at the same time, we would simplify and improve the manner in which public and private plans, which have moved ahead to accept an earlier age, can be geared into social security.

Even more important, perhaps, is the fact that a lower retirement age would relieve destitution in many homes where the elderly breadwinner has been laid off or is unable to work but has not yet

attained his or her 65th birthday. For such families our present system sets up a period of endurance on the sole ground that age should be the determining factor in providing retirement benefits. This inequity could be alleviated by providing a lower retirement age.

Let us be realistic about this matter. Such a provision would not mean that workers would be forced to retire at age 60 if they did not need to or want to. Retirement under social security is, of course, up to the individual. Indeed, the average worker today does not apply for benefits until he is 68 or 69 years of age—or about 4 years after he is eligible. Lowering the eligibility age to 60 years would not, then, mean that thousands of workers would retire prematurely from the labor force, as some would have us believe. But it would mean that many less fortunate workers between the ages of 60 and 65 who cannot work—either because they are sick or because no one will hire them—would not be forced to wait for 5 long years between their 60th and 65th birthdays before they are eligible for social-security benefits.

I am greatly concerned, moreover, with one feature of the bill which, to my mind, is a long step backward. I refer to the new provisions making certain limitations on the benefits which shall be paid to persons who have qualified for social insurance—and have made their own tax contribution—in the same way as everyone else under the system has done, but who choose to spend their years of retirement outside the United States. Under the proposed bill benefits to survivors or dependents of such persons would not be paid for any month in which they were living outside the United States unless they met certain residence requirements in the United States.

First of all, I call your attention to the fact that this section of the bill was added just before it was reported out of the Committee on Ways and Means. It was not contained in the bill H. R. 7199 which was considered at the hearings. There was no opportunity, therefore, to air this proposal in the public hearings in connection with the bill and to test its merits or lack of merits. It was just slipped in at the last minute, in a measure which is before this House under a closed rule so that there will be no opportunity to remove or revise it by amendment.

As I have said, this provision is to my mind a very serious step backward. For the first time in our social-security system, the principle that the right to benefits is an earned right is threatened. For if we begin by saying that the dependents and survivors of certain workers are not entitled to equal rights with other workers, we are establishing a precedent which can dangerously threaten the rights of all workers to benefits.

Let us be very clear about the fact that this is a contributory social insurance system, and that every worker who qualifies contributes his share to his retirement benefit. But by adopting this provision we would be establishing a category of second-class beneficiaries. We would be violating the principle of

equal benefits for equal work records which is very fundamental to our social-insurance system. We would establish a new and dangerous precedent that a worker must meet certain conditions beyond those which apply to his work record in qualifying for social security. Once such a precedent is accepted, the right to benefits will be subject to the whim or prejudice of any future Congress. For these reasons, among others, I feel certain that when the people of this country become aware of the implications of this new provision, it will be summarily removed and never written into law.

These are a few of the questions which deserve, then, the earnest considerations of all of us as we act upon the social security amendments of 1954. Let us be alert and concerned that any law which passes this session of Congress shall be, indeed, a genuine improvement of our social security system. None of us can doubt that there is great need for many improvements. We may have to accept the small steps forward contained in the present bill pending the day when we can make the more extensive improvements which will bring the system up to date and in line with the magnificent increase in our productive power. I shall support the improvements which this bill makes. But I am looking forward to the day when we can take a long step forward in improving social security in the United States.

Mr. DONOHUE. Mr. Chairman, I am very glad to speak once again in support of the expansion of our present social-security legislation.

As I have repeatedly stated on the floor of this House, over the past 8 years, if we cannot afford to give a concrete demonstration of the ability of this blessed country to reasonably provide for security of our older citizens' enjoyment of abundant American life, then we have no right to tell Communist followers that our democratic process is more inherently Christian than their pagan godless state of servile slavery.

In my firm judgement, adequate social-security legislation is a sound barrier against the advancing scourge of communistic propaganda and philosophy which is challenging us this very hour and is forcing us to fight for our very survival.

There are still a great many technical inequities in this measure that I hope will be adjusted in future consideration but since it is this bill or no bill I urge my colleagues to approve it without further delay. In substance it is a real step forward for those of us who have persistently advocated increased coverage and more liberal benefits.

This measure has many sound progressive features which, although many of us feel they do not go far enough, are nevertheless major improvements in the existing law. It lifts some of the penalty on those retired citizens, true Americans, who are ready and able to still perform valuable work. It enables them to earn \$1,000 a year in outside income and not lose their social security benefits. Present law restricts outside income to \$75 a month.

It increases benefits for persons now retired. The minimum payments would go up from \$25 to \$30 a month and the maximum from \$85 to \$98.50.

In determining a worker's average monthly wage, the 4 years in which his wages were lowest would be dropped. Benefits go up as the average monthly wage goes up.

The wage base which is subject to the social-security tax will be raised from \$3,600 to \$4,200 a year. In addition it proposes a freeze on old-age insurance benefits of persons who become disabled, so that upon reaching 65 a worker disabled would become eligible for retirement benefits at the amount he would have received had he been eligible for them when disabled.

In the overall analysis this bill strives to correct numerous inequalities that have been demonstrated from the testing ground of experience. It is a healthy indication that as time goes on this Congress will more and more recognize the obligation we have to our older citizens to remove, in a Christian spirit, the haunting and despairing darkness of fear of want that comes in the sunset of life to so many Americans through no fault of their own, other than generosity of their own families.

How much stronger, how much more resistant to Communist entreatment and intrigue this Nation will be when its citizens are assured that our great business system and our Government, working harmoniously together, have established a dignified, humane financial operation making them eligible to receive what every worthy working American deserves, namely, reasonable security in time of adversity and dire need.

Mr. Chairman, the major provisions of this bill are in the Christian democratic spirit upon which this country was founded and it is only by an enlargement and progression of that spirit this Nation can hope to endure in the face of the Communist challenge. Let us therefore enact this measure now and diligently work to improve it in the future.

Mr. RABAUT. Mr. Speaker, it is with a great deal of interest that I note the action taken by this House on Tuesday, June 1, in passing H. R. 9366, the Social Security Amendments of 1954. While the bill, as approved here, does not quite come up to the level that I had hoped it would, and does not embody all the suggestions and proposals which I outlined in my remarks of April 6, in the CONGRESSIONAL RECORD, it does indicate, at least to me, a genuine effort by Republicans and Democrats of this House, working together to put through and continue and better a program which has been the brain child of the Democrats, since the time of the first social-security legislation in this country, back in the mid-thirties.

In the RECORD of April 6, I asked that this House consider, in any legislation of this nature, the merits of a seven-point program which had been submitted on January 13, of this year, by a number of my Democratic colleagues and me, which would act to liberalize the present social-security system and to bring it more closely in line with living conditions as

they are in this year of 1954. In all honesty, it is admitted that many of these points were incorporated in the bill as finally passed on June 1. Some of these proposals were watered down, and in their diluted condition, are in this bill H. R. 9366.

Social security, wisely handled and implemented with an anxious eye to the actuarial aspects of the program, can bring to the people of our country, especially to our aged and elder citizens, a new high of decent living and a new measure of contentment and well-being. Old-age assistance in this day and age, is more than a gratuity; it is an absolute necessity.

We have more old folks in this country than at any time in our history, and with the continuing rise in cost of living, they find that what they have will not, in many cases, afford them even the minimum requirements of ordinary living. This bill seeks to take these factors into consideration, providing a firm basis on which recipients of old-age and survivors insurance may provide for their future, and a means by which those receiving old-age assistance may meet their obligations and needs.

This is what the bill, H. R. 9366, as passed by the House will do:

It will extend old-age and survivors coverage to some 10 million persons who are now without basic retirement and survivors' protection. It will continue to provide, through contribution, to the States' funds for old-age-assistance payments to persons still remaining outside the insurance system. It makes available benefits to workers who become permanently and totally disabled, with waiver of premiums. It increases monthly payments of benefits.

The benefits will range in primary insurance amounts from \$30 to \$98.50 as compared to \$25 to \$85 under present law. This 20-percent rise, from \$25 to \$30, is a larger jump than cost-of-living figures would apparently justify.

The 2-percent contribution remains in effect.

The bill permits an employee, or a self-employed person, on social security, to earn up to \$1,000 a year without loss in benefits, computed on a yearly basis. I had asked that this figure be put at \$1,200 a year.

The bill provides that the present base of \$3,600 on which contributions are collected and paid be raised to \$4,200. It had been my request that the figure be raised to \$4,800.

The social-security bill now goes to the Senate for consideration. It is my hope that wise and early action will be taken in that body on the bill. This will assure to our aged citizens—who in the past have exercised the great efforts that brought about developments here in America which we, in our generation, enjoy—a more complete and adequate protection than they are heirs to at the present time.

Mrs. BUCHANAN. Mr. Chairman, I am very happy to support the bill now before us. As some of my colleagues on this side of the aisle have already remarked, we are observing the pleasing spectacle of our Republican friends com-

ing, at long last, to the support of this humanitarian legislation dedicated to the welfare of all the people.

We have heard, increasingly of late, the question as to what has happened to the "great crusade." Now that is a good question, and I think the answer would have to be that it has suffered a fate similar to that of the other catchy slogans and has become just another empty phrase. So in this mood of disenchantment I think it is at least slightly reassuring to see some evidence of what our slogan-loving friends might well call the great conversion.

The original Social Security Act first became law in 1935. The Democratic Party has pointed to it with pride as that great landmark of social legislation recommended to the Congress by the great humanitarian, Franklin Delano Roosevelt, and passed by the Congress under his leadership. It has preserved and strengthened the family life of America. The theory behind this act, when it was passed in 1935, was that it would assure retired workers and their families enough money to live out their lives in comfort and independence. It is a little difficult today for us to realize that such an attempt to bring security into the life of the American worker was met with anguished cries of socialism.

Down through the years it became apparent that the act should be extended to cover more persons who were without basic retirement and survivors' protection and, further, that the benefits were too low. That is why I am so pleased with those provisions of H. R. 9366 which extend old-age and survivors insurance coverage to approximately 10 million persons who are presently excluded from the act. Unfortunately, the increase in benefits provided for in this bill is far too limited in this time of high living costs to meet the original purpose of the act.

There was legislation before the Ways and Means Committee introduced by my colleague, Congressman EBERHARTER, and other Democratic members of the committee, providing a more realistic increase in benefits and if it were possible I would vote for it today in preference to the benefit provisions of the present bill. In view of the legislative situation resulting from the closed rule under which we are operating today there is no possibility of an amendment and hence I am supporting the limited increase in benefits as the best we can obtain at the present time.

This is, then, Mr. Chairman, not the best of all possible bills but an encouraging step forward and a heartening recognition of the need for social security on the part of those who have opposed it most vigorously in the past.

Mr. VURSELL. Mr. Chairman, social security has become a fixed policy of the Government, and is closely woven into the economic welfare of millions of our citizens. Having become a great industrial nation, with over 60 million people employed, we find that a number of people cannot save enough during the earning period of their lives to provide the necessities of life, when their ability to do a day's work has passed, because of their age.

The purpose of social security is to provide, through small payments by the workers and a like small payment by their employers, a social security insurance fund which over a span of years will provide a small retirement fund for such workers, and certain of their dependents, which will help to partially provide the necessities of life when their earning period is over.

This bill, H. R. 9366, before us, will increase the benefits for those who are eligible. After many months of careful study by the Ways and Means Committee, reviewing the whole social security structure, the committee feels that their recommendations contained in this bill are justifiable and within the limits of the social security fund to sustain. For this reason, I heartily approve of this section of the bill.

The committee has also seen fit to eliminate those in the medical profession in the bill. This, in my judgment, is a wise move.

I am concerned and doubt the wisdom of the inclusion of self-employed farmers under social security. I think it would be a wiser decision to have given the farmers an opportunity to come under the social-security provisions of this bill by their own volition, making their own decision as to whether or not they desire to do so, rather than under the present provisions of the bill.

Inasmuch as we cannot amend the legislation before us, and inasmuch as the Senate, under its rules, can amend the legislation, I am supporting the bill before us with the hope that the Senate will give serious consideration to amending the bill when it reaches that body, making it optional to self-employed farmers whether or not they desire to come under the provisions of this legislation.

I am also hopeful that the same consideration will be given to certain other professional groups, including such groups as lawyers, dentists, and so forth. I feel that such groups should be allowed to make their own decision as to whether or not they want to avail themselves of the social-security provisions of this bill. I hope, and believe, the Senate will give more thorough consideration to these groups referred to along the line I have suggested, as I believe such changes would substantially improve the legislation.

Mr. BYRNE of Pennsylvania. Mr. Speaker, under leave to extend my remarks in the RECORD, I want to say that I am glad to be a Member of the 83d Congress, which has just passed by a very large majority the amended Social Security Act. For many years we Democrats have worked and voted for social legislation of this type. It makes us proud to see that our efforts have not gone unnoticed, particularly by our colleagues on the Republican side of the aisle. The bill which we have just passed is basically Democratic legislation. It has proved itself so well that even our Republican friends find it necessary to extend and enlarge it.

This legislation adds an estimated 10 million persons to the social-security rolls. Besides extending coverage to large new groups, the bill will provide

for increased benefit payments, larger annual contributions by employers and employees, and a more liberal income for persons already under the program.

For the first time, farm owners and workers will be included, as well as many State and municipal employees, clergymen, and professional people such as dentists, lawyers, architects, and engineers. Schoolteachers, for example, would have the option of joining the social-security system, if they carry a vote to do so by a two-thirds majority. Social-security coverage would not prevent them from receiving benefits from their State or local retirement systems.

For the worker who has already retired, this bill raises the minimum monthly payments of social security from \$25 to \$30 and increases the maximum monthly payments from \$85 to \$98.50. These benefits would become effective 2 months after the bill becomes law and would affect approximately 6 million persons. Workers not yet retired may expect to receive up to \$108.50 per month.

While the maximum annual wage on which benefits and taxes are based has been raised from \$3,600 to \$4,200, it was felt that a more equitable salary floor would have been \$4,800. This proposal was defeated in committee.

There is a provision in this bill for retired persons receiving social security who accept employment to supplement their income from the social-security pension. At the present time, these persons lose their social-security benefits each month that they earn \$75 or more. Under this bill, maximum earned income is placed on an annual basis, and this amount is fixed at \$1,000. My colleagues and I hoped that the maximum income earned by a person receiving social security would be set at at least \$1,200. However, we were unsuccessful in our efforts.

The Social Security Act which has passed the House admittedly has its defects. On the other hand, I am convinced that it will provide more benefits than ever before to many more people. It will be a welcome boon to many of my constituents. Let me note here that the original Social Security Act of 1936 has been amended five times. This is an indication that Congress has kept up with the times and has shown itself willing to correct inequities as they appear. I feel sure that should experience prove that this bill is inadequate, measures will be taken to adjust it to make adequate provision for all our people.

The CHAIRMAN. Under the rule, if there are no further requests for time the bill is considered as having been read for amendment. No amendments are in order to the bill except amendments offered by direction of the Committee on Ways and Means. Are there any committee amendments?

Mr. REED of New York. No, Mr. Chairman; there are no committee amendments.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. JENSEN, 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. 9366) to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes, pursuant to House Resolution 568, he reported the bill back to the House.

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.

The SPEAKER. The question is on the passage of the bill.

Mr. COOPER. On that I demand the yeas and nays, Mr. Speaker.

The yeas and nays were ordered.

The question was taken; and there were—yeas 356, nays 8, answered "present" 2, not voting 68, as follows:

[Roll No. 78]

YEAS—356

Abblitt	Chenoweth	Gentry
Abernethy	Chlperfield	George
Adair	Chudoff	Golden
Addonizio	Church	Goodwin
Albert	Clardy	Gordon
Alexander	Clevenger	Graham
Allen, Calif.	Cole, Mo.	Granahan
Andersen,	Cole, N. Y.	Grant
H. Carl	Colmer	Green
Andresen,	Coon	Gregory
August H.	Cooper	Gross
Andrews	Coudert	Gwinn
Angell	Cretella	Hagen, Calif.
Arends	Crosser	Hagen, Minn.
Aspinall	Crumpacker	Hale
Auchincloss	Cunningham	Haley
Ayres	Curtis, Mass.	Halleck
Bailey	Curtis, Mo.	Hand
Baker	Curtis, Nebr.	Harden
Barrett	Dague	Hardy
Bates	Davis, Ga.	Harrison, Nebr.
Battle	Davis, Tenn.	Harrison, Va.
Beamer	Davis, Wis.	Harrison, Wyo.
Becker	Dawson, Ill.	Hart
Belcher	Dawson, Utah	Harvey
Bennett, Fla.	Deane	Hays, Ohio
Bennett, Mich.	Delaney	Heller
Bentley	Dempsey	Herlong
Bentsen	Derounlan	Heselton
Berry	Devereux	Hess
Betts	D'Ewart	Hill
Bishop	Dies	Hillelson
Boggs	Dodd	Hinshaw
Bolling	Dollinger	Hollfeld
Bolton,	Dondero	Holmes
Frances P.	Donohue	Holtzman
Bolton,	Donovan	Hope
Oliver P.	Dorn, N. Y.	Horan
Bonin	Dorn, S. C.	Hosmer
Bosch	Dowdy	Howell
Bow	Durham	Hruska
Bowler	Eberharter	Hyde
Boykin	Edmondson	Ikard
Bramblett	Ellsworth	Jarman
Bray	Evins	Javits
Brooks, Tex.	Fallon	Jenkins
Brown, Ga.	Feighan	Jensen
Brown, Ohio	Fenton	Johnson, Wis.
Broyhill	Fernandez	Jonas, N. C.
Buchanan	Fine	Jonas, Ala.
Budge	Fino	Jones, N. C.
Burdick	Fogarty	Judd
Busbey	Forand	Karsten, Mo.
Byrd	Ford	Kean
Byrne, Pa.	Forrester	Kearney
Byrnes, Wis.	Fountain	Kearns
Camp	Frazier	Keating
Campbell	Frelinghuysen	Kee
Canfield	Freidel	Kelley, Pa.
Cannon	Fulton	Kelly, N. Y.
Carnahan	Gamble	Keogh
Carrigg	Garmatz	Kersten, Wis.
Cederberg	Gary	Kilday
Celler	Gathings	King, Calif.
Chatham	Gavin	King, Pa.
Chief		

Kirwan	O'Brien, Ill.	Sheehan
Klein	O'Brien, Mich.	Shelley
Knox	O'Brien, N. Y.	Short
Laird	O'Hara, Ill.	Shuford
Landrum	O'Konski	Sieminski
Lane	O'Neill	Simpson, Ill.
Lanham	Osners	Small
Lantaif	Ostertag	Smith, Miss.
Latham	Passman	Smith, Wis.
LeCompte	Patman	Spence
Lesinski	Patten	Springer
Long	Patterson	Staggers
Lovre	Pelly	Staufer
Lyle	Perkins	Steed
McCarthy	Prost	Stringfellow
McConnell	Phlibin	Sullivan
McCormack	Pilcher	Taber
McCulloch	Pillion	Talle
McDonough	Poage	Talle
McGregor	Poff	Taylor
McIntire	Polk	Thomas
McMillan	Price	Thompson, La.
McVey	Priest	Thompson,
Mack, Ill.	Prouty	Mich.
Mack, Wash.	Rabaut	Thornberry
Madden	Radwan	Tollefson
Magnuson	Rains	Trimble
Mahon	Ray	Van Pelt
Maillard	Rayburn	Van Zandt
Marshall	Reams	Vinson
Matthews	Reece, Tenn.	Vorys
Meader	Reed, Ill.	Vursell
Merrill	Reed, N. Y.	Wainwright
Merrow	Rees, Kans.	Walter
Metcalf	Rhodes, Pa.	Wampler
Miller, Kans.	Roberts	Warburton
Miller, Md.	Robson, Ky.	Watts
Miller, Nebr.	Rodino	Westland
Miller, N. Y.	Rogers, Colo.	Wharton
Mills	Rogers, Fla.	Wheeler
Mollohan	Rogers, Mass.	Whiten
Morano	Rogers, Tex.	Wickersham
Morgan	Rooney	Widnall
Moss	Roosevelt	Wier
Moulder	Sadlak	Wigglesworth
Muiter	St. George	Williams, Miss.
Mumma	Saylor	Williams, N. J.
Murray	Schenck	Williams, N. Y.
Natcher	Scherer	Willis
Neal	Scott	Wilson, Ind.
Neison	Scrivner	Winstead
Nicholson	Secrest	Withrow
Norblad	Seely-Brown	Wolverton
Norrill	Selden	Yates
Oakman	Shafer	Young
		Zablocki

NAYS—8

Burleson	Lucas	Smith, Kans.
Fisher	Regan	Teague
Hoffman, Mich.	Robeson, Va.	

ANSWERED "PRESENT"—2

Smith, Va.	Tuck
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NOT VOTING—68

Allen, Ill.	Hays, Ark.	Phillips
Ashmore	Hébert	Powell
Barden	Hiestand	Preston
Blender	Hillings	Rhodes, Ariz.
Bender	Hoeven	Richards
Boland	Hoffman, Ill.	Riehlman
Bonner	Holt	Riley
Brooks, La.	Hunter	Rivers
Brownson	Jackson	Scudder
Buckley	James	Sheppard
Bush	Johnson, Calif.	Sikes
Carlyle	Jonas, Ill.	Simpson, Pa.
Condon	Jonas, Mo.	Sutton
Cooley	Kiiburn	Thompson, Tex.
Corbett	Kluczynski	Utt
Cotton	Krueger	Velde
Dingell	Lipscomb	Welchel
Dolliver	Machrowicz	Wilson, Calif.
Doyle	Martin, Iowa	Wilson, Tex.
Elliott	Mason	Wolcott
Engle	Miller, Calif.	Yorty
Gubser	Morrison	Younger
Harris	O'Hara, Minn.	

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Wilson of California for, with Mr. Utt against.

Mr. Engel for, with Mr. Mason against.

Mr. Simpson of Pennsylvania for, with Mr. Wilson of Texas against.

Mr. Thompson of Texas for, with Mr. Rhodes of Arizona against.

Mr. Dingell for, with Mr. Smith of Virginia against.

Mr. Harris for, with Mr. Tuck against.
Mr. Allen of Illinois for, with Mr. Welch against.

Until further notice:

Mr. Bender with Mr. Morrison.
Mr. Martin of Iowa with Mr. Hays of Arkansas.

Mr. Brownson with Mr. Hébert.
Mr. Hoeven with Mr. Buckley.
Mr. Hoffman of Illinois with Mr. Doyle.
Mr. Holt with Mr. Sikes.
Mr. Jackson with Mr. Ashmore.
Mr. Jonas of Illinois with Mr. Miller of California.

Mr. Hiestand with Mr. Yorty.
Mr. Wolcott with Mr. Sheppard.
Mr. Younger with Mr. Preston.
Mr. O'Hara of Minnesota with Mr. Kluczynski.

Mr. Lipscomb with Mr. Machrowicz.
Mr. Gubser with Mr. Riley.
Mr. Kilburn with Mr. Blatnik.
Mr. Phillips with Mr. Condon.
Mr. Velde with Mr. Bonner.
Mr. Scudder with Mr. Cooley.
Mr. Hillings with Mr. Brooks.
Mr. Corbett with Mr. Powell.
Mr. Cotton with Mr. Boland.
Mr. Johnson with Mr. Elliott.
Mr. James with Mr. Sutton.
Mr. Dolliver with Mr. Richards.
Mr. Hunter with Mr. Rivers.
Mr. Krueger with Mr. Jones of Missouri.

Mr. SMITH of Virginia. Mr. Speaker, I have a live pair with the gentleman from Michigan, Mr. DINGELL. If he were present, he would have voted "aye." I voted "nay." I withdraw my vote and vote "present."

Mr. TUCK. Mr. Speaker, I have a live pair with the gentleman from Arkansas, Mr. HARRIS. If he were present, he would have voted "aye." I voted "nay." I withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. REED of New York. Mr. Speaker, I ask unanimous consent that all Members who so desire may extend their remarks in the RECORD immediately prior to the passage of H. R. 9366.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

PERSONAL EXPLANATION

Mr. BOLAND. Mr. Speaker, I ask unanimous consent to address the House for 30 seconds.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. BOLAND. Mr. Speaker, if I had been present and could qualify to vote on H. R. 9366, I would have voted "yea." I was detained in another part of the building.

SOCIAL SECURITY

Mr. ELLIOTT. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. ELLIOTT. Mr. Speaker, I returned to Washington this morning after having spent yesterday in Alabama, where I went to vote in the June 1 runoff primary election.

I had not expected the House to pass the amendments to the social-security law until today. I was torn between two duties—that of exercising my privilege to vote in the Alabama election, and that of staying here so as to be present during every single minute of consideration given to the social-security bill, H. R. 9366. Had I been present yesterday, I would, of course, have voted for this bill.

I do think that the new social-security amendments make a wonderful contribution to the desire of all Americans for a reasonable degree of security in old age.

I am particularly pleased that the bill provides for a system of coverage for our farmers. The coverage applies to farm owners and operators and farm laborers. This is a great step forward. It is one that I have been deeply interested in since coming to Congress. I have had the pleasure of discussing the problem and advocating social-security coverage for farmers in tens of speeches in the Seventh Congressional District of Alabama. The farmers of our district are ready for social security. They are entitled to its benefits.

The Seventh Congressional District of Alabama is a rural district. It has more than 30,000 individual farms. Social security for those who man these farms, whether they be owners, operators, or employees will mean a great deal to our district.

I am likewise happy that the bill provided for coverage for the school teachers of America. They richly deserve the benefits of the bill.

Among the many deserving groups covered by the amendments to the law are our ministers of religion.

When the House Committee on Ways and Means had this bill under consideration I had the privilege of appearing before it urging coverage of farmers, ministers, and school teachers, and other deserving groups. During the 83d Congress alone, I myself have introduced six bills that provided for revision of our social-security system. Many of my recommendations have been embodied in the amendments we have just adopted. This is very gratifying.

This bill is another landmark of the strength of America. Its emphasis is upon the well being of the individual. It is a good long step toward old-age security for all Americans.

Union Calendar No. 627

83^D CONGRESS
2^D SESSION

H. R. 9366

[Report No. 1698]

IN THE HOUSE OF REPRESENTATIVES

MAY 28, 1954

Mr. REED of New York introduced the following bill; which was referred to the Committee on Ways and Means

MAY 28, 1954

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, 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 may be cited as the "Social Security Amend-
4 ments of 1954".

1 TITLE I—AMENDMENTS TO TITLE II OF THE
2 SOCIAL SECURITY ACT

3 EXTENSION OF COVERAGE

4 DOMESTIC SERVICE, SERVICE NOT IN COURSE OF EMPLOYER'S
5 BUSINESS, AND AGRICULTURAL LABOR

6 SEC. 101. (a) (1) Paragraph (2) of section 209 (g)
7 of the Social Security Act is amended to read as follows:

8 “(2) Cash remuneration paid by an employer in
9 any calendar quarter to an employee for domestic service
10 in a private home of the employer, if the cash remunera-
11 tion paid in such quarter by the employer to the em-
12 ployee for such service is less than \$50. As used in
13 this paragraph, the term ‘domestic service in a private
14 home of the employer’ does not include service de-
15 scribed in section 210 (f) (5);”.

16 (2) Section 209 (g) of such Act is amended by adding
17 at the end thereof the following new paragraph:

18 “(3) Cash remuneration paid by an employer in
19 any calendar quarter to an employee for service not in
20 the course of the employer's trade or business, if the
21 cash remuneration paid in such quarter by the employer
22 to the employee for such service is less than \$50. As
23 used in this paragraph, the term ‘service not in the
24 course of the employer's trade or business’ does not in-
25 clude domestic service in a private home of the employer

1 and does not include service described in section 210
2 (f) (5);”.

3 (3) Section 209 (h) of such Act is amended by in-
4 serting “(1)” after “(h)” and by adding at the end thereof
5 the following new paragraph:

6 “(2) Cash remuneration paid by an employer in
7 any calendar year to an employee for agricultural
8 labor, if the cash remuneration paid in such year by
9 the employer to the employee for such labor is less
10 than \$200;”.

11 (4) Section 210 (a) (1) of such Act is amended to
12 read as follows:

13 “(1) Service performed by foreign agricultural
14 workers under contracts entered into in accordance with
15 title V of the Agricultural Act of 1949, as amended;”.

16 (5) Section 210 (a) of such Act is amended by striking
17 out paragraph (3) and redesignating paragraphs (4),
18 (5), (6), (7), (8), (9), (10), (11), (12), (13), and
19 (14), and any references thereto contained in such Act,
20 as paragraphs (3), (4), (5), (6), (7), (8), (9), (10),
21 (11), (12), and (13), respectively.

22 (6) The second sentence of section 218 (c) (5) of such
23 Act is amended by inserting before the period at the end
24 thereof “and service the remuneration for which is excluded
25 from wages by paragraph (2) of section 209 (h)”.

1 AMERICAN CITIZENS EMPLOYED BY AMERICAN EMPLOYERS
2 ON FOREIGN-FLAG VESSELS

3 (b) The paragraph of section 210 (a) of the Social
4 Security Act herein redesignated as paragraph (4) is
5 amended by striking out "if the individual is employed on
6 and in connection with such vessel or aircraft when outside
7 the United States" and inserting in lieu thereof: "if (A) the
8 individual is employed on and in connection with such vessel
9 or aircraft when outside the United States and (B) (i) such
10 individual is not a citizen of the United States or (ii) the
11 employer is not an American employer".

12 CERTAIN FEDERAL EMPLOYEES

13 (c) (1) Subparagraph (B) of the paragraph of section
14 210 (a) of the Social Security Act herein redesignated as
15 paragraph (6) is amended—

16 (A) by inserting "by an individual" after "Service
17 performed", and by inserting "and if such service is cov-
18 ered by a retirement system established by such instru-
19 mentality;" after "December 31, 1950,";

20 (B) by inserting "a Federal Home Loan Bank,"
21 after "a Federal Reserve Bank," in clause (ii); and

22 (C) by striking out "or" at the end of clause (iii),
23 by adding "or" at the end of clause (iv), and by adding
24 at the end of the subparagraph the following new clause:

25 "(v) service performed by a civilian employee,

1 not compensated from funds appropriated by the
2 Congress, in the Coast Guard Exchanges or other
3 activities, conducted by an instrumentality of the
4 United States subject to the jurisdiction of the Sec-
5 retary of the Treasury, at installations of the Coast
6 Guard for the comfort, pleasure, contentment, and
7 mental and physical improvement of personnel of the
8 Coast Guard;”.

9 (2) Subparagraph (C) of such paragraph is amended
10 to read as follows:

11 “(C) Service performed in the employ of the
12 United States or in the employ of any instrumentality of
13 the United States, if such service is performed—

14 “(i) as the President or Vice President of the
15 United States or as a Member, Delegate, or Resi-
16 dent Commissioner of or to the Congress;

17 “(ii) in the legislative branch;

18 “(iii) in a penal institution of the United
19 States by an inmate thereof;

20 “(iv) by any individual as an employee in-
21 cluded under section 2 of the Act of August 4, 1947
22 (relating to certain interns, student nurses, and
23 other student employees of hospitals of the Federal
24 Government; 5 U. S. C., sec. 1052) ;

25 “(v) by any individual as an employee serving

1 on a temporary basis in case of fire, storm, earth-
2 quake, flood, or other similar emergency; or

3 “(vi) by any individual to whom the Civil
4 Service Retirement Act of 1930 does not apply
5 because such individual is subject to another retire-
6 ment system (other than the retirement system of
7 the Tennessee Valley Authority);”.

8 (3) Section 205 (p) (3) of such Act is amended by
9 adding at the end thereof the following new sentence: “The
10 provisions of paragraphs (1) and (2) shall be applicable
11 also in the case of service performed by a civilian employee,
12 not compensated from funds appropriated by the Congress,
13 in the Coast Guard Exchanges or other activities, conducted
14 by an instrumentality of the United States subject to the
15 jurisdiction of the Secretary of the Treasury, at installations
16 of the Coast Guard for the comfort, pleasure, contentment,
17 and mental and physical improvement of personnel of the
18 Coast Guard; and for purposes of paragraphs (1) and (2)
19 the Secretary of the Treasury shall be deemed to be the head
20 of such instrumentality.”

21 **MINISTERS**

22 (d) (1) The paragraph of section 210 (a) of the
23 Social Security Act herein redesignated as paragraph (8)
24 is amended to read as follows:

25 “(8) (A) Service performed in the employ of a

1 religious, charitable, educational, or other organization
2 exempt from income tax under section 101 (6) of the
3 Internal Revenue Code, other than service performed by
4 a duly ordained, commissioned, or licensed minister of
5 a church in the exercise of his ministry or by a member
6 of a religious order in the exercise of duties required
7 by such order; but this subparagraph shall not apply to
8 service performed during the period for which a certifi-
9 cate, filed pursuant to section 1426 (1) (1) of the
10 Internal Revenue Code, is in effect, if such service is
11 performed by an employee (i) whose signature appears
12 on the list filed by such organization under such section,
13 or (ii) who became an employee of such organization
14 after the certificate was filed and after such period
15 began;

16 “(B) Service performed in the employ of a reli-
17 gious, charitable, educational, or other organization
18 exempt from income tax under section 101 (6) of the
19 Internal Revenue Code, by a duly ordained, commis-
20 sioned, or licensed minister of a church in the exercise of
21 his ministry or by a member of a religious order in the
22 exercise of duties required by such order; but this sub-
23 paragraph shall not apply to service performed by a
24 duly ordained, commissioned, or licensed minister of a
25 church or a member of a religious order, other than

1 a member of a religious order who has taken a vow
2 of poverty as a member of such order, during the period
3 for which a certificate, filed pursuant to section 1426
4 (1) (2) of the Internal Revenue Code, is in effect, if
5 such service is performed by an employee (i) whose
6 signature appears on the list filed by such organization
7 under such section, or (ii) who became an employee of
8 such organization after the certificate was filed and after
9 such period began;”.

10 (2) Section 211 (c) of such Act is amended by strik-
11 ing out paragraph (4).

12 (3) Nothing in subsection (a) of section 210 of the
13 Social Security Act, as amended by this Act, or in subsec-
14 tions (b) and (l) of section 1426 of the Internal Revenue
15 Code, as so amended, shall be construed to mean that any
16 minister is an employee of an organization for any purpose
17 other than the purposes of such sections.

18 **FISHING AND RELATED SERVICE**

19 (e) Section 210 (a) of the Social Security Act is fur-
20 ther amended by striking out paragraph (15) and redesi-
21 gnating paragraphs (16) and (17), and any references
22 thereto contained in such Act, as paragraphs (14) and
23 (15), respectively.

1 from such trade or business computed as provided under the
2 preceding provisions of this subsection, or (ii) if the
3 gross income derived from such trade or business by such
4 individual is more than \$1,800 and the net earnings from
5 self-employment derived by him therefrom, as computed
6 under the preceding provisions of this subsection, are less
7 than \$900, such net earnings may instead, at the option of
8 such individual, be deemed to be \$900. For the purpose
9 of the preceding sentence, gross income derived from such
10 trade or business shall mean the gross receipts from such
11 trade or business reduced by the cost or other basis of prop-
12 erty which was purchased and sold in carrying on such
13 trade or business, adjusted (after such reduction) in ac-
14 cordance with the preceding provisions of this subsection.”

15 (2) Paragraph (1) of such section 211 (a) is amend-
16 ed to read as follows:

17 “(1) There shall be excluded rentals from real
18 estate and from personal property leased with the real
19 estate (including such rentals paid in crop shares),
20 together with the deductions attributable thereto, unless
21 such rentals are received in the course of a trade or
22 business as a real estate dealer;”.

23 (3) The paragraph of such section 211 (a) herein re-
24 designated as paragraph (3) is amended by striking out

1 "cutting or disposal of timber" and inserting in lieu thereof

2 "cutting of timber, or the disposal of timber or coal,".

3 (4) Section 211 (c) of such Act is amended by strik-
4 ing out paragraph (5), by inserting "or" at the end of
5 paragraph (3), and by adding after paragraph (3) the
6 following new paragraph:

7 " (4) The performance of service by an individual
8 in the exercise of his profession as a physician, or the
9 performance of such service by a partnership."

10 EMPLOYEES COVERED BY STATE OR LOCAL RETIREMENT
11 SYSTEMS

12 (h) (1) Section 218 (d) of such Act is amended by
13 striking out "Exclusion Of" in the heading, by insert-
14 ing "(1)" after "(d)", and by striking out "on the date such
15 agreement is made applicable to such coverage group" and
16 inserting in lieu thereof "either (A) on the date such agree-
17 ment is made applicable to such coverage group, or (B) on
18 the date of the enactment of the succeeding paragraph of this
19 subsection (except in the case of positions which are, by
20 reason of action by such State or political subdivision thereof,
21 as may be appropriate, taken prior to the date of the enact-
22 ment of such succeeding paragraph, no longer covered by a re-
23 tirement system on the date referred to in clause (A), and
24 except in the case of positions excluded by paragraph

1 (5) (A)). The preceding sentence shall not be applicable to
2 any service performed by an employee as a member of any
3 coverage group in a position (other than a position ex-
4 cluded by paragraph (5) (A)) covered by a retirement sys-
5 tem on the date an agreement is made applicable to such cov-
6 erage group if, on such date (or, if later, the date on which
7 such individual first occupies such position), such individual
8 is ineligible to be a member of such system”.

9 (2) Such section 218 (d) is further amended by adding
10 at the end thereof the following new paragraphs:

11 “(2) It is hereby declared to be the policy of the
12 Congress in enacting the succeeding paragraphs of this
13 subsection that the protection afforded employees in positions
14 covered by a retirement system on the date an agreement
15 under this section is made applicable to service performed
16 in such positions, or receiving periodic benefits under such
17 retirement system at such time, will not be impaired as a
18 result of making the agreement so applicable or as a result
19 of legislative enactment in anticipation thereof.

20 “(3) Notwithstanding paragraph (1), an agreement
21 with a State may be made applicable (either in the original
22 agreement or by any modification thereof) to service per-
23 formed by employees in positions covered by a retirement
24 system (including positions specified in paragraph (4) but
25 not including positions excluded by or pursuant to paragraph

1 (5)) if the governor of the State certifies to the Secretary of
2 Health, Education, and Welfare that the following conditions
3 have been met:

4 " (A) A referendum by secret written ballot was
5 held on the question of whether service in positions
6 covered by such retirement system should be excluded
7 from or included under an agreement under this section;

8 " (B) An opportunity to vote in such referendum
9 was given (and was limited) to eligible employees;

10 " (C) Ninety days' notice of such referendum was
11 given to all such employees;

12 " (D) Such referendum was conducted under the
13 supervision of the governor or an agency or individual
14 designated by him;

15 " (E) A majority of the eligible employees voted in
16 such referendum; and

17 " (F) Two-thirds or more of the employees who
18 voted in such referendum voted in favor of including
19 service in such positions under an agreement under this
20 section.

21 An employee shall be deemed an 'eligible employee' for
22 purposes of any referendum with respect to any retirement
23 system if, at the time such referendum was held, he was in
24 a position covered by such retirement system and was a
25 member of such system, and if he was in such a position at

1 the time notice of such referendum was given as required
2 by clause (C) of the preceding sentence; except that he shall
3 not be deemed an 'eligible employee' if, at the time the ref-
4 erendum was held, he was in a position to which the State
5 agreement already applied, or if he was in a position ex-
6 cluded by or pursuant to paragraph (5). No referendum
7 with respect to a retirement system shall be valid for pur-
8 poses of this paragraph unless held within the two-year period
9 which ends on the date of execution of the agreement or
10 modification which extends the insurance system established
11 by this title to such retirement system, nor shall any referen-
12 dum with respect to a retirement system be valid for purposes
13 of this paragraph if held less than one year after any prior
14 referendum held with respect to such retirement system.

15 “(4) For the purposes of subsection (c) of this section,
16 the following employees shall be deemed to be a separate
17 coverage group—

18 “(A) all employees in positions which were cov-
19 ered by the same retirement system on the date the
20 agreement was made applicable to such system (other
21 than employees to whose services the agreement already
22 applied on such date) ;

23 “(B) all employees in positions which became cov-
24 ered by such system at any time after such date; and

25 “(C) all employees in positions which were cov-

1 ered by such system at any time before such date and
2 to whose services the insurance system established by
3 this title has not been extended before such date because
4 the positions were covered by such retirement system
5 (including employees to whose services the agreement
6 was not applicable on such date because such services
7 were excluded pursuant to subsection (c) (3) (C)).

8 “(5) (A) Nothing in paragraph (3) of this subsection
9 shall authorize the extension of the insurance system estab-
10 lished by this title to service in any policeman’s or fireman’s
11 position.

12 “(B) At the request of the State, any class or classes of
13 positions covered by a retirement system which may be
14 excluded from the agreement pursuant to paragraph (3) or
15 (5) of subsection (c), and to which the agreement does
16 not already apply, may be excluded from the agreement at
17 the time it is made applicable to such retirement system;
18 except that, notwithstanding the provisions of paragraph (3)
19 (C) of such subsection, such exclusion may not include any
20 services to which such paragraph (3) (C) is applicable.
21 In the case of any such exclusion, each such class so excluded
22 shall, for purposes of this subsection, constitute a separate
23 retirement system in case of any modification of the agree-
24 ment thereafter agreed to.

25 “(6) If a retirement system covers positions of em-

1 ployces of the State and positions of employees of one or
2 more political subdivisions of the State, or covers positions
3 of employees of two or more political subdivisions of the
4 State, then, for purposes of the preceding paragraphs of this
5 subsection, there shall, if the State so desires, be deemed to
6 be a separate retirement system with respect to each political
7 subdivision concerned and, where the retirement system
8 covers positions of employees of the State, a separate retire-
9 ment system with respect to the State.”

10 (3) Paragraph (3) of section 218 (c) is amended to
11 read as follows:

12 “(3) Such agreement shall, if the State requests it, ex-
13 clude (in the case of any coverage group) any one or more
14 of the following:

15 “(A) Any service of an emergency nature;

16 “(B) All services in any class or classes of (i)
17 elective positions, (ii) part-time positions, or (iii) posi-
18 tions the compensation for which is on a fee basis;

19 “(C) All services performed by individuals as mem-
20 bers of a coverage group in positions covered by a retire-
21 ment system on the date such agreement is made ap-
22 plicable to such coverage group, but only in the case of
23 individuals who, on such date (or, if later, the date on
24 which they first occupy such positions), are not eligible
25 to become members of such system and whose services

1 in such positions have not already been included under
2 such agreement pursuant to subsection (d) (3).”

3 (4) Paragraph (4) of such section 218 (c) is amended
4 by adding at the end thereof the following new sentence:
5 “A modification of an agreement pursuant to clause (B) of
6 the preceding sentence may apply to individuals to whom
7 paragraph (3) (C) is applicable (whether or not the previ-
8 ous exclusion of the service of such individuals was pursuant
9 to such paragraph), but only if such individuals are, on the
10 effective date specified in such modification, ineligible to be
11 members of any retirement system or if the modification with
12 respect to such individuals is pursuant to subsection (d)
13 (3).”

14 (5) Such section 218 (c) is further amended by adding
15 at the end thereof the following new paragraph:

16 “(7) No agreement may be made applicable (either in
17 the original agreement or by any modification thereof) to
18 service performed by any individual to whom paragraph (3)
19 (C) is applicable unless such agreement provides (in the
20 case of each coverage group involved) either that the service
21 of any individual to whom such paragraph is applicable and
22 who is a member of such coverage group shall continue to
23 be covered by such agreement in case he thereafter becomes
24 eligible to be a member of a retirement system, or that such

1 service shall cease to be so covered when he becomes eligible
2 to be a member of such a system (but only if the agreement
3 is not already applicable to such system pursuant to subsec-
4 tion (d) (3)), whichever may be desired by the State.”

5 (6) Section 218 (f) of such Act is amended to read
6 as follows:

7 “(f) Any agreement or modification of an agreement
8 under this section shall be effective with respect to services
9 performed after an effective date specified in such agreement
10 or modification; except that—

11 “(1) in the case of an agreement or modification
12 agreed to prior to 1954, such date may not be earlier
13 than December 31, 1950;

14 “(2) in the case of an agreement or modification
15 agreed to after 1954 but prior to 1958, such date may
16 not be earlier than December 31, 1954; and

17 “(3) in the case of an agreement or modification
18 agreed to during 1954 or after 1957, such date may not
19 be earlier than the last day of the calendar year preced-
20 ing the year in which such agreement or modification,
21 as the case may be, is agreed to by the Secretary of
22 Health, Education, and Welfare and the State.”

23 (7) Section 218 (m) (1) of such Act is amended by
24 striking out “subsection (d)” and inserting in lieu thereof
25 “paragraph (1) of subsection (d)”.

1 (8) Section 218 of such Act is further amended by
2 adding at the end thereof the following new subsection:

3 "Certain Positions No Longer Covered By Retirement
4 Systems

5 "(n) Notwithstanding subsection (d), an agreement
6 with any State entered into under this section prior to the
7 date of the enactment of this subsection may, prior to Janu-
8 ary 1, 1958, be modified pursuant to subsection (c) (4) so
9 as to apply to services performed by employees, as members
10 of any coverage group to which such agreement already
11 applies (and to which such agreement applied on such date
12 of enactment), in positions (1) to which such agreement
13 does not already apply, (2) which were covered by a retire-
14 ment system on the date such agreement was made appli-
15 cable to such coverage group, and (3) which, by reason of
16 action by such State or political subdivision thereof, as may
17 be appropriate, taken prior to the date of the enactment of
18 this subsection, are no longer covered by a retirement system
19 on the date such agreement is made applicable to such
20 services."

21 (9) The amendments made by this subsection shall
22 take effect January 1, 1955.

23 CIVILIAN EMPLOYEES OF STATE NATIONAL GUARD UNITS

24 (i) (1) Effective as of January 1, 1951, paragraph
25 (5) of section 218 (b) of the Social Security Act is

1 amended by adding at the end thereof the following new
2 sentence: "Civilian employees of National Guard units of
3 a State who are employed pursuant to section 90 of the
4 National Defense Act of June 3, 1916 (32 U. S. C., sec. 42),
5 and paid from funds allotted to such units by the Department
6 of Defense, shall for purposes of this section be deemed to be
7 employees of the State and (notwithstanding the preceding
8 provisions of this paragraph) shall be deemed to be a sepa-
9 rate coverage group."

10 (2) In the case of any coverage group to which the
11 amendment made by paragraph (1) is applicable, any
12 agreement or modification of an agreement agreed to prior
13 to January 1, 1956, may, notwithstanding section 218 (f)
14 of the Social Security Act, be made effective with respect to
15 services performed by employees as members of such cover-
16 age group after any effective date specified therein, but in
17 no case may such effective date be earlier than December
18 31, 1950.

19 PRESUMED WORK DEDUCTIONS IN CASE OF CERTAIN RETRO-

20 ACTIVE STATE AGREEMENTS

21 (j) (1) In the case of any services performed prior
22 to 1955 to which an agreement under section 218 of the
23 Social Security Act was made applicable, deductions
24 which—

25 (A) were not imposed under section 203 of such

1 Act with respect to such services performed prior to
2 the date the agreement was agreed to or, if the original
3 agreement was not applicable to such services, per-
4 formed prior to the date the modification making such
5 agreement applicable to such services was agreed to, and

6 (B) would have been imposed under such section
7 203 had such agreement, or modification, as the case
8 may be, been agreed to on the date it became effective,
9 shall be deemed to have been imposed, but only for pur-
10 poses of determining whether, on the basis of an applica-
11 tion filed after the month in which this Act is enacted and
12 prior to January 1, 1956, any person is entitled to a re-
13 computation, under section 215 (f) of the Social Security
14 Act, of the primary insurance amount of the individual who
15 performed such services. For purposes of any such recom-
16 putation the individual who performed such services shall be
17 deemed to have filed an application for recomputation in the
18 month for which the last of the deductions is deemed to have
19 been made under this paragraph, or in the first month there-
20 after (and prior to the month in which this Act is enacted)
21 in which his benefits under section 202 (a) of the Social Se-
22 curity Act were no longer subject to deductions under para-
23 graph (1) or (2) of section 203 (b) of such Act, which-
24 ever results in a higher primary insurance amount for such
25 individual. Any such recomputation shall be made as pro-

1 vided in the Social Security Act prior to the enactment of
2 this Act, and shall be effective for and after the month in
3 which the application referred to in the first sentence of this
4 paragraph is filed. This paragraph shall not be applicable
5 in the case of any such individual if his primary insurance
6 amount has been recomputed under section 215 (f) (2) of
7 the Social Security Act prior to the month in which this Act
8 is enacted.

9 (2) If any recomputation under section 215 (f) of
10 the Social Security Act is made by reason of deductions
11 deemed pursuant to paragraph (1) of this subsection to
12 have been imposed with respect to benefits based on the
13 wages and self-employment income of any individual, the
14 total of the benefits based on such wages and self-employ-
15 ment income for months for which such deductions are so
16 deemed to have been imposed shall be recovered by making,
17 in addition to any other deductions under section 203 of such
18 Act, deductions from any increase in benefits, based on such
19 wages and self-employment income, resulting from such
20 recomputation.

21 **SERVICE BY AMERICAN CITIZENS FOR FOREIGN SUBSIDIARY**
22 **OF DOMESTIC CORPORATION**

23 (k) Clause (B) of so much of section 210 (a) of the
24 Social Security Act as precedes paragraph (1) thereof is
25 amended to read as follows: "(B) outside the United

1 States by a citizen of the United States as an employee (i)
2 of an American employer (as defined in subsection (e)),
3 or (ii) of a foreign subsidiary (as defined in section 1426
4 (m) of the Internal Revenue Code) of a domestic corporation
5 (as determined in accordance with section 3797 (a) of the
6 Internal Revenue Code) during any period for which there is
7 in effect an agreement, entered into pursuant to section 1426
8 (m) of the Internal Revenue Code, with respect to such
9 subsidiary;”.

10 EFFECTIVE DATES

11 (1) The amendment made by paragraph (3) of sub-
12 section (g) shall be applicable only with respect to taxable
13 years beginning after 1950. The amendments made by
14 paragraphs (1), (2), and (4) of such subsection and by
15 paragraph (2) of subsection (d) shall, except for purposes of
16 section 203 of the Social Security Act, be applicable only
17 with respect to taxable years ending after 1954. The amend-
18 ments made by paragraphs (1), (2), and (3) of subsection
19 (a) shall be applicable only with respect to remuneration
20 paid after 1954. The amendments made by paragraphs
21 (4), (5), and (6) of subsection (a) shall be applica-
22 ble only with respect to services (whether performed after
23 1954 or prior to 1955) for which the remuneration is paid
24 after 1954. The amendment made by paragraph (3) of sub-
25 section (c) shall become effective January 1, 1955. The

1 other amendments made by this section (other than the
2 amendments made by subsections (h), (i), and (k)) shall
3 be applicable only with respect to services performed after
4 1954. For purposes of section 203 of the Social Security
5 Act, the amendments made by paragraphs (1), (2), and
6 (4) of subsection (g) and by paragraph (2) of subsection
7 (d) shall be effective with respect to self-employment in-
8 come derived after 1954. The amount of self-employment
9 income derived during any taxable year ending in, and not
10 with the close of, 1955 shall be credited equally to the
11 calendar quarter in which such taxable year ends and to each
12 of the three or fewer preceding quarters any part of which
13 is in such taxable year; and, for purposes of the preceding
14 sentence of this subsection, self-employment income so
15 credited to calendar quarters in 1955 shall be deemed to
16 have been derived after 1954.

17 INCREASE IN BENEFIT AMOUNTS

18 SEC. 102. (a) Subsection (a) of section 215 of the
19 Social Security Act is amended to read as follows:

20 "Primary Insurance Amount

21 "(a) (1) The primary insurance amount of any
22 individual (i) who does not become eligible for benefits
23 under section 202 (a) until after the last day of the month

1 following the month in which the Social Security Amend-
2 ments of 1954 are enacted, or who dies after such day and
3 without becoming eligible for benefits under such section
4 202 (a), and (ii) with respect to whom not less than six
5 of the quarters elapsing after 1950 are quarters of coverage,
6 and the primary insurance amount of any individual with
7 respect to whom not less than six of the quarters elapsing
8 after June 30, 1953, are quarters of coverage, shall be
9 whichever of the following amounts is the larger:

10 “(A) Fifty-five per centum of the first \$110 of his
11 average monthly wage, plus 20 per centum of the next
12 \$240; or

13 “(B) The amount determined under subsection (c).
14 An individual shall, for purposes of this paragraph, be
15 deemed eligible for benefits under section 202 (a) for any
16 month if he was or would have been, upon filing application
17 therefor in such month, entitled to such benefits for such
18 month.

19 “(2) The primary insurance amount of any other
20 individual shall be the amount determined under subsec-
21 tion (c).”

22 (b) (1) Paragraphs (1), (2), and (3) of subsection
23 (b) of such section are amended to read as follows:

1 “(1) An individual’s ‘average monthly wage’ shall be
2 the quotient obtained by dividing the total of his wages and
3 self-employment income after his starting date (determined
4 under paragraph (2)) and prior to his closing date (deter-
5 mined under paragraph (3)), by the number of months
6 elapsing after such starting date and prior to such closing
7 date, excluding from such elapsed months any month in
8 any year prior to the year in which he attained the age of
9 twenty-two if less than two quarters of such prior year were
10 quarters of coverage, except that when the number of such
11 elapsed months thus computed is less than eighteen, it shall
12 be increased to eighteen.

13 “(2) An individual’s ‘starting date’ shall be—

14 “(A) December 31, 1950, or

15 “(B) if later, the last day of the year in which he
16 attains the age of twenty-one,

17 whichever results in the higher average monthly wage.

18 “(3) An individual’s ‘closing date’ shall be whichever
19 of the following results in the higher average monthly wage:

20 “(A) the first day of the year in which he died or
21 became entitled to old-age insurance benefits, whichever
22 first occurred; or

1 “(B) the first day of the first year in which he both
2 was fully insured and had attained retirement age;
3 except that if the Secretary determines, on the basis of the
4 evidence available to him at the time of the computation of
5 the individual’s primary insurance amount with respect to
6 which such closing date is applicable, that it would result in
7 a higher average monthly wage for such individual, his clos-
8 ing date shall be the first day of the year following the year
9 referred to in subparagraph (A).”

10 (2) Subsection (b) of such section is further amended
11 by striking out paragraph (4) and inserting in lieu thereof
12 the following new paragraph:

13 “(4) In the case of any individual, the Secretary shall
14 determine the four or fewer full calendar years after the
15 year in which occurs his starting date and prior to his
16 closing date which, if the months of such years and his
17 wages and self-employment income for such years were ex-
18 cluded in computing his average monthly wage, would pro-
19 duce the highest primary insurance amount. Such months
20 and such wages and self-employment income shall be ex-
21 cluded for purposes of computing such individual’s average
22 monthly wage. The maximum number of calendar years

1 determined under the first sentence of this paragraph shall
2 be five instead of four in the case of any individual who had
3 not less than twenty quarters of coverage in the period end-
4 ing with the calendar quarter preceding his closing date.”

5 (c) Subsection (c) of such section is amended to read as
6 follows:

7 “Determinations Made by Use of the Conversion Table

8 “(c) (1) Except as provided in paragraph (2) of this
9 subsection, the amount referred to in paragraphs (1) (B)
10 and (2) of subsection (a) for an individual shall be either
11 the amount appearing in column III of the following table
12 on the line on which in column I appears his primary in-
13 surance benefit (as determined under subsection (d)), or
14 the amount appearing in column III of the following table
15 on the line on which in column II appears his primary in-
16 surance amount (determined as provided in subsection (d)),
17 whichever produces the higher amount; and his average
18 monthly wage shall, for purposes of section 203 (a), be the
19 amount appearing in column IV on the line on which, in
20 column III, appears such higher amount.

"I "If the primary insurance benefit (as determined under subsection (d)) is—	II Or the primary insurance amount (as determined under subsection (d)) is—	III The amount referred to in paragraphs (1) (B) and (2) of subsection (a) shall be—	IV And the average monthly wage for purposes of computing maximum benefits shall be—
\$10.....	\$25.00	\$30.00	\$55.00
\$11.....	27.00	32.00	58.00
\$12.....	29.00	34.00	62.00
\$13.....	31.00	36.00	65.00
\$14.....	33.00	38.00	69.00
\$15.....	35.00	40.00	73.00
\$16.....	36.70	41.70	76.00
\$17.....	38.20	43.20	79.00
\$18.....	39.50	44.50	81.00
\$19.....	40.70	45.70	83.00
\$20.....	42.00	47.00	85.00
\$21.....	43.50	48.50	88.00
\$22.....	45.30	50.30	91.00
\$23.....	47.50	52.50	95.00
\$24.....	50.10	55.10	100.00
\$25.....	52.40	57.40	104.00
\$26.....	54.40	59.40	108.00
\$27.....	56.30	61.30	114.00
\$28.....	58.00	63.00	123.00
\$29.....	59.40	64.40	130.00
\$30.....	60.80	66.30	139.00
\$31.....	62.00	67.90	147.00
\$32.....	63.30	69.50	155.00
\$33.....	64.40	71.10	163.00
\$34.....	65.50	72.50	170.00
\$35.....	66.60	73.90	177.00
\$36.....	67.80	75.50	185.00
\$37.....	68.90	77.10	193.00
\$38.....	70.00	78.50	200.00
\$39.....	71.00	79.90	207.00
\$40.....	72.00	81.10	213.00
\$41.....	73.10	82.70	221.00
\$42.....	74.10	83.90	227.00
\$43.....	75.10	85.30	234.00
\$44.....	76.10	86.70	241.00
\$45.....	77.10	88.50	250.00
\$46.....	77.10	88.50	250.00
	77.20	88.50	250.00
	77.30	88.50	250.00
	77.40	88.50	250.00
	77.50	88.50	250.00
	78.00	89.10	253.00
	79.00	90.50	260.00
	80.10	91.90	267.00
	81.00	93.10	273.00
	82.00	94.50	280.00
	83.10	95.90	287.00
	84.00	97.10	293.00
	85.00	98.50	300.00

1 “(2) (A) In case the primary insurance benefit (deter-
2 mined as provided in subsection (d)) of an individual falls
3 between the amounts on any two consecutive lines in column
4 I of the table, the amount referred to in paragraphs (1) (B)
5 and (2) of subsection (a) for such individual shall be the
6 amount determined (i) by applying the formula in subsec-
7 tion (a) (1) to the average monthly wage which would
8 be determined for such individual under paragraph (4) of
9 this subsection as in effect prior to the enactment of the
10 Social Security Amendments of 1954, (ii) by increas-
11 ing the amount determined under clause (i), if it is not a
12 multiple of \$0.10, to the next higher multiple of \$0.10,
13 and (ii) by further increasing such amount to the extent, if
14 any, it is less than \$5 greater than the primary insurance
15 amount which would be determined for him by use of his pri-
16 mary insurance benefit under paragraph (2) of this subsec-
17 tion as in effect prior to the enactment of the Social Security
18 Amendments of 1954.

19 “(B) In case the primary insurance amount (deter-
20 mined under subsection (d)) of an individual falls between
21 the amounts on any two consecutive lines in column II of
22 the table, the amount referred to in paragraphs (1) (B)
23 and (2) of subsection (a) for such individual shall be the
24 amount determined under subparagraph (A) of this para-

1 graph for an individual whose primary insurance benefit
2 would (under paragraph (2) of this subsection as in effect
3 prior to the enactment of the Social Security Amendments
4 of 1954) produce such primary insurance amount; except
5 that, if there is no primary insurance benefit which would
6 (under such paragraph (2)) produce such primary insur-
7 ance amount or if such primary insurance amount is higher
8 than \$77.10, the amount referred to in paragraphs (1) (B)
9 and (2) of subsection (a) for such individual shall be the
10 amount determined (i) by applying the formula in subsec-
11 tion (a) (1) to the average monthly wage from which such
12 primary insurance amount was determined, (ii) by increasing
13 the amount determined under clause (i), if it is not a multi-
14 ple of \$0.10, to the next higher multiple of \$0.10, and (iii)
15 by further increasing such amount to the extent, if any, it is
16 less than \$5 greater than such primary insurance amount.

17 “(C) If the provisions of subparagraphs (A) and (B)
18 of this paragraph are both applicable to an individual, the
19 amount referred to in paragraphs (1) (B) and (2) of sub-
20 section (a) for such individual shall be the larger of the
21 amounts determined under such subparagraphs.

22 “(3) For the purpose of facilitating the use of the
23 conversion table in computing any insurance benefit under
24 section 202, the Secretary is authorized to assume that

1 the primary insurance benefit from which such benefit under
2 section 202 is determined is one cent or two cents more or
3 less than its actual amount.

4 “(4) For purposes of section 203 (a), the average
5 monthly wage of an individual whose primary insurance
6 amount is determined under paragraph (2) of this subsection
7 shall be a sum equal to the average monthly wage which
8 would result in such primary insurance amount upon the
9 application of the provisions of subsection (a) (1) (A) of
10 this section and without the application of subsection (e)
11 (2) or (g) of this section; except that, if such sum is not
12 a multiple of \$1, it shall be rounded to the nearest multiple
13 of \$1 (or to the next higher multiple of \$1 if it is a
14 multiple of \$0.50).”

15 (d) (1) The heading of subsection (d) of such section
16 is amended to read “Primary Insurance Benefit and Primary
17 Insurance Amount For Purposes of Conversion Table”.

18 (2) So much of such subsection (d) as precedes para-
19 graph (1) thereof is amended by inserting “and the primary
20 insurance amounts” after “primary insurance benefits”.

21 (3) So much of paragraph (4) of such subsection (d)
22 as precedes subparagraph (A) is amended by inserting
23 “(except an individual who attained age twenty-two after
24 1950 and with respect to whom not less than six of the

1 quarters elapsing after 1950 are quarters of coverage)"
2 after "individual".

3 (4) Such subsection (d) is amended by adding after
4 paragraph (5), added by section 106 of this Act, the fol-
5 lowing new paragraph:

6 " (6) The primary insurance amount of any individual
7 shall be computed as provided in this section as in effect prior
8 to the enactment of this paragraph, except that the amend-
9 ments made by sections 102 (b) (other than paragraph
10 (2) thereof), 104, and 106 of the Social Security Amend-
11 ments of 1954 (relating, respectively, to increase in benefit
12 amounts, increase in earnings counted, and periods of dis-
13 ability) shall, to the extent provided by such sections, be
14 applicable to such computation."

15 (e) (1) Section 215 (e) of such Act is amended by
16 striking out "and" at the end of paragraph (1), by chang-
17 ing the period at the end of paragraph (2) to a semicolon,
18 and by adding after such paragraph (2) the following new
19 paragraph:

20 " (3) if an individual's closing date is determined
21 under paragraph (3) (A) of subsection (b) and he has
22 self-employment income in a taxable year which begins
23 prior to such closing date and ends after the last day of

1 the month preceding the month in which he becomes
2 entitled to old-age insurance benefits, there shall not be
3 counted, in determining his average monthly wage, his
4 self-employment income in such taxable year, except
5 as provided in section 215 (f) (3) (C).”

6 (2) (A) Section 215 (f) (2) of such Act is amended
7 to read as follows:

8 “(2) (A) Upon application filed after 1954 by an
9 individual entitled to old-age insurance benefits, the Secretary
10 shall recompute his primary insurance amount if—

11 “(i) he has not less than six quarters of coverage
12 in the period after 1950 and prior to the quarter in which
13 such application is filed,

14 “(ii) he has wages and self-employment income of
15 not less than \$1,000 in a calendar year which occurs
16 after 1953 and after the year in which he became
17 (without the application of section 202 (j) (1))
18 entitled to old-age insurance benefits or filed an applica-
19 tion for recomputation (to which he is entitled) under
20 section 102 (e) (5) or 102 (f) (2) (B) of the Social
21 Security Amendments of 1954, whichever of such events
22 is the latest, and

23 “(iii) he filed such application no earlier than six
24 months after such calendar year referred to in clause (ii)

1 in which he had such wages and self-employment
2 income.

3 Such recomputation shall be effective for and after the
4 twelfth month before the month in which he filed such appli-
5 cation for recomputation but in no event earlier than the
6 month following such calendar year referred to in clause
7 (ii). For the purposes of this subparagraph an individual's
8 self-employment income shall be allocated to calendar quar-
9 ters in accordance with section 212.

10 “(B) Except as provided in subparagraph (C) a recom-
11 putation pursuant to subparagraph (A) shall be made only
12 as provided in subsection (a) (1) (other than subpara-
13 graph (B) thereof) of this section, taking into account only
14 such wages and self-employment income which would be
15 taken into account under subsection (b) if the month in
16 which he filed the application under subparagraph (A)
17 were deemed to be the month in which he became entitled
18 to old-age insurance benefits, except that, of the provisions
19 of paragraph (3) of such subsection, only the provisions of
20 subparagraph (A) shall be applicable.

21 “(C) If such recomputation is the first recomputation
22 under subparagraph (A), such recomputation shall be made
23 as though the individual first became entitled to old-age
24 insurance benefits on the day he filed application for such
25 recomputation. For purposes of this subparagraph a recom-

1 putation under section 102 (e) (5) (B) or 102 (f) (2)
2 (B) of the Social Security Amendments of 1954 shall be
3 deemed to be a recomputation under subparagraph (A)
4 of this paragraph.”

5 (3) (A) Section 215 (f) (3) of such Act is amended
6 to read as follows:

7 “(A) Upon application by an individual—

8 (i) who became (without the application of sec-
9 tion 202 (j) (1)) entitled to old-age insurance bene-
10 fits under section 202 (a) after the effective date, or

11 (ii) whose primary insurance amount was recom-
12 puted under section 102 (e) (5) or 102 (f) (2) (B)
13 of the Social Security Amendments of 1954, or

14 (iii) whose primary insurance amount was recom-
15 puted for the first time under paragraph (2) of this
16 subsection on the basis of an application filed after the
17 effective date,

18 the Secretary shall recompute his primary insurance amount
19 if such application is filed after the year in which he became
20 entitled to old-age insurance benefits or in which he filed
21 his application for the last recomputation (to which he was
22 entitled) of his primary insurance amount under any pro-
23 vision of law referred to in clause (ii) or (iii) of this
24 sentence, whichever is the later. Such recomputation under
25 this subparagraph shall be made in the manner provided

1 in the preceding subsections of this section for computation
2 of his primary insurance amount, except that his closing
3 date for purposes of subsection (b) shall be the first day
4 of the year following the year in which he became entitled
5 to old-age insurance benefits or in which he filed his appli-
6 cation for the last recomputation (to which he was entitled)
7 of his primary insurance amount under any provision of
8 law referred to in clause (ii) or (iii) of the preceding
9 sentence, whichever is the later. Such recomputation under
10 this subparagraph shall be effective for and after the first
11 month for which his last previous computation of his pri-
12 mary insurance amount was effective, but in no event for
13 any month prior to the twenty-fourth month before the
14 month in which the application for such recomputation is
15 filed. As used in this subparagraph and subparagraph (B),
16 the term 'effective date' means the last day of the month
17 following the month in which the Social Security Amend-
18 ments of 1954 are enacted.

19 “(B) Upon application by a person entitled to monthly
20 benefits or a lump-sum death payment on the basis of the
21 wages and self-employment income of an individual who
22 died after the effective date and who, if he was entitled
23 to an old-age insurance benefit before he died, would,
24 upon the filing of an application in the month of his
25 death, have been entitled to a recomputation of his pri-

1 mary insurance amount under subparagraph (A) of this
2 paragraph, the Secretary shall recompute such individual's
3 primary insurance amount. Such recomputation shall be
4 made in the manner provided in the preceding subsections
5 of this section for computation of such amount, except that
6 his closing date for purposes of subsection (b) shall be the
7 first day of the year following the year in which he died or
8 in which he filed his application for the last previous com-
9 putation of his primary insurance amount under any pro-
10 vision of law referred to in clause (i), (ii), or (iii) of the
11 first sentence of subparagraph (A), whichever first
12 occurred. In the case of monthly benefits, such recomputa-
13 tion shall be effective for and after the month in which the
14 person entitled to such monthly benefits became so entitled,
15 but in no event for any month prior to the twenty-fourth
16 month before the month in which the application for such
17 recomputation is filed."

18 (B) Such section 215 (f) (3) is further amended by
19 adding after subparagraph (B) (added by subparagraph
20 (A) of this paragraph) the following new subparagraph:

21 “(C) If an individual's closing date is determined
22 under paragraph (3) (A) of subsection (b) of this section
23 and he has self-employment income in a taxable year which
24 begins prior to such closing date and ends after the last day
25 of the month preceding the month in which he became en-

1 titled to old-age insurance benefits, the Secretary shall re-
2 compute his primary insurance amount after the close of such
3 taxable year, taking into account only such self-employment
4 income in such taxable year as is, pursuant to section 212,
5 allocated to calendar quarters prior to such closing date.
6 Such recomputation shall be effective for and after the first
7 month in which he became entitled to old-age insurance
8 benefits.”

9 (4) Section 215 (f) (4) of such Act is amended to
10 read as follows:

11 “(4) Upon the death after 1954 of an individual en-
12 titled to old-age insurance benefits, if any person is entitled
13 to monthly benefits, or to a lump-sum death payment, on
14 the basis of the wages and self-employment income of such
15 individual, the Secretary shall recompute the decedent’s
16 primary insurance amount, but only if—

17 “(A) the decedent would have been entitled to a
18 recomputation under paragraph (2) (A) (without the
19 application of clause (iii) thereof) if he had filed appli-
20 cation therefor in the month in which he died; or

21 “(B) the decedent during his lifetime was paid com-
22 pensation which was treated under section 205 (o) as
23 remuneration for employment.

24 If the recomputation is permitted by subparagraph (A) the
25 recomputation shall be made (if at all) as though he had

1 filed application for a recomputation under paragraph (2)
2 (A) in the month in which he died, except that such
3 recomputation shall include any compensation (described in
4 section 205 (o)) paid to him prior to the closing date which
5 would have been applicable under such paragraph. If re-
6 computation is permitted by subparagraph (B) the recom-
7 putation shall take into account only the wages and self-
8 employment income which were taken into account in the
9 last previous computation of his primary insurance amount
10 and the compensation (described in section 205 (o)) paid
11 to him prior to the closing date applicable to such computa-
12 tion. If both of the preceding sentences are applicable to an
13 individual, only the recomputation which results in the larger
14 primary insurance amount shall be made.”

15 (5) (A) In the case of any individual who, upon filing
16 application therefor on or before the effective date, would
17 (but for the provisions of section 215 (f) (6) of the Social
18 Security Act) have been entitled to a recomputation under
19 subparagraph (A) or (B) of section 215 (f) (2) of such
20 Act as in effect prior to the enactment of this Act, the
21 Secretary shall recompute such individual's primary insur-
22 ance amount, but only if he files an application therefor or,
23 in case he died before filing such application, an application
24 for monthly benefits or a lump-sum death payment on the
25 basis of his wages and self-employment income is filed. Such

1 recomputation shall be made only as provided in subsection
2 (a) (2) of section 215 of the Social Security Act, as
3 amended by this Act, through the use of a primary insur-
4 ance amount determined under subsection (d) (6) of such
5 section in the same manner as for an individual to whom
6 subsection (a) (1) of such section, as in effect prior to
7 the enactment of this Act, is applicable; and such recompu-
8 tation shall take into account only such wages and self-
9 employment income as would be taken into account under
10 section 215 (b) of the Social Security Act if the month
11 in which the application for recomputation is filed were
12 deemed to be the month in which the individual became en-
13 titled to old-age insurance benefits. Such recomputation shall
14 be effective for and after the month in which such appli-
15 cation for recomputation is filed.

16 (B) In the case of—

17 (i) any individual who is entitled to a recomputa-
18 tion under subparagraph (A) of section 215 (f) (2)
19 of the Social Security Act as in effect prior to the enact-
20 ment of this Act on the basis of an application filed after
21 the effective date and with respect to whom either less
22 than six of the quarters elapsing after 1950 and prior
23 to the day following the effective date are quarters of
24 coverage or the twelfth month referred to in such sub-
25 paragraph (A) occurred after the effective date, and

1 (ii) any individual who is entitled to a recomputa-
2 tion under section 215 (f) (2) (B) of the Social Se-
3 curity Act on the basis of an application filed after the
4 effective date, and with respect to whom less than six
5 of the quarters elapsing after 1950 and prior to the day
6 following the effective date are quarters of coverage or
7 who did not attain the age of seventy-five prior to the
8 day following the effective date,

9 the recomputation of his primary insurance amount shall
10 be made in the manner provided in section 215 of the Social
11 Security Act, as amended by this Act, for computation of
12 such amount, except that his closing date, for purposes of
13 subsection (b) of such section 215, shall be determined as
14 though he became entitled to old-age insurance benefits in
15 the month in which he filed such application for recomputa-
16 tion. Such recomputation shall be effective for and after
17 the month in which such application for recomputation is
18 filed. As used in this subparagraph and the succeeding sub-
19 sections of this section, the "effective date" is the last day of
20 the month following the month in which this Act is enacted.

21 (C) No individual shall be entitled to a recomputation
22 under section 215 (f) (2) of the Social Security Act as in
23 effect prior to the date of the enactment of this Act unless (i)
24 he had not less than six quarters of coverage in the period
25 after 1950 and prior to January 1, 1955, and (ii) either the

1 twelfth month referred to in subparagraph (A) of such
2 section 215 (f) (2) occurred prior to January 1, 1955, or
3 he attained the age of 75 prior to 1955, and (iii) he meets
4 the other conditions of entitlement to such a recomputation.
5 No individual shall be entitled to a recomputation under sub-
6 paragraph (A) or (B) of this paragraph if his primary
7 insurance amount has previously been recomputed under
8 either of such subparagraphs.

9 (6) In the case of an individual who died or became
10 (without the application of section 202 (j) (1) of the Social
11 Security Act) entitled to old-age insurance benefits in 1956
12 and with respect to whom not less than six of the quarters
13 elapsing after 1954 and prior to the quarter following the
14 quarter in which he died or became entitled to old-age insur-
15 ance benefits, whichever first occurred, are quarters of cover-
16 age, his closing date shall be July 1, 1956, instead of the day
17 specified in section 215 (b) (3) of such Act, but only if it
18 would result in a higher primary insurance amount. For the
19 purposes of section 215 (f) (3) (C) of such Act, the de-
20 termination of an individual's closing date under the preced-
21 ing sentence shall be considered as a determination of the in-
22 dividual's closing date under section 215 (b) (3) (A) of
23 such Act, and the recomputation provided for by such section
24 215 (f) (3) (C) shall be made using July 1, 1956, as the
25 closing date, but only if it would result in a higher primary

1 insurance amount. In any such computation on the basis of
2 a July 1, 1956 closing date, the total of his wages and self-
3 employment income after December 31, 1955, shall, if it is in
4 excess of \$2,100, be reduced to such amount.

5 (7) Section 203 (a) of such Act is amended to read as
6 follows:

7 “(a) Whenever the total of monthly benefits to which
8 individuals are entitled under section 202 for a month on
9 the basis of the wages and self-employment income of an
10 insured individual is more than \$50 and exceeds (1) 80
11 per centum of his average monthly wage, or (2) one and
12 one-half times his primary insurance amount, whichever is
13 the greater, such total of benefits shall, after any deductions
14 under this section, be reduced to 80 per centum of his
15 average monthly wage or to one and one-half times his
16 primary insurance amount, whichever is the greater, but in
17 no case to less than \$50; except that when any of such
18 individuals so entitled would (but for the provisions of
19 section 202 (k) (2) (A)) be entitled to child's insurance
20 benefits on the basis of the wages and self-employment
21 income of one or more other insured individuals, such total
22 of benefits, after any deductions under this section, shall not
23 be reduced to less than 80 per centum of the sum of the
24 average monthly wages of all such insured individuals. In
25 any case in which the total of the benefits referred to in the

1 preceding sentence, after reduction (if any) thereunder, is
2 more than \$200, such total shall, notwithstanding the provi-
3 sions of such sentence, be reduced to \$200. Whenever a
4 reduction is made under this subsection, each benefit, except
5 the old-age insurance benefit, shall be proportionately
6 decreased.”

7 (8) In the case of an individual who became (without
8 the application of section 202 (j) (1)) entitled to old-age
9 insurance benefits or died prior to the day following the
10 effective date, the provisions of section 215 (f) (3) as in
11 effect prior to the enactment of this Act shall be applicable
12 as though this Act had not been enacted.

13 (f) (1) The amendments made by the preceding sub-
14 sections, other than subsection (b) and paragraphs (1),
15 (2), (3), and (4) of subsection (e), shall (subject to
16 the provisions of paragraph (2) and notwithstanding the
17 provisions of section 215 (f) (1) of the Social Security
18 Act) apply in the case of lump-sum death payments under
19 section 202 of such Act with respect to deaths occurring
20 after, and in the case of monthly benefits under such section
21 for months after, the effective date.

22 (2) (A) The amendment made by subsection (b) (2)
23 shall be applicable only in the case of monthly benefits and
24 the lump-sum death payment based on the wages and self-
25 employment income of an individual (i) who does not be-

1 come eligible for benefits under section 202 (a) of the
2 Social Security Act until after the effective date, or (ii) who
3 dies after such effective date and without becoming eligible
4 for benefits under such section 202 (a), or (iii) who is or
5 has been entitled to have his primary insurance amount
6 recomputed under section 215 (f) (2) of the Social Security
7 Act, as amended by subsection (e) (2) of this section, or
8 under subsection (e) (5) (B) of this section, or (iv)
9 with respect to whom not less than six of the quarters
10 elapsing after June 1953 are quarters of coverage' (as defined
11 in such Act), or (v) who files, after the effective date, an
12 application for a disability determination which is accepted
13 as an application for purposes of section 216 (i) of such
14 Act, or (vi) who dies after the effective date and whose
15 survivors are (or would, but for the provisions of section
16 215 (f) (7) of such Act, be) entitled to a recomputation of
17 his primary insurance amount under section 215 (f) (4)
18 (A) of such Act, as amended by this Act. For purposes of
19 the preceding sentence an individual shall be deemed eligible
20 for benefits under section 202 (a) of the Social Security Act
21 for any month if he was, or would upon filing application
22 therefor in such month have been, entitled to such benefits
23 for such month.

24 (B) In the case of any individual entitled to old-age
25 insurance benefits under section 202 (a) of the Social Secu-

1 rity Act who was or, upon filing application therefor, would
2 have been entitled to such benefits for the month in which
3 the effective date occurs, to whom subparagraph (A) is
4 inapplicable, and with respect to whom not less than six
5 of the quarters elapsing after June 30, 1953, are quarters
6 of coverage, the Secretary of Health, Education, and Wel-
7 fare shall, notwithstanding the provisions of section 215
8 (f) (1) of the Social Security Act, recompute the pri-
9 mary insurance amount of such individual but only upon
10 the filing of an application, after the effective date, by him
11 or, if he dies without filing such an application, by any
12 person entitled to monthly survivors benefits under section
13 202 of such Act on the basis of such individual's wages
14 and self-employment income. Such recomputation shall be
15 made in the manner provided in section 215 of the Social
16 Security Act for computation of such individual's primary
17 insurance amount, except that the provisions of subsection
18 (f) of such section (other than paragraph (3) (C) thereof)
19 shall not be applicable for purposes of such computation, and
20 except that his closing date, for purposes of subsection
21 (b) of such section, shall be determined as though he
22 became entitled to old-age insurance benefits in the month
23 in which he filed such application for recomputation or, if
24 he died without filing such application, the month in which
25 he died. Such recomputation shall be effective for and

1 after the month in which the application therefor was
2 filed by such individual or if such application was filed by a
3 person entitled to monthly survivors benefits under section
4 202 of the Social Security Act on the basis of such individ-
5 ual's wages and self-employment income, for and after the
6 first month for which such person was entitled to such sur-
7 vivors benefits. No such recomputation of an individual's
8 primary insurance amount shall be effective unless it results
9 in a higher primary insurance amount for him; nor shall any
10 such recomputation of an individual's primary insurance
11 amount be effective if such amount has previously been
12 recomputed under this subsection.

13 (3) The amendments made by subsections (b) (1),
14 (e) (1), and (e) (3) (B) shall be applicable only in
15 the case of monthly benefits based on the wages and self-
16 employment income of an individual who does not become
17 entitled to old-age insurance benefits under section 202 (a)
18 of the Social Security Act until after the effective date, or
19 who dies after the effective date without becoming entitled
20 to such benefits, or who files an application after the effec-
21 tive date and is entitled to a recomputation under paragraph
22 (2) or (4) of section 215 (f) of the Social Security Act,
23 as amended by this Act, or who is entitled to a recomputa-
24 tion under paragraph (2) (B) of this subsection, or who is
25 entitled to a recomputation under paragraph (5) of sub-
26 section (e).

1 (4) The amendments made by subsection (e) (2) shall
2 be applicable only in the case of applications for recompu-
3 tation filed after 1954. The amendment made by subsection
4 (e) (4) shall be applicable only in the case of deaths after
5 1954.

6 (5) The amendments made by subparagraph (A) of
7 subsection (e) (3) shall be applicable only in the case
8 of applications for recomputation filed, or deaths occurring,
9 after the effective date.

10 (6) No increase in any benefit by reason of the amend-
11 ments made by this section (other than subsection (i)) or
12 by reason of subparagraph (B) of paragraph (2) shall be
13 regarded as a recomputation for purposes of section 215 (f)
14 of the Social Security Act.

15 (g) Effective with the beginning of the second month
16 following the month in which this Act is enacted, section
17 2 (c) (2) (B) of the Social Security Act Amendments of
18 1952 is amended to read as follows:

19 “(B) The provisions of subparagraph (A) shall
20 cease to apply to the benefit of any individual under
21 title II of the Social Security Act for any month after
22 the month following the month in which the Social
23 Security Amendments of 1954 are enacted.”

24 (h) (1) Where—

1 (A) an individual was entitled (without the appli-
2 cation of section 202 (j) (1) of the Social Security
3 Act) to an old-age insurance benefit under title II of
4 such Act for the month in which the effective date
5 occurs;

6 (B) one or more other persons were entitled (with-
7 out the application of such section 202 (j) (1)) to
8 monthly benefits under such title for such month on the
9 basis of the wages and self-employment income of such
10 individual; and

11 (C) the total of the benefits to which all persons
12 are entitled under such title on the basis of such indi-
13 vidual's wages and self-employment income for any
14 subsequent month for which he is entitled to an old-age
15 insurance benefit under such title, would (but for the
16 provisions of this paragraph) be reduced by reason of the
17 application of section 203 (a) of the Social Security
18 Act, as amended by this Act,

19 then the total of benefits referred to in clause (C) for such
20 subsequent month shall be reduced to whichever of the
21 following is the larger—

22 (D) the amount determined pursuant to section
23 203 (a) of the Social Security Act, as amended by this
24 Act; or

25 (E) the amount determined pursuant to such sec-

1 tion, as in effect prior to the enactment of this Act, for
2 the month in which the effective date occurs plus the
3 excess of (i) the amount of his old-age insurance bene-
4 fit for such month computed as if the amendments made
5 by the preceding subsections of this section had been
6 applicable in the case of such benefit for such month
7 over (ii) the amount of his old-age insurance benefit
8 for such month, or

9 (F) the amount determined pursuant to section 2
10 (d) (1) of the Social Security Act Amendments of
11 1952 for the month in which the effective date occurs
12 plus the excess of (i) the amount of his old-age insur-
13 ance benefit for such month computed as if the amend-
14 ments made by the preceding subsections of this section
15 had been applicable in the case of such benefit for such
16 month over (ii) the amount of his old-age insurance
17 benefit for such month.

18 (2) Where—

19 (A) two or more persons were entitled (without
20 the application of section 202 (j) (1) of the Social
21 Security Act) to monthly benefits under title II of such
22 Act for the month in which the effective date occurs on
23 the basis of the wages and self-employment income of a
24 deceased individual; and

25 (B) the total of the benefits to which all such

1 persons are entitled on the basis of such deceased in-
2 dividual's wages and self-employment income for any
3 subsequent month would (but for the provisions of this
4 paragraph) be reduced by reason of the application of
5 the first sentence of section 203 (a) of the Social Secu-
6 rity Act, as amended by this Act,
7 then, notwithstanding any other provision in title II of the
8 Social Security Act, such deceased individual's average
9 monthly wage shall, for purposes of such section 203 (a),
10 be whichever of the following is the larger:

11 (C) his average monthly wage determined pur-
12 suant to section 215 of such Act, as amended by this
13 Act; or

14 (D) his average monthly wage determined under
15 such section 215, as in effect prior to the enactment of
16 this Act, plus \$7.

17 (i) (1) Section 202 of such Act is amended by inserting
18 after subsection (l) the following new subsection:

19 "Minimum Survivor's or Dependent's Benefit

20 "(m) In any case in which the benefit of any individual
21 for any month under this section (other than subsection
22 (a)) is, prior to reduction under subsection (k) (3), less
23 than \$30 and no other individual is (without the application
24 of section 202 (j) (1)) entitled to a benefit under this

1 section for such month on the basis of the same wages and
2 self-employment income, such benefit for such month shall,
3 prior to reduction under such subsection (k) (3), be in-
4 creased to \$30.”

5 (2) The first sentence of subsection (i) of such section
6 202 is amended by inserting “, or an amount equal to \$255,
7 whichever is the smaller” after “primary insurance amount”.

8 AMENDMENTS RELATING TO DEDUCTIONS FROM BENEFITS

9 SEC. 103. (a) (1) Section 203 (b) of the Social
10 Security Act is amended by striking out paragraphs (1)
11 and (2) and inserting in lieu thereof the following new
12 paragraph:

13 “(1) in which such individual is under the age of
14 seventy-five and for which month he is charged with
15 any earnings under the provisions of subsection (e) of
16 this section; or”.

17 (2) Such section 203 (b) is amended by inserting
18 after paragraph (1) (inserted by paragraph (1) of this
19 subsection) the following new paragraph:

20 “(2) in which such individual is under the age of
21 seventy-five and on seven or more different calendar
22 days of which he engaged in noncovered remunerative
23 activity outside the United States; or”.

24 (b) (1) Section 203 (c) of such Act is amended by

1 striking out paragraphs (1) and (2) and inserting in lieu
2 thereof the following new paragraph:

3 “(1) in which the individual, on the basis of
4 whose wages and self-employment income such benefit
5 was payable, is under the age of seventy-five and for
6 which month he is charged with any earnings under
7 the provisions of subsection (e) of this section; or”.

8 (2) Such section 203 (c) is amended by inserting after
9 paragraph (1) (inserted by paragraph (1) of this sub-
10 section) the following new paragraph:

11 “(2) in which the individual referred to in para-
12 graph (1) is under the age of seventy-five and on seven
13 or more different calendar days of which he engaged in
14 noncovered remunerative activity outside the United
15 States.”

16 (c) The second sentence of section 203 (d) of such
17 Act is amended to read as follows: “The charging of earn-
18 ings to any month shall be treated as an event occurring in
19 such month.”

20 (d) (1) The heading of section 203 (e) of such Act is
21 amended to read “Months to Which Earnings Are Charged”.

22 (2) Paragraphs (1) and (2) of such section 203 (e)
23 are amended to read as follows:

24 “(1) If an individual's earnings for a taxable year

1 of twelve months are not more than \$1,000, no month
2 in such year shall be charged with any earnings. If an
3 individual's earnings for a taxable year of less than
4 twelve months are not more than the product of one-
5 twelfth of \$1,000 times the number of months in such
6 year, no month in such year shall be charged with any
7 earnings.

8 “(2) If an individual's earnings for a taxable year
9 of twelve months are in excess of \$1,000, the amount
10 of his earnings in excess of \$1,000 shall be charged to
11 months as follows: The first \$80 of such excess shall be
12 charged to the last month of such taxable year, and the
13 balance, if any, of such excess shall be charged at the
14 rate of \$80 per month to each preceding month in such
15 year to which such charging is not prohibited by the
16 last sentence of this paragraph, until all of such balance
17 has been applied. If an individual's earnings for a tax-
18 able year of less than twelve months are more than the
19 product of one-twelfth of \$1,000 times the number of
20 months in such year, the amount of such earnings in
21 excess of such product shall be charged to months as
22 follows: The first \$80 of such excess shall be charged to
23 the last month of such taxable year, and the balance,
24 if any, shall be charged at the rate of \$80 per month to

1 each preceding month in such year to which such charg-
2 ing is not prohibited by the last sentence of this para-
3 graph, until all of such balance has been applied.
4 Notwithstanding the preceding provisions of this para-
5 graph, no part of the excess referred to in such pro-
6 visions shall be charged to any month (A) for which
7 the individual whose earnings are involved was not en-
8 titled to a benefit under this title, (B) in which an event
9 described in paragraph (2), (3), (4), or (5) of
10 subsection (b), or in subsection (m), occurred, (C)
11 in which such individual was age seventy-five or over,
12 or (D) in which such individual did not engage in
13 self-employment and did not render services for wages
14 (determined as provided in paragraph (4) of this
15 subsection) of more than \$80.”

16 (3) Paragraph (3) (B) of such section 203 (e) is
17 amended to read as follows:

18 “(B) For purposes of clause (D) of paragraph (2)—

19 “(i) An individual will be presumed, with respect
20 to any month, to have been engaged in self-employment
21 in such month until it is shown to the satisfaction of the
22 Secretary that such individual rendered no substantial
23 services in such month with respect to any trade or busi-
24 ness the net income or loss of which is includible in com-
25 puting (as provided in paragraph (4) of this subsec-

1 tion) his net earnings or net loss from self-employment
2 for any taxable year. The Secretary shall by regula-
3 tions prescribe the methods and criteria for determining
4 whether or not an individual has rendered substantial
5 services with respect to any trade or business.

6 “(ii) An individual will be presumed, with respect
7 to any month, to have rendered services for wages (de-
8 termined as provided in paragraph (4) of this subsec-
9 tion) of more than \$80 until it is shown to the satis-
10 faction of the Secretary that such individual did not
11 render such services in such month for more than such
12 amount.”

13 (4) Such section 203 (e) is further amended by add-
14 ing at the end thereof the following new paragraphs:

15 “(4) (A) An individual’s earnings for a taxable
16 year shall be (i) the sum of his wages for services
17 rendered in such year and his net earnings from self-
18 employment for such year, minus (ii) any net loss from
19 self-employment for such year.

20 “(B) In determining an individual’s net earnings
21 from self-employment and his net loss from self-employ-
22 ment for purposes of subparagraph (A) of this para-
23 graph and subparagraph (B) of paragraph (3), the
24 provisions of section 211, other than paragraphs (1)
25 and (4) of subsection (c), shall be applicable; and any

1 excess of income over deductions resulting from such a
2 computation shall be his net earnings from self-employ-
3 ment and any excess of deductions over income so
4 resulting shall be his net loss from self-employment.

5 “(C) For purposes of this subsection, an individual’s
6 wages shall be computed without regard to the limita-
7 tions as to amounts of remuneration specified in sub-
8 sections (a), (g) (2), (g) (3), (h) (2), and (j) of
9 section 209; and in making such computation services
10 which do not constitute employment as defined in sec-
11 tion 210, performed within the United States by the in-
12 dividual as an employee, shall be deemed to be employ-
13 ment as so defined if the remuneration for such services
14 is not includible in computing his net earnings or net
15 loss from self-employment.

16 “(5) For purposes of this subsection, wages (deter-
17 mined as provided in paragraph (4) (C)) which, ac-
18 cording to reports received by the Secretary, are paid to
19 an individual during a taxable year shall be presumed
20 to have been paid to him for services performed in such
21 year until it is shown to the satisfaction of the Secretary
22 that they were paid for services performed in another
23 taxable year. If such reports with respect to an individ-
24 ual show his wages for a calendar year, such individual’s
25 taxable year shall be presumed to be a calendar year for

1 purposes of this subsection until it is shown to the satis-
2 faction of the Secretary that his taxable year is not a
3 calendar year.”

4 (e) Section 203 (f) of such Act is amended to read
5 as follows:

6 “Penalty for Failure To Report Certain Events

7 “(f) Any individual in receipt of benefits subject to de-
8 duction under subsection (b), (c), or (m) (or who is in
9 receipt of such benefits on behalf of another individual),
10 because of the occurrence of an event specified therein (other
11 than an event specified in subsection (b) (1) or (c) (1)),
12 who fails to report such occurrence to the Secretary prior to
13 the receipt and acceptance of an insurance benefit for the
14 second month following the month in which such event
15 occurred, shall suffer an additional deduction equal to that
16 imposed under subsection (b), (c), or (m), except that the
17 first additional deduction imposed by this subsection in the
18 case of any individual shall not exceed an amount equal to
19 one month’s benefit even though the failure to report is
20 with respect to more than one month.”

21 (f) (1) The heading of section 203 (g) of such Act
22 is amended to read “Report of Earnings to Secretary”.

23 (2) The first sentence of paragraph (1) of section 203
24 (g) of such Act is amended to read as follows: “If an indi-
25 vidual is entitled to any monthly insurance benefit under

1 section 202 during any taxable year in which he has earnings
2 or wages, as computed pursuant to paragraph (4) of subsec-
3 tion (e), in excess of the product of one-twelfth of \$1,000
4 times the number of months in such year, such individual (or
5 the individual who is in receipt of such benefit on his be-
6 half) shall make a report to the Secretary of his earnings
7 (or wages) for such taxable year.”

8 (3) Paragraph (2) of such section 203 (g) is amended
9 to read as follows:

10 “(2) If an individual fails to make a report required
11 under paragraph (1), within the time prescribed therein,
12 for any taxable year and any deduction is imposed under
13 subsection (b) (1) by reason of his earnings for such year,
14 he shall suffer additional deductions as follows:

15 “(A) if such failure is the first one with respect to
16 which an additional deduction is imposed under this
17 paragraph, such additional deduction shall be equal to
18 his benefit or benefits for the last month of such year
19 for which he was entitled to a benefit under section 202;

20 “(B) if such failure is the second one for which an
21 additional deduction is imposed under this paragraph,
22 such additional deduction shall be equal to two times his
23 benefit or benefits for the last month of such year for
24 which he was entitled to a benefit under section 202;

25 “(C) if such failure is the third or a subsequent one

1 for which an additional deduction is imposed under this
2 paragraph, such additional deduction shall be equal to
3 three times his benefit or benefits for the last month
4 of such year for which he was entitled to a benefit
5 under section 202;

6 except that the number of the additional deductions required
7 by this paragraph with respect to a failure to report earnings
8 for a taxable year shall not exceed the number of months in
9 such year for which such individual received and accepted
10 insurance benefits under section 202 and for which deduc-
11 tions are imposed under subsection (b) (1) by reason of
12 his earnings. In determining whether a failure to report
13 earnings is the first or a subsequent failure for any individual,
14 all taxable years ending prior to the imposition of the first
15 additional deduction under this paragraph, other than the
16 latest one of such years, shall be disregarded.”

17 (4) Paragraph (3) of such section 203 (g) is amended
18 by striking out “subsection (b) (2)” each time it appears
19 and inserting in lieu thereof “subsection (b) (1)”; by
20 striking out “net earnings from self-employment” each time
21 it appears and inserting in lieu thereof “earnings”; by strik-
22 ing out “such net earnings” and inserting in lieu thereof “such
23 earnings”; and by adding at the end of such paragraph the
24 following new sentence: “If, after the close of a taxable year
25 of an individual entitled to benefits under section 202 for

1 such year, the Secretary requests such individual to furnish
2 a report of his earnings (as computed pursuant to paragraph
3 (4) of subsection (e)) for such taxable year or any other
4 information with respect to such earnings which the Secre-
5 tary may specify, and the individual fails to comply with such
6 request, such failure shall in itself constitute justification for
7 a determination that such individual's benefits are subject to
8 deductions under subsection (b) (1) for each month in such
9 taxable year (or only for such months thereof as the Secre-
10 tary may specify) by reason of his earnings for such year."

11 (g) Section 203 of such Act is amended by adding at the
12 end thereof the following new subsection:

13 "Noncovered Remunerative Activity Outside the United
14 States

15 "(k) An individual shall be considered to be engaged in
16 noncovered remunerative activity outside the United States
17 if he performs services outside the United States as an em-
18 ployee and such services do not constitute employment as
19 defined in section 210, or if he carries on a trade or business
20 outside the United States (other than the performance of
21 service as an employee) the net income or loss of which (1)
22 is not includible in computing his net earnings from self-em-
23 ployment for a taxable year and (2) would not be excluded
24 from net earnings from self-employment, if carried on in the

1 United States, by any of the numbered paragraphs of section
2 211 (a). When used in the preceding sentence with respect
3 to a trade or business (other than the performance of service
4 as an employee), the term 'United States' does not include
5 Puerto Rico or the Virgin Islands in the case of an alien who
6 is not a resident of the United States (including Puerto Rico
7 and the Virgin Islands); and the term 'trade or business'
8 shall have the same meaning as when used in section 23
9 of the Internal Revenue Code."

10 (h) Section 203 of such Act is further amended by add-
11 ing after subsection (k) (added by subsection (g) of this
12 section) the following new subsection:

13 "Good Cause for Failure To Make Reports Required

14 (1) The failure of an individual to make any report
15 required by subsection (f) or (g) within the time pre-
16 scribed therein shall not be regarded as such a failure if it
17 is shown to the satisfaction of the Secretary that he had good
18 cause for failing to make such report within such time.
19 The determination of what constitutes good cause for pur-
20 poses of this subsection shall be made in accordance with
21 regulations of the Secretary."

22 (i) (1) Section 203 of such Act is further amended by
23 adding after subsection (1) (added by subsection (h) of this
24 section) the following new subsection:

1 "Deductions From Benefits of Dependents' and Survivors'
2 Residing Abroad

3 "(m) (1) Deductions shall be made from any benefits
4 to which a dependent or survivor is entitled under subsection
5 (b), (c), (d), (e), (f), (g), or (h) of section 202 on the
6 basis of the wages and self-employment income of an in-
7 sured individual until the total of such deductions equals
8 such dependent's or survivor's benefit or benefits under such
9 subsection for any month during no part of which he is a
10 resident of the United States unless—

11 "(A) such dependent or survivor resided in the
12 United States for three years during the five years im-
13 mediately preceding the first month for which he was
14 eligible for such benefits or any other monthly benefits
15 under such section 202 based on the wages and self-
16 employment income of such insured individual; or

17 "(B) such insured individual would be a currently
18 insured individual at the time he became eligible for
19 or entitled to old-age insurance benefits or primary
20 insurance benefits or, if he died without becoming so
21 eligible or entitled, at the time of his death, even if
22 no wages were counted for such purpose except his
23 wages (if any) for service referred to in clause (B)
24 of so much of section 210 (a) as precedes paragraph
25 (1) and his wages (if any) deemed paid pursuant to
26 subsection (a) or (e) of section 217; or

1 “(C) in the case of a child entitled to child’s insur-
2 ance benefits, such child first became eligible for such
3 benefits (on the basis of the wages and self-employment
4 income of such insured individual) prior to the month
5 in which he attained the age of three and such child
6 was born in the United States.

7 “(2) For purposes of paragraph (1) —

8 “(A) an individual shall be deemed eligible for
9 benefits under any subsection of section 202 for any
10 month if he was, or would have been upon filing appli-
11 cation therefor in such month, entitled to such benefits
12 for such month;

13 “(B) a dependent is a wife, husband, or child of an
14 individual entitled to old-age insurance benefits; and

15 “(C) a survivor is a widow, widower, child, former
16 wife divorced, or parent (of a deceased individual) en-
17 titled to monthly benefits under subsection (d), (e),
18 (f), (g), or (h) of section 202.”

19 (2) The first sentence of section 203 (d) of such Act
20 is amended by striking out “(b) and (c)” and inserting in
21 lieu thereof “(b), (c), and (m)”.

22 (3) Section 214 (b) of such Act is amended by strik-
23 ing out “or” before clause (3) and by inserting immediately
24 before the period at the end thereof: “, or (4) for pur-

1 poses of section 203 (m) only, the first quarter in which he
2 was, or would have been upon filing application therefor
3 in such quarter, entitled to old-age insurance benefits or
4 primary insurance benefits”.

5 (4) Subsections (a) (1) and (e) (1) of section 217
6 of such Act are each amended by adding at the end thereof
7 the following new sentence: “The provisions of clause (B)
8 shall also not apply for purposes of section 203 (m) (1)
9 (B).”

10 (5) The amendments made by this subsection shall be
11 applicable in the case of any individual who (A) is en-
12 titled to benefits under any subsection of section 202 of the
13 Social Security Act (other than subsection (a) thereof),
14 on the basis of the wages and self-employment income of an
15 insured individual, after the month in which this Act is
16 enacted, and (B) was not, and would not have been upon
17 filing application therefor in such month, entitled (without
18 the application of subsection (j) (1) of such section 202)
19 to benefits under the same or any other subsection of such
20 section 202 on the basis of such insured individual’s wages
21 and self-employment income for the month in which this
22 Act is enacted or any prior month.

23 (j) (1) The amendments made by subsection (f) and
24 by paragraph (1) of subsection (a) of this section shall be
25 applicable in the case of monthly benefits under title II of

1 the Social Security Act for months in any taxable year (of
2 the individual entitled to such benefits) beginning after
3 December 1954. The amendments made by paragraph (1)
4 of subsection (b) of this section shall be applicable in the
5 case of monthly benefits under such title II for months in
6 any taxable year (of the individual on the basis of whose
7 wages and self-employment income such benefits are pay-
8 able) beginning after December 1954. The amendments
9 made by subsections (e) and (g), and by paragraph (2)
10 of subsection (a) and paragraph (2) of subsection (b),
11 shall be applicable in the case of monthly benefits under such
12 title II for months after December 1954. The remaining
13 amendments made by this section (other than subsection
14 (h) and (i)) shall be applicable, insofar as they are re-
15 lated to the monthly benefits of an individual which are
16 based on his wages and self-employment income, in the case
17 of monthly benefits under such title II for months in any
18 taxable year (of such individual) beginning after December
19 1954 and, insofar as they are related to the monthly benefits
20 of an individual which are based on the wages and self-
21 employment income of someone else, in the case of monthly
22 benefits under such title II for months in any taxable year
23 (of the individual on whose wages and self-employment in-
24 come such benefits are based) beginning after December
25 1954.

1 (2) No deduction shall be imposed on or after the date
2 of the enactment of this Act under subsection (f) or (g) of
3 section 203 of the Social Security Act, as in effect prior to
4 such date, on account of failure to file a report of an event
5 described in subsection (b) (1), (b) (2), or (c) (1) of
6 such section (as in effect prior to such date); and no such
7 deduction imposed prior to such date shall be collected after
8 such date. In determining whether, under section 203 (g)
9 (2) of the Social Security Act, as amended by this Act, a
10 failure to file a report is a first or subsequent failure, any
11 failure with respect to a taxable year which began prior to
12 January 1955 shall be disregarded.

13 INCREASE IN EARNINGS COUNTED

14 SEC. 104. (a) Subsection (a) of section 209 of the
15 Social Security Act is amended to read as follows:

16 “(a) (1) That part of remuneration which, after re-
17 munerated (other than remuneration referred to in the suc-
18 ceeding subsections of this section) equal to \$3,600 with
19 respect to employment has been paid to an individual during
20 any calendar year prior to 1955, is paid to such individual
21 during such calendar year;

22 “(2) That part of remuneration which, after remunera-
23 tion (other than remuneration referred to in the succeeding
24 subsections of this section) equal to \$4,200 with respect to
25 employment has been paid to an individual during any cal-

1 endar year after 1954, is paid to such individual during such
2 calendar year;”.

3 (b) Paragraph (1) of subsection (b) of section 211
4 of such Act is amended to read as follows:

5 “(1) That part of the net earnings from self-
6 employment which is in excess of—

7 “(A) For any taxable year ending prior to
8 1955, (i) \$3,600, minus (ii) the amount of the
9 wages paid to such individual during the taxable
10 year; and

11 “(B) For any taxable year ending after
12 1954, (i) \$4,200, minus (ii) the amount of the
13 wages paid to such individual during the taxable
14 year; or”.

15 (c) Clauses (ii) and (iii) of section 213 (a) (2) (B)
16 of such Act are amended to read as follows—

17 “(ii) if the wages paid to any individual
18 in any calendar year equal \$3,600 in the case
19 of a calendar year after 1950 and before 1955,
20 or \$4,200 in the case of a calendar year after
21 1954, each quarter of such year shall (subject
22 to clause (i)) be a quarter of coverage.

23 “(iii) if an individual has self-employment
24 income for a taxable year, and if the sum of
25 such income and the wages paid to him during

1 such year equals \$3,600 in the case of a taxable
2 year beginning after 1950 and ending before
3 1955, or \$4,200 in the case of a taxable year
4 ending after 1954, each quarter any part of
5 which falls in such year shall (subject to clause
6 (i)) be a quarter of coverage;”.

7 (d) Paragraph (1) of section 215 (e) of such Act is
8 amended to read as follows:

9 “(1) in computing an individual’s average monthly
10 wage there shall not be counted the excess over \$3,600
11 in the case of any calendar year after 1950 and before
12 1955, and the excess over \$4,200 in the case of any
13 calendar year after 1954, of (A) the wages paid to
14 him in such year, plus (B) the self-employment income
15 credited to such year (as determined under section
16 212) ; and”.

17 **RETROACTIVE APPLICATIONS FOR BENEFITS**

18 SEC. 105. (a) Section 202 (j) (1) of the Social Se-
19 curity Act is amended by striking out “sixth” and inserting
20 in lieu thereof “twelfth”.

21 (b) The amendment made by subsection (a) shall be
22 applicable only in the case of applications for monthly bene-
23 fits under section 202 of the Social Security Act filed after
24 the month following the month in which this Act is enacted;
25 except that no individual shall, by reason of such amendment,

1 be entitled to any benefit for any month prior to the fifth
2 month before the month in which this Act is enacted.

3 PRESERVATION OF INSURANCE RIGHTS OF INDIVIDUALS
4 WITH EXTENDED TOTAL DISABILITY

5 SEC. 106. (a) (1) Section 213 (a) (2) (A) of the
6 Social Security Act is amended to read as follows:

7 “(A) The term ‘quarter of coverage’ means, in the case
8 of any quarter occurring prior to 1951, a quarter in which
9 the individual has been paid \$50 or more in wages, except
10 that no quarter any part of which was included in a period
11 of disability (as defined in section 216 (i)), other than the
12 initial quarter of such period, shall be a quarter of coverage.
13 In the case of any individual who has been paid, in a cal-
14 endar year prior to 1951, \$3,000 or more in wages, each
15 quarter of such year following his first quarter of coverage
16 shall be deemed a quarter of coverage, excepting any quarter
17 in such year in which such individual died or became entitled
18 to a primary insurance benefit and any quarter succeeding
19 such quarter in which he died or became so entitled, and
20 excepting any quarter any part of which was included in a
21 period of disability, other than the initial quarter of such
22 period.”

23 (2) Section 213 (a) (2) (B) (i) of such Act is
24 amended to read as follows:

25 “(i) no quarter after the quarter in which such

1 individual died shall be a quarter of coverage, and no
2 quarter any part of which was included in a period of
3 disability (other than the initial quarter and the last
4 quarter of such period) shall be a quarter of coverage;”.

5 (b) (1) Section 214 (a) (2) of the Social Security
6 Act is amended by striking out subparagraph (B) and in-
7 serting in lieu thereof the following:

8 “(B) forty quarters of coverage,
9 not counting as an elapsed quarter for purposes of subpara-
10 graph (A) any quarter any part of which was included in a
11 period of disability (as defined in section 216 (i)) unless
12 such quarter was a quarter of coverage.”

13 (2) Section 214 (b) of such Act is amended by striking
14 out the period and inserting in lieu thereof: “, not counting
15 as part of such thirteen-quarter period any quarter any part
16 of which was included in a period of disability unless such
17 quarter was a quarter of coverage.”

18 (c) (1) Section 215 (b) (1) of the Social Security
19 Act (as amended by section 102 (b) (1) of this Act) is
20 amended by inserting after “quarter of coverage” the follow-
21 ing: “and any month in any quarter any part of which was
22 included in a period of disability (as defined in section 216
23 (i)) unless such quarter was a quarter of coverage”.

24 (2) Section 215 (d) of such Act is amended by adding
25 at the end thereof the following new paragraph:

1 “(5) In the case of any individual to whom paragraph
2 (1), (2), or (4) of this subsection is applicable, his primary
3 insurance benefit shall be computed as provided therein ex-
4 cept that, for purposes of paragraphs (1) and (2) and sub-
5 paragraph (C) of paragraph (4), any quarter prior to 1951
6 any part of which was included in a period of disability shall
7 be excluded from the elapsed quarters unless it was a quarter
8 of coverage, and any wages paid in any such quarter shall
9 not be counted.”

10 (3) Section 215 (e) of such Act (as amended by
11 section 102 (e) (1) of this Act) is amended by adding
12 after paragraph (3) the following new paragraph:

13 “(4) in computing an individual’s average monthly
14 wage, there shall not be taken into account (A) any
15 wages paid such individual in any quarter any part of
16 which was included in a period of disability unless such
17 quarter was a quarter of coverage, or (B) any self-
18 employment income of such individual for any taxable
19 year all of which was included in a period of disability.”

20 (d) Section 216 of the Social Security Act is amended
21 by adding after subsection (h) the following new subsection:

22 “Disability; Period of Disability

23 “(i) (1) The term ‘disability’ means (A) inability
24 to engage in any substantial gainful activity by reason of
25 any medically determinable physical or mental impairment

1 which can be expected to result in death or to be of long-
2 continued and indefinite duration, or (B) blindness; and the
3 term 'blindness' means central visual acuity of 5/200 or
4 less in the better eye with the use of a correcting lens. An
5 eye in which the visual field is reduced to five degrees or less
6 concentric contraction shall be considered for the purpose of
7 this paragraph as having a central visual acuity of 5/200
8 or less. An individual shall not be considered to be under a
9 disability unless he furnishes such proof of the existence
10 thereof as may be required. Nothing in this title shall be
11 construed as authorizing the Secretary or any other officer or
12 employee of the United States to interfere in any way with
13 the practice of medicine or with relationships between prac-
14 titioners of medicine and their patients, or to exercise any
15 supervision or control over the administration or operation
16 of any hospital.

17 “(2) The term ‘period of disability’ means a continuous
18 period of not less than six full calendar months (beginning
19 and ending as hereinafter provided in this subsection) during
20 which an individual was under a disability (as defined in
21 paragraph (1)). No such period shall begin as to any
22 individual unless such individual, while under a disability,
23 files an application for a disability determination with re-

1 spect to such period; and no such period shall begin as to
2 any individual after such individual attains retirement age.
3 Except as provided in paragraph (4), a period of disability
4 shall begin—

5 “(A) if the individual satisfies the requirements of
6 paragraph (3) on such day,

7 “(i) on the day the disability began, or

8 “(ii) on the first day of the one-year period
9 which ends with the day before the day on which
10 the individual files such application,
11 whichever occurs later;

12 “(B) if such individual does not satisfy the require-
13 ments of paragraph (3) on the day referred to in sub-
14 paragraph (A), then on the first day of the first quarter
15 thereafter in which he satisfies such requirements.

16 A period of disability shall end with the close of the last
17 day of the first month in which either the disability ceases
18 or the individual attains retirement age. No application for
19 a disability determination which is filed more than three
20 months before the first day on which a period of disability
21 can begin (as determined under this paragraph) shall be
22 accepted as an application for purposes of this paragraph,
23 and no such application which is filed prior to January 1,
24 1955, shall be accepted.

1 “(3) The requirements referred to in clauses (A) and
2 (B) of paragraphs (2) and (4) are satisfied by an in-
3 dividual with respect to any quarter only if he had not less
4 than—

5 “(A) six quarters of coverage (as defined in sec-
6 tion 213 (a) (2)) during the thirteen-quarter period
7 which ends with such quarter; and

8 “(B) twenty quarters of coverage during the forty-
9 quarter period which ends with such quarter,
10 not counting as part of the thirteen-quarter period specified
11 in clause (A), or the forty-quarter period specified in clause
12 (B), any quarter any part of which was included in a prior
13 period of disability unless such quarter was a quarter of
14 coverage.

15 “(4) If an individual files an application for a disability
16 determination after December 1954, and before July 1957,
17 with respect to a disability which began before July 1956,
18 and continued without interruption until such application
19 was filed, then the beginning day for the period of disability,
20 if such individual does not die prior to July 1, 1955, shall
21 be—

22 “(A) the day such disability began, but only if he
23 satisfies the requirements of paragraph (3) on such
24 day;

25 “(B) if he does not satisfy such requirements on

1 such day, the first day of the first quarter thereafter in
2 which he satisfies such requirements.”

3 (e) (1) The first sentence of section 217 (a) (1) of
4 the Social Security Act is amended by inserting “and for
5 purposes of section 216 (i) (3),” after “World War II
6 veteran,”.

7 (2) The first sentence of section 217 (e) (1) of such
8 Act is amended by inserting “and for purposes of section 216
9 (i) (3),” after “veteran (as defined in paragraph (4)),”.

10 (3) Such section 217 (a) (1) and such section 217 (e)
11 (1) of such Act are each amended by inserting “, or for
12 purposes of section 216 (i) (3)” immediately before the
13 period at the end of the last sentence thereof (added by
14 section 103 (i) (4) of this Act).

15 (f) Section 5 (k) of the Railroad Retirement Act of
16 1937, as amended, is amended by striking out “and for the
17 purposes of section 203 of that Act” and inserting in lieu
18 thereof “and for the purposes of sections 203 and 216 (i)
19 (3) of that Act”.

20 (g) Title II of the Social Security Act is amended by
21 adding after section 219 the following new sections:

22 “DISABILITY PROVISIONS INAPPLICABLE IF BENEFIT
23 RIGHTS IMPAIRED

24 “SEC. 220. None of the provisions of this title relating
25 to periods of disability shall apply in any case in which their

1 application would result in the denial of monthly benefits
2 or a lump-sum death payment which would otherwise be
3 payable under this title; nor shall they apply in the case of
4 any monthly benefit or lump-sum death payment under this
5 title if such benefit or payment would be greater without
6 their application.

7 "DISABILITY DETERMINATIONS

8 "SEC. 221. (a) In the case of any individual, the deter-
9 mination of whether or not he is under a disability (as
10 defined in section 216 (i)) and of the day such disability
11 began, and the determination of the day on which such
12 disability ceases, shall, except as provided in subsection (g),
13 be made by a State agency pursuant to an agreement entered
14 into under subsection (b). Except as provided in subsections
15 (c) and (d), any such determination shall be the determi-
16 nation of the Secretary for purposes of this title.

17 "(b) The Secretary shall enter into an agreement with
18 each State which is willing to make such an agreement
19 under which the State agency or agencies administering
20 the State plan approved under the Vocational Rehabilita-
21 tion Act, or any other appropriate State agency or agen-
22 cies, or both, will make the determinations referred to in
23 subsection (a) with respect to all individuals in such State,
24 or with respect to such class or classes of individuals in

1 the State as may be designated in the agreement at the
2 State's request.

3 “(c) The Secretary may on his own motion review a
4 determination, made by a State agency pursuant to an
5 agreement under this section, that an individual is under
6 a disability and, as a result of such review, may determine
7 that such individual is not under a disability or that such
8 disability began on a day later than that determined by
9 such agency, or that such disability ceased on a day earlier
10 than that determined by such agency.

11 “(d) Any individual dissatisfied with any deter-
12 mination under subsection (a), (c), or (g) shall be
13 entitled to a hearing thereon by the Secretary to the same
14 extent as is provided in section 205 (b) with respect to
15 decisions of the Secretary, and to judicial review of the
16 Secretary's final decision after such hearing as is provided
17 in section 205 (g).

18 “(e) Each State which has an agreement with the Sec-
19 retary under this section shall be entitled to receive from
20 the Trust Fund, in advance or by way of reimbursement, as
21 may be mutually agreed upon, the cost to the State of carry-
22 ing out the agreement under this section. The Secretary
23 shall from time to time certify such amount as is necessary
24 for this purpose to the Managing Trustee, reduced or

1 increased, as the case may be, by any sum (for which ad-
2 justment hereunder has not previously been made) by which
3 the amount certified for any prior period was greater or
4 less than the amount which should have been paid to the
5 State under this subsection for such period; and the Man-
6 aging Trustee, prior to audit or settlement by the General
7 Accounting Office, shall make payment from the Trust
8 Fund at the time or times fixed by the Secretary, in
9 accordance with such certification.

10 “(f) All money paid to a State under this section shall
11 be used solely for the purposes for which it is paid; and any
12 money so paid which is not used for such purposes shall
13 be returned to the Treasury of the United States for deposit
14 in the Trust Fund.

15 “(g) In the case of individuals in a State which has no
16 agreement under subsection (b), in the case of individuals
17 outside the United States, and in the case of any class or
18 classes of individuals not included in an agreement under
19 subsection (b), the determinations referred to in subsection
20 (a) shall be made by the Secretary in accordance with regu-
21 lations prescribed by him.

22 “REFERRAL FOR REHABILITATION SERVICES

23 “SEC. 222. It is hereby declared to be the policy of the
24 Congress in enacting the preceding section that disabled indi-

1 individuals applying for a determination of disability shall be
2 promptly referred to the State agency or agencies administer-
3 ing or supervising the administration of the State plan ap-
4 proved under the Vocational Rehabilitation Act for neces-
5 sary vocational rehabilitation services, to the end that the
6 maximum number of disabled individuals may be restored to
7 productive activity.”

8 (h) Notwithstanding the provisions of section 215 (f)
9 (1) of the Social Security Act, the amendments made by
10 subsections (a), (b), (c), (d), (e), and (f) of this section
11 shall apply with respect to monthly benefits under title II of
12 the Social Security Act for months after June 1955, and with
13 respect to lump-sum death payments under such title in the
14 case of deaths occurring after June 1955; but no recomputa-
15 tion of benefits by reason of such amendments shall be re-
16 garded as a recomputation for purposes of section 215 (f)
17 of the Social Security Act.

18 DELETION OF EARNINGS DURING UNLAWFUL RESIDENCE
19 IN THE UNITED STATES

20 SEC. 107. (a) Section 205 of the Social Security Act
21 is amended by redesignating subsection (n) as subsection
22 (m) and inserting after such subsection the following new
23 subsection:

1 to receipt of such notice shall not be deemed by reason of
2 this subsection to be an erroneous payment.”

3 (b) The amendment made by subsection (a) shall be
4 applicable in the case of monthly benefits under title II
5 of the Social Security Act for months after, and in the case
6 of lump-sum death payments with respect to deaths
7 occurring after, the month following the month in which this
8 Act is enacted.

9 **TERMINATION OF BENEFITS UPON DEPORTATION**

10 **SEC. 108.** (a) Section 202 of the Social Security Act is
11 amended by adding at the end thereof the following new sub-
12 section:

13 “Termination of Benefits Upon Deportation of Primary
14 **Beneficiary**

15 “(m) (1) Notwithstanding any other provision of this
16 title, no monthly benefits under this section shall be paid on
17 the basis of the wages and self-employment income of any
18 individual for any month after such individual has been de-
19 ported under paragraph (1), (2), (4), (5), (6), (7),
20 (10), (11), (12), (14), (15), (16), (17), or (18)
21 of section 241 (a) of the Immigration and Nationality Act,
22 and no lump-sum death payment shall be made on the basis
23 of such wages and self-employment income in case of death
24 in or after such month.

1 graph (4) and inserting after paragraph (2) the following
2 new paragraph:

3 “(3) In the case of any individual who did not die prior
4 to January 1, 1955, the term ‘fully insured individual’ means
5 any individual who meets the requirements of paragraph (2)
6 and, in addition, any individual with respect to whom all
7 of the quarters elapsing after 1954 and prior to (i) July 1,
8 1956, or (ii) if later, the quarter in which he attained re-
9 tirement age or died, whichever first occurred, are quarters
10 of coverage.”

11 (b) Subparagraph (B) of section 213 (a) (2) of such
12 Act is amended by inserting “(except wages for agricul-
13 tural labor)” after “\$50 or more in wages” in that part of
14 such subparagraph which precedes clause (i), and by strik-
15 ing out clause (iv) and inserting in lieu thereof the
16 following:

17 “(iv) if an individual is paid wages for agricultural
18 labor in a calendar year, then, subject to clause (i), (a)
19 the last two quarters of such year which can be but are
20 not otherwise quarters of coverage shall be quarters of
21 coverage if such wages are less than \$300; (b) the last
22 three quarters of such year which can be but are not
23 otherwise quarters of coverage shall be quarters of cover-
24 age if such wages equal or exceed \$300 but are less than

1 \$400; and (c) each quarter of such year which is not
2 otherwise a quarter of coverage shall be a quarter of cov-
3 erage if such wages are \$400 or more; and

4 “(v) no quarter shall be counted as a quarter of
5 coverage prior to the beginning of such quarter.

6 If, in the case of any individual who has attained retirement
7 age or died and who has been paid wages for agricultural
8 labor in a calendar year, the requirements for insured status
9 in subsection (a) or (b) of section 214, the requirements
10 for entitlement to a computation or recomputation of his
11 primary insurance amount, or the requirements of paragraph
12 (3) of section 216 (i) are not met after assignment of quar-
13 ters of coverage to quarters in such year as provided in clause
14 (iv) of the preceding sentence, but would be met if such
15 quarters of coverage were assigned to different quarters in
16 such year, then such quarters of coverage shall instead be as-
17 signed, for purposes only of determining compliance with
18 such requirements, to such different quarters.”

19 BENEFITS IN CERTAIN CASES OF DEATHS BEFORE
20 SEPTEMBER 1950

21 SEC. 110. (a) In the case of any individual—

22 (1) who died prior to September 1, 1950, and was
23 not a fully insured individual (under title II of the Social
24 Security Act), when he died, and

1 (2) who had not less than six quarters of coverage
2 (as defined in such title),
3 such individual shall, except for purposes of determining en-
4 titlement of a former wife divorced to benefits under section
5 202 (g) of the Social Security Act, be deemed to have died a
6 fully insured individual. Such individual's primary insurance
7 amount shall be computed under subsection (a) (2) of sec-
8 tion 215 of such Act, except that, for the purpose of such
9 computation, the provisions of paragraph (4) of subsection
10 (d) of such section (in lieu of the provisions of paragraph
11 (3) of such subsection) shall be applicable, and except that
12 his closing date shall be the first day of the quarter in which
13 he died. In the case of any such individual, the requirement
14 in subsection (h) of section 202 of such Act that proof of
15 support be filed within two years of the date of his death
16 shall not apply if such proof is filed within two years after the
17 first month following the month in which this Act is enacted.
18 (b) The provisions of subsection (a) shall be applicable
19 only in the case of monthly benefits under section 202 of the
20 Social Security Act for months after the first month following
21 the month in which this Act is enacted, on the basis of appli-
22 cations filed after such month in which this Act is enacted.

1 ELIMINATION OF REQUIREMENT OF FILING APPLICATION
2 IN CERTAIN CASES

3 SEC. 111. (a) Section 202 (e) (1) (C) of the
4 Social Security Act is amended to read as follows:

5 “(C) (i) has filed application for widow’s insur-
6 ance benefits or was entitled, after attainment of re-
7 tirement age, to wife’s insurance benefits, on the basis
8 of the wages and self-employment income of such indi-
9 vidual, for the month preceding the month in which he
10 died, or

11 “(ii) was entitled, on the basis of such wages and
12 self-employment income, to mother’s insurance benefits
13 for the month preceding the month in which she at-
14 tained retirement age.”

15 (b) Section 202 (g) (1) (D) of such Act is amended
16 to read as follows:

17 “(D) has filed application for mother’s insurance
18 benefits, or was entitled to wife’s insurance benefits
19 on the basis of the wages and self-employment income
20 of such individual for the month preceding the month
21 in which he died.”

22 (c) The third sentence of section 202 (i) of such Act
23 is amended by inserting immediately before the period at
24 the end thereof the following: “, or unless such person was
25 entitled to wife’s or husband’s insurance benefits, on the

1 basis of the wages and self-employment income of such in-
2 sured individual, for the month preceding the month in which
3 such individual died”.

4 TECHNICAL AMENDMENTS

5 SEC. 112. (a) The second sentence of section 204 (a)
6 of the Social Security Act is amended by inserting “and
7 self-employment income” after “wages”.

8 (b) Section 208 of the Social Security Act is amended
9 by inserting “, or as to the amount of net earnings from
10 self-employment derived or the period during which derived,”
11 after “as to the amount of any wages paid or received or the
12 period during which earned or paid”.

13 REPEAL OF REQUIREMENT OF CERTAIN DEDUCTIONS

14 SEC. 113. (a) No deductions shall be made pursuant
15 to subsection (i) of section 203 of the Social Security Act
16 from any benefits for any month after the month in which
17 this Act is enacted; and, effective with the beginning of the
18 month following the month in which this Act is enacted, such
19 subsection is repealed.

20 (b) No deductions shall be made pursuant to section
21 907 of the Social Security Act Amendments of 1939 (53
22 Stat. 1360, 1402), with respect to wages for services per-
23 formed in 1939, from any benefits for any month after the
24 month in which this Act is enacted; and, effective with the
25 beginning of the month following the month in which this

1 Act is enacted, such section is amended by striking out "1
2 per centum of any wages paid him for services performed in
3 1939, and subsequent to his attaining age sixty-five, and".

4 PROOF OF SUPPORT BY HUSBAND OR WIDOWER IN CERTAIN
5 CASES

6 SEC. 114. (a) For the purpose of determining the en-
7 titlement of any individual to husband's insurance benefits
8 under subsection (c) of section 202 of the Social Security
9 Act on the basis of his wife's wages and self-employment
10 income, the requirements of paragraph (1) (D) of such
11 subsection shall be deemed to be met if—

12 (1) such individual was receiving at least one-half
13 of his support, as determined in accordance with regula-
14 tions prescribed by the Secretary of Health, Education,
15 and Welfare, from his wife on the first day of the first
16 month (A) for which she was entitled to a monthly
17 benefit under subsection (a) of such section 202, and
18 (B) in which an event described in paragraph (1) or
19 (2) of section 203 (b) of such Act (as in effect before
20 or after the enactment of this Act) did not occur,

21 (2) such individual has filed proof of such support
22 within two years after such first month, and

23 (3) such wife was, without the application of sub-
24 section (j) (1) of such section 202, entitled to a pri-

1 mary insurance benefit under such Act for August 1950.

2 (b) For the purpose of determining the entitlement of
3 any individual to widower's insurance benefits under sub-
4 section (f) of section 202 of the Social Security Act on
5 the basis of his deceased wife's wages and self-employment
6 income, the requirements of paragraph (1) (E) (ii) of
7 such subsection shall be deemed to be met if—

8 (1) such individual was receiving at least one-half
9 of his support, as determined in accordance with regula-
10 tions prescribed by the Secretary of Health, Education,
11 and Welfare, from his wife, and she was a currently
12 insured individual, on the first day of the first month
13 (A) for which she was entitled to a monthly benefit
14 under subsection (a) of such section 202, and (B) in
15 which an event described in paragraph (1) or (2) of
16 section 203 (b) of such Act (as in effect before or after
17 the enactment of this Act) did not occur,

18 (2) such individual has filed proof of such support
19 within two years after such first month, and

20 (3) such wife was, without the application of
21 subsection (j) (1) of such section 202, entitled to a
22 primary insurance benefit under such Act for August
23 1950.

24 (c) For purposes of subsection (b) (1) of this Act,

1 and for purposes of section 202 (c) (1) of the Social
2 Security Act in cases to which subsection (a) of this section
3 is applicable, the wife of an individual shall be deemed a
4 currently insured individual if she had not less than six
5 quarters of coverage (as determined under section 213 of
6 the Social Security Act) during the thirteen-quarter period
7 ending with the calendar quarter in which occurs the first
8 month (1) for which such wife was entitled to a monthly
9 benefit under section 202 (a) of such Act, and (2) in
10 which an event described in paragraph (1) or (2) of
11 section 203 (b) of such Act did not occur.

12 (d) This section shall apply only with respect to
13 husband's insurance benefits under section 202 (c) of the
14 Social Security Act, and widower's insurance benefits under
15 section 202 (f) of such Act, for months after the first month
16 following the month in which this Act is enacted, and only
17 with respect to benefits based on applications filed after such
18 first month.

19 DEFINITION

20 SEC. 115. As used in the provisions of the Social
21 Security Act amended by this title, the term "Secretary"
22 means the Secretary of Health, Education, and Welfare.

1 **TITLE II—AMENDMENTS TO INTERNAL**
2 **REVENUE CODE**
3 **AMENDMENTS TO DEFINITIONS OF SELF-EMPLOYMENT**
4 **INCOME AND RELATED DEFINITIONS**

5 **SEC. 201. (a) (1)** Paragraph (1) of section 481 (a)
6 of the Internal Revenue Code is amended to read as follows:

7 “(1) There shall be excluded rentals from real
8 estate and from personal property leased with the real
9 estate (including such rentals paid in crop shares)
10 together with the deductions attributable thereto, unless
11 such rentals are received in the course of a trade or
12 business as a real estate dealer;”.

13 (2) Subsection (a) of section 481 of the Internal
14 Revenue Code is amended by striking out paragraph
15 (2) and redesignating paragraphs (3), (4), (5), (6),
16 and (7), and any references thereto contained in such
17 code, as paragraphs (2), (3), (4), (5), and (6), respec-
18 tively, and by adding at the end of such subsection the
19 following new sentence: “In the case of any trade or busi-
20 ness which is carried on by an individual who reports his
21 income on a cash receipts and disbursements basis, and in
22 which, if it were carried on exclusively by employees, the

1 major portion of the services would constitute agricultural
2 labor as defined in section 1426 (h), (i) if the gross income
3 derived from such trade or business by such individual
4 is not more than \$1,800, the net earnings from self-employ-
5 ment derived by him therefrom may, at his option, be
6 deemed to be 50 per centum of such gross income in lieu of
7 his net earnings from self-employment from such trade or
8 business computed as provided under the preceding pro-
9 visions of this subsection, or (ii) if the gross income
10 derived from such trade or business by such individual is
11 more than \$1,800 and the net earnings from self-employ-
12 ment derived by him therefrom, as computed under the
13 preceding provisions of this subsection, are less than \$900,
14 such net earnings may instead, at the option of such indi-
15 vidual, be deemed to be \$900. For the purpose of the
16 preceding sentence, gross income derived from such trade
17 or business shall mean the gross receipts from such trade or
18 business reduced by the cost or other basis of property which
19 was purchased and sold in carrying on such trade or business,
20 adjusted (after such reduction) in accordance with the
21 preceding provisions of this subsection.”

22 (b) (1) Paragraph (1) of section 481 (b) of the
23 Internal Revenue Code is amended to read as follows:

24 “(1) That part of the net earnings from self-
25 employment which is in excess of—

1 “(A) For any taxable year ending prior to
2 1955, (i) \$3,600, minus (ii) the amount of the
3 wages paid to such individual during the taxable
4 year; and

5 “(B) For any taxable year ending after 1954,
6 (i) \$4,200, minus (ii) the amount of the wages
7 paid to such individual during the taxable year;
8 or”.

9 (2) Section 481 (b) of the Internal Revenue Code is
10 amended by inserting after “employees)” the following:
11 “, or under an agreement entered into pursuant to the pro-
12 visions of section 1426 (m) (relating to coverage of citizens
13 of the United States who are employees of foreign subsidi-
14 aries of domestic corporations),”.

15 (c) Section 481 (c) of the Internal Revenue Code
16 is amended by striking out paragraphs (4) and (5), by
17 inserting “or” at the end of paragraph (3), and by adding
18 after paragraph (3) the following new paragraph:

19 “(4) The performance of service by an individual
20 in the exercise of his profession as a physician, or the
21 performance of such service by a partnership.”

22 (d) The amendments made by subsections (a), (b),
23 and (c) of this section shall be applicable only with respect
24 to taxable years ending after 1954.

1 REFUND OF CERTAIN TAXES DEDUCTED FROM WAGES

2 SEC. 202. (a) (1) The first sentence of section
3 1401 (d) (3) of the Internal Revenue Code is amended
4 to read as follows: "If by reason of an employee receiving
5 wages from more than one employer during a calendar
6 year after the calendar year 1950 and prior to the calen-
7 dar year 1955, the wages received by him during such
8 year exceed \$3,600, the employee shall be entitled to a re-
9 fund of any amount of tax, with respect to such wages, im-
10 posed by section 1400 and deducted from the employee's
11 wages (whether or not paid to the Secretary or his dele-
12 gate), which exceeds the tax with respect to the first \$3,600
13 of such wages received; or if by reason of an employee re-
14 ceiving wages from more than one employer during any
15 calendar year after the calendar year 1954, the wages re-
16 ceived by him during such year exceed \$4,200, the employee
17 shall be entitled to a refund of any amount of tax, with re-
18 spect to such wages, imposed by section 1400 and deducted
19 from the employee's wages (whether or not paid to the
20 Secretary or his delegate), which exceeds the tax with re-
21 spect to the first \$4,200 of such wages received."

22 (2) Section 1401 (d) (3) of the Internal Revenue
23 Code is amended by striking out the period at the end of the
24 second sentence and inserting in lieu thereof "or, in the
25 case of any agreement (or modification) pursuant to section

1 218 of the Social Security Act which is effective as of a date
2 more than two years prior to the date such agreement (or
3 modification) was agreed to, within a period of two years
4 after the end of the calendar year in which such agreement
5 (or modification) was agreed to by the State and the Sec-
6 retary of Health, Education, and Welfare.”

7 (b) (1) The heading of section 1401 (d) (4) of the
8 Internal Revenue Code is amended to read as follows:
9 “SPECIAL RULES IN THE CASE OF FEDERAL AND STATE
10 EMPLOYEES AND EMPLOYEES OF CERTAIN FOREIGN COR-
11 PORATIONS.—”

12 (2) Section 1401 (d) (4) (A) of the Internal Rev-
13 enue Code is amended by striking out “\$3,600,” and insert-
14 ing in lieu thereof “\$3,600 for the calendar year 1951, 1952,
15 1953, or 1954, or \$4,200 for any calendar year after 1954,”.

16 (3) Section 1401 (d) (4) of the Internal Revenue
17 Code is amended by adding at the end thereof the following
18 new subparagraph:

19 “(C) Employees Of Certain Foreign Corpora-
20 tions.—For the purposes of paragraph (3) of this
21 subsection, in the case of remuneration received
22 during any calendar year after the calendar year
23 1954, the term ‘wages’ includes such remuneration
24 for services covered by an agreement made pur-

1 suant to section 1426 (m) of this subchapter as
2 would be wages if such services constituted em-
3 ployment; the term 'employer' includes any do-
4 mestic corporation which has entered into an agree-
5 ment pursuant to section 1426 (m) ; the term 'tax'
6 or 'tax imposed by section 1400' includes, in the
7 case of services covered by an agreement entered
8 into pursuant to section 1426 (m), an amount
9 equivalent to the tax which would be imposed by
10 section 1400, if such services constituted employ-
11 ment as defined in section 1426; and the provisions
12 of paragraph (3) of this subsection shall apply
13 whether or not any amount deducted from the em-
14 ployee's remuneration as a result of the agreement
15 entered into pursuant to section 1426 (m) has
16 been paid to the Secretary or his delegate."

17 (c) The second sentence of section 1420 (e) of the In-
18 ternal Revenue Code is amended by inserting "in the case
19 of the calendar year 1951, 1952, 1953, or 1954, or the
20 \$4,200 limitation in such section in the case of any calendar
21 year after 1954" after "the \$3,600 limitation in section
22 1426 (a) (1)".

23 (d) The amendments made by subsections (a) (1),
24 (b) (2), and (c) shall be applicable only with respect to
25 remuneration paid after 1954.

1 COLLECTION AND PAYMENT OF TAXES WITH RESPECT TO
2 COAST GUARD EXCHANGES

3 SEC. 203. (a) Section 1420 (e) of the Internal Rev-
4 enue Code is amended by adding at the end thereof the
5 following new sentence: "The provisions of this subsection
6 shall be applicable also in the case of service performed by a
7 civilian employee, not compensated from funds appropriated
8 by the Congress, in the Coast Guard Exchanges or other
9 activities, conducted by an instrumentality of the United
10 States subject to the jurisdiction of the Secretary, at installa-
11 tions of the Coast Guard for the comfort, pleasure, content-
12 ment, and mental and physical improvement of personnel of
13 the Coast Guard; and for purposes of this subsection the
14 Secretary shall be deemed to be the head of such instru-
15 mentality."

16 (b) The amendment made by subsection (a) shall be-
17 come effective January 1, 1955.

18 AMENDMENTS TO DEFINITION OF WAGES

19 SEC. 204. (a) Paragraph (1) of section 1426 (a) of
20 the Internal Revenue Code is amended by striking out
21 "\$3,600" wherever it appears therein and inserting in lieu
22 thereof "\$4,200".

23 (b) (1) Subparagraph (B) of section 1426 (a) (7) of
24 the Internal Revenue Code is amended to read as follows:

25 "(B) Cash remuneration paid by an employer in

1 any calendar quarter to an employee for domestic serv-
2 ice in a private home of the employer, if the cash re-
3 muneratión paid in such quarter by the employer to the
4 employee for such service is less than \$50. As used in
5 this subparagraph, the term 'domestic service in a
6 private home of the employer' does not include service
7 described in subsection (h) (5) ;”.

8 (2) Section 1426 (a) (7) of the Internal Revenue
9 Code is amended by adding at the end thereof the following
10 new subparagraph:

11 “(C) Cash remuneration paid by an employer in
12 any calendar quarter to an employee for service not in
13 the course of the employer’s trade or business, if the
14 cash remuneration paid in such quarter by the employer
15 to the employee for such service is less than \$50. As
16 used in this subparagraph the term ‘service not in the
17 course of the employer’s trade or business’ does not
18 include domestic service in a private home of the em-
19 ployer and does not include service described in sub-
20 section (h) (5) ;”.

21 (3) Section 1426 (a) (8) of the Internal Revenue
22 Code is amended by inserting “(A)” after “(8)” and by
23 adding at the end thereof the following new subparagraph:

24 “(B) Cash remuneration paid by an employer in
25 any calendar year to an employee for agricultural

1 labor, if the cash remuneration paid in such year by
2 the employer to the employee for such labor is less than
3 \$200;”.

4 (c) The amendments made by subsections (a) and (b)
5 shall be applicable only with respect to remuneration paid
6 after 1954.

7 AMENDMENTS TO DEFINITION OF EMPLOYMENT

8 SEC. 205. (a) Section 1426 (b) (1) of the Internal
9 Revenue Code is amended to read as follows:

10 “(1) Service performed by foreign agricultural
11 workers under contracts entered into in accordance with
12 title V of the Agricultural Act of 1949, as amended;”.

13 (b) Section 1426 (b) of the Internal Revenue Code is
14 amended by striking out paragraph (3) and redesignating
15 paragraphs (4), (5), (6), (7), (8), (9), (10), (11),
16 (12), (13), and (14), and any references thereto contained
17 in such code, as paragraphs (3), (4), (5), (6), (7), (8),
18 (9), (10), (11), (12), and (13), respectively.

19 (c) The paragraph of section 1426 (b) of the Internal
20 Revenue Code herein redesignated as paragraph (4) is
21 amended by striking out “if the individual is employed on
22 and in connection with such vessel or aircraft when outside
23 the United States” and inserting in lieu thereof: “if (A)
24 the individual is employed on and in connection with such
25 vessel or aircraft when outside the United States and (B)

- 1 (i) such individual is not a citizen of the United States or
2 (ii) the employer is not an American employer”.

3 (d) (1) Subparagraph (B) of the paragraph of sec-
4 tion 1426 (b) of the Internal Revenue Code herein redesignig-
5 nated as paragraph (6) is amended—

6 (A) by inserting “by an individual” after “Serv-
7 ice performed,” and by inserting “and if such service
8 is covered by a retirement system established by such
9 instrumentality;” after “December 31, 1950,”;

10 (B) by inserting “a Federal Home Loan Bank,”
11 after “a Federal Reserve Bank,” in clause (ii); and

12 (C) by striking out “or” at the end of clause (iii),
13 by adding “or” at the end of clause (iv), and by adding
14 at the end of the subparagraph the following new clause:

15 “(v) service performed by a civilian employee,
16 not compensated from funds appropriated by the
17 Congress, in the Coast Guard Exchanges or other
18 activities, conducted by an instrumentality of the
19 United States subject to the jurisdiction of the Sec-
20 retary of the Treasury, at installations of the Coast
21 Guard for the comfort, pleasure, contentment, and
22 mental and physical improvement of personnel of
23 the Coast Guard;”.

1 (2) Subparagraph (C) of such paragraph is amended
2 to read as follows:

3 “(C) Service performed in the employ of the United
4 States or in the employ of any instrumentality of the
5 United States, if such service is performed—

6 “(i) as the President or Vice President of the
7 United States or as a Member, Delegate, or Resi-
8 dent Commissioner of or to the Congress;

9 “(ii) in the legislative branch;

10 “(iii) in a penal institution of the United States
11 by an inmate thereof;

12 “(iv) by any individual as an employee in-
13 cluded under section 2 of the Act of August 4, 1947
14 (relating to certain interns, student nurses, and other
15 student employees of hospitals of the Federal Gov-
16 ernment; 5 U. S. C., sec. 1052);

17 “(v) by any individual as an employee serving
18 on a temporary basis in case of fire, storm, earth-
19 quake, flood, or other similar emergency; or

20 “(vi) by any individual to whom the Civil
21 Service Retirement Act of 1930 does not apply be-
22 cause such individual is subject to another retire-
23 ment system (other than the retirement system of
24 the Tennessee Valley Authority);”.

1 (e) The paragraph of section 1426 (b) of the Internal
2 Revenue Code herein redesignated as paragraph (8) is
3 amended to read as follows:

4 “(8) (A) Service performed in the employ of a
5 religious, charitable, educational, or other organization
6 exempt from income tax under section 101 (6), other
7 than service performed by a duly ordained, commis-
8 sioned, or licensed minister of a church in the exercise of
9 his ministry or by a member of a religious order in the
10 exercise of duties required by such order; but this sub-
11 paragraph shall not apply to service performed during
12 the period for which a certificate, filed pursuant to sub-
13 section (1) (1), is in effect, if such service is performed
14 by an employee (i) whose signature appears on the list
15 filed by such organization under such subsection, or (ii)
16 who became an employee of such organization after the
17 certificate was filed and after such period began;

18 “(B) Service performed in the employ of a reli-
19 gious, charitable, educational, or other organization ex-
20 empt from income tax under section 101 (6), by a duly
21 ordained, commissioned, or licensed minister of a church
22 in the exercise of his ministry or by a member of a
23 religious order in the exercise of duties required by such
24 order; but this subparagraph shall not apply to service

1 performed by a duly ordained, commissioned, or licensed
2 minister of a church or a member of a religious order,
3 other than a member of a religious order who has taken
4 a vow of poverty as a member of such order, during the
5 period for which a certificate, filed pursuant to sub-
6 section (1) (2), is in effect, if such service is performed
7 by an employee (i) whose signature appears on the list
8 filed by such organization under such subsection, or (ii)
9 who became an employee of such organization after the
10 certificate was filed and after such period began;”.

11 (f) Section 1426 (b) of the Internal Revenue Code is
12 further amended by striking out paragraph (15) and redesi-
13 gnating paragraphs (16) and (17), and any references
14 thereto contained in such code, as paragraphs (14) and
15 (15), respectively.

16 (g) The amendments made by subsections (c), (d),
17 (e), and (f) shall be applicable only with respect to
18 services performed after 1954. The amendments made by
19 subsections (a) and (b) shall be applicable only with
20 respect to services (whether performed after 1954 or prior
21 to 1955) for which the remuneration is paid after 1954.

22 AMENDMENT TO DEFINITION OF EMPLOYEE

23 SEC. 206. (a) Subparagraph (C) of section 1426 (d)
24 (3) of the Internal Revenue Code is amended by striking

1 out “, if the performance of such services is subject to
2 licensing requirements under the laws of the State in which
3 such services are performed”.

4 (b) The amendment made by subsection (a) shall be
5 applicable only with respect to services performed after
6 1954.

7 WAIVER OF TAX EXEMPTION BY NONPROFIT ORGANIZA-
8 TIONS WITH RESPECT TO MINISTERS IN THEIR EMPLOY

9 SEC. 207. (a) Paragraph (1) of section 1426 (1) of the
10 Internal Revenue Code is amended by inserting “(other
11 than service performed by a duly ordained, commissioned, or
12 licensed minister of a church in the exercise of his ministry or
13 by a member of a religious order in the exercise of duties
14 required by such order)” after “service” in the first sentence,
15 by striking out “two-thirds of its employees” and inserting
16 in lieu thereof “two-thirds of its employees performing serv-
17 ice to which this paragraph is applicable” in such sentence,
18 and by deleting so much of such paragraph as follows the first
19 sentence.

20 (b) Such section 1426 (1) is amended by redesignating
21 paragraphs (2) and (3) as paragraphs (6) and (7),
22 respectively, and by adding after paragraph (1) the follow-
23 ing new paragraphs:

24 “(2) WAIVER OF EXEMPTION IN THE CASE OF
25 MINISTERS.—An organization exempt from income tax

1 under section 101 (6) may file a certificate (in such
2 form and manner, and with such official, as may be pre-
3 scribed by regulations made under this subchapter)
4 certifying that it desires to have the insurance system
5 established by title II of the Social Security Act ex-
6 tended to service performed by its employees who are
7 duly ordained, commissioned, or licensed ministers of a
8 church or churches and perform such service in the
9 exercise of their ministry or who are members of a re-
10 ligious order or orders (other than a member of a
11 religious order who has taken a vow of poverty as a
12 member of such order) and perform such service in the
13 exercise of duties required by such order or orders, and
14 that at least two-thirds of such employees concur in the
15 filing of the certificate. Notwithstanding the preceding
16 sentence of this paragraph, a certificate may not be filed
17 by an organization pursuant to such sentence unless (A)
18 such organization does not have any employees with
19 respect to whom a certificate may be filed pursuant to
20 paragraph (1), or (B) such organization has filed a
21 certificate pursuant to paragraph (1) with respect to
22 such employees.

23 “(3) LIST TO ACCOMPANY CERTIFICATE.—A cer-
24 tificate may be filed pursuant to paragraph (1) or para-
25 graph (2) only if it is accompanied by a list containing

1 the signature, address, and social security account num-
2 ber (if any) of each employee who concurs in the filing
3 of the certificate. Such list may be amended at any time
4 by filing with the prescribed official a supplemental list
5 or lists containing the signature, address, and social se-
6 curity account number (if any) of each additional em-
7 ployee who concurs in the filing of the certificate. The
8 list and any supplemental list shall be filed in such form
9 and manner as may be prescribed by regulations made
10 under this subchapter.

11 “(4) EFFECTIVE PERIOD OF WAIVER.—A certifi-
12 cate filed pursuant to paragraph (1) or paragraph (2)
13 shall be in effect (for the purposes of subsection (b) (8)
14 of this section and for the purposes of section 210 (a)
15 (8) of the Social Security Act) —

16 “(A) in the case of a certificate filed pursuant
17 to paragraph (1), for the period beginning with the
18 first day of the calendar quarter in which such cer-
19 tificate is filed or the first day of the succeeding cal-
20 endar quarter, as may be specified in the certificate;
21 or

22 “(B) in the case of a certificate filed pur-
23 suant to paragraph (2), for the period beginning
24 with the first day of whichever of the following
25 calendar quarters may be specified in the certificate:

1 (i) the quarter in which such certificate is filed,
2 or (ii) the succeeding quarter, or (iii) if the cer-
3 tificate is filed during the calendar year 1955, any
4 quarter in such year prior to the quarter in which it
5 is filed;

6 except that, in the case of service performed by an
7 individual whose name appears on a supplemental list
8 filed after the first month following the first calendar
9 quarter for which the certificate is in effect (as deter-
10 mined under subparagraph (A) or (B), whichever is
11 applicable) or following the calendar quarter in which
12 the certificate was filed, whichever is later, and to whom
13 subparagraph (A) or (B) of subsection (b) (8) of
14 this section would otherwise apply, the certificate shall
15 be in effect, for purposes of such subsection (b) (8)
16 and for purposes of section 210 (a) (8) of the Social
17 Security Act, only with respect to service performed
18 by such individual after the calendar quarter in which
19 such supplemental list is filed.

20 “(5) TERMINATION OF WAIVER PERIOD BY OR-
21 GANIZATION.—The period for which a certificate filed
22 pursuant to paragraph (1) of this subsection is effective
23 may be terminated by the organization, effective at the
24 end of a calendar quarter, upon giving two years’
25 advance notice in writing, but only if, at the time of

1 the receipt of such notice, the certificate has been in
2 effect for a period of not less than eight years and only
3 if such notice applies also to the period for which the
4 certificate, if any, filed by such organization pursuant to
5 paragraph (2) is effective. The period for which a
6 certificate filed pursuant to paragraph (2) is effective
7 may also be terminated by the organization, effective at
8 the end of a calendar quarter, upon giving two years'
9 advance notice in writing, but only if, at the time of the
10 receipt of such notice, the certificate has been in effect
11 for a period of not less than eight years. The notice of
12 termination may be revoked by the organization by
13 giving, prior to the close of the calendar quarter specified
14 in the notice of termination, a written notice of such
15 revocation. Notice of termination or revocation thereof
16 shall be filed in such form and manner, and with such
17 official, as may be prescribed by regulations made under
18 this subchapter."

19 (c) The paragraph of such section 1426 (l) herein
20 redesignated as paragraph (6) is amended by adding at the
21 end thereof the following new sentence: "If the period
22 covered by a certificate filed pursuant to paragraph (1) of
23 this subsection is terminated under this paragraph, the period
24 covered by the certificate, if any, filed by the same organiza-

1 tion pursuant to paragraph (2) shall also be terminated
2 at the same time.”

3 (d) The paragraph of such section 1426 (1) herein
4 redesignated as paragraph (7) is amended to read as
5 follows:

6 “(7) NO RENEWAL OF WAIVER.—In the event the
7 period covered by a certificate filed pursuant to para-
8 graph (1) or (2) of this subsection is terminated by
9 the organization, no certificate may again be filed by
10 such organization pursuant to such paragraph.”

11 (e) The amendments made by this section shall become
12 effective January 1, 1955. Nothing in this section shall
13 be construed as affecting the validity of any certificate filed
14 prior to January 1, 1955, under section 1426 (1) of the
15 Internal Revenue Code. If a certificate filed during the
16 calendar year 1955 pursuant to section 1426 (1) (2) of
17 the Internal Revenue Code is in effect for any calendar
18 quarter in 1955 which precedes the quarter during which
19 the certificate was filed, the return and payment of the taxes
20 for any such preceding calendar quarter with respect to
21 service which constitutes employment by reason of the filing
22 of such certificate shall be deemed to be timely made if made
23 on or before the last day of the first month following the
24 calendar quarter in which the certificate is filed.

1 CHANGES IN TAX SCHEDULES.

2 SEC. 208. (a) Section 480 of the Internal Revenue
3 Code is amended by striking out paragraph (5) and insert-
4 ing in lieu thereof the following:

5 “(5) In the case of any taxable year beginning
6 after December 31, 1969, and before January 1, 1975,
7 the tax shall be equal to $5\frac{1}{4}$ per centum of the amount of
8 the self-employment income for such taxable year.

9 “(6) In the case of any taxable year beginning
10 after December 31, 1974, the tax shall be equal to 6
11 per centum of the amount of the self-employment income
12 for such taxable year.”

13 (b) Section 1400 of the Internal Revenue Code is
14 amended by striking out paragraph (6) and inserting in
15 lieu thereof the following:

16 “(6) With respect to wages received during the
17 calendar years 1970 to 1974, both inclusive, the rate
18 shall be $3\frac{1}{2}$ per centum.

19 “(7) With respect to wages received after Decem-
20 ber 31, 1974, the rate shall be 4 per centum.”

21 (c) Section 1410 of the Internal Revenue Code is
22 amended by striking out paragraph (6) and inserting in
23 lieu thereof the following:

24 “(6) With respect to wages paid during the calen-

1 dar years 1970 to 1974, both inclusive, the rate shall
2 be $3\frac{1}{2}$ per centum.

3 “(7) With respect to wages paid after December
4 31, 1974, the rate shall be 4 per centum.”

5 FOREIGN SUBSIDIARIES OF AMERICAN EMPLOYER

6 SEC. 209. Section 1426 of the Internal Revenue Code is
7 amended by adding at the end thereof the following new
8 subsection:

9 “(m) AGREEMENTS ENTERED INTO BY DOMESTIC COR-
10 PORATIONS WITH RESPECT TO FOREIGN SUBSIDIARIES.—

11 “(1) AGREEMENT WITH RESPECT TO CERTAIN
12 EMPLOYEES OF FOREIGN SUBSIDIARIES.—The Secretary
13 or his delegate shall, at the request of any domestic cor-
14 poration, enter into an agreement (in such form and
15 manner as may be prescribed by the Secretary or his
16 delegate) with any such corporation which desires to
17 have the insurance system established by title II of the
18 Social Security Act extended to service performed out-
19 side the United States in the employ of any one or more
20 of its foreign subsidiaries (as defined in paragraph (7))
21 by all employees who are citizens of the United States,
22 except that the agreement shall not be applicable to any
23 service performed by, or remuneration paid to, an em-
24 ployee if such service or remuneration would be excluded

1 from the terms 'employment' or 'wages', respectively,
2 as defined in this section, had the service been per-
3 formed in the employ of the domestic corporation. Such
4 agreement may be amended at any time so as to be made
5 applicable, in the same manner and under the same con-
6 ditions, in the case of any other foreign subsidiary of such
7 domestic corporation. Such agreement shall be applica-
8 ble with respect to citizens of the United States who,
9 after the effective date of the agreement, become em-
10 ployees of and perform services outside the United States
11 for any foreign subsidiary specified in the agreement.
12 Such agreement shall provide—

13 “(A) That the domestic corporation shall pay
14 to the Secretary or his delegate, at such time or
15 times as the Secretary may by regulations prescribe,
16 amounts equivalent to the sum of the taxes which
17 would be imposed by sections 1400 and 1410, in-
18 cluding interest and penalties, if the services of
19 employees covered by the agreement had consti-
20 tuted employment as defined in section 1426; and

21 “(B) That the domestic corporation will
22 comply with such regulations relating to payments
23 and reports as the Secretary may prescribe to carry
24 out the purposes of this subsection.”

25 “(2) EFFECTIVE PERIOD OF AGREEMENT.—An

1 agreement entered into pursuant to paragraph (1) shall
2 be in effect for the period beginning with the first day of
3 the calendar quarter in which such agreement is entered
4 into or the first day of the succeeding calendar quarter,
5 as may be specified in the agreement, but in no case
6 prior to January 1, 1955; except that in case such
7 agreement is amended to include the services performed
8 for any other subsidiary and such amendment is executed
9 after the first month following the first calendar quarter
10 for which the agreement is in effect, the agreement shall
11 be in effect with respect to service performed for such
12 other subsidiary only after the calendar quarter in which
13 such amendment is executed.

14 “(3) TERMINATION OF PERIOD BY A DOMESTIC
15 CORPORATION.—The period for which an agreement
16 entered into pursuant to paragraph (1) of this subsec-
17 tion is effective may be terminated with respect to any
18 one or more of its foreign subsidiaries by the domestic
19 corporation, effective at the end of a calendar quarter,
20 upon giving two years' advance notice in writing, but
21 only if, at the time of the receipt of such notice, the
22 agreement has been in effect for a period of not less than
23 eight years. The notice of termination may be revoked
24 by the domestic corporation by giving, prior to the close
25 of the calendar quarter specified in the notice of termi-

1 nation, a written notice of such revocation. Notice of
2 termination or revocation thereof shall be filed in such
3 form and manner as may be prescribed by regulations.
4 Notwithstanding any other provision of this subsection,
5 the period for which any such agreement is effective
6 with respect to any foreign subsidiary shall terminate
7 at the end of any calendar quarter in which the domestic
8 corporation, at any time in such quarter, owns 50 per
9 centum or less of the voting stock of such subsidiary.

10 “(4) TERMINATION OF PERIOD BY SECRETARY.—

11 If the Secretary or his delegate finds that any domestic
12 corporation which entered into an agreement pursuant
13 to this subsection has failed to comply substantially with
14 the terms of such agreement, the Secretary or his dele-
15 gate shall give such domestic corporation not less than
16 sixty days' advance notice in writing that the period
17 covered by such agreement will terminate at the end
18 of the calendar quarter specified in such notice. Such
19 notice of termination may be revoked by the Secretary
20 or his delegate by giving, prior to the close of the calen-
21 dar quarter specified in the notice of termination, written
22 notice of such revocation to the domestic corporation.
23 No notice of termination or of revocation thereof shall be
24 given under this paragraph to a domestic corporation

1 without the prior concurrence of the Secretary of Health,
2 Education, and Welfare.

3 “(5) NO RENEWAL OF AGREEMENT.—If any
4 agreement entered into pursuant to paragraph (1) of
5 this subsection is terminated in its entirety, the domestic
6 corporation may not again enter into an agreement pur-
7 suant to such paragraph. If any such agreement is
8 terminated with respect to any subsidiary, such agree-
9 ment may not thereafter be amended so as again to
10 make it applicable with respect to such subsidiary.

11 “(6) DEPOSITS IN TRUST FUND.—All amounts
12 received by the Secretary pursuant to an agreement
13 entered into under paragraph (1) of this subsection
14 shall be regarded for purposes of section 201 of the
15 Social Security Act as taxes collected pursuant to this
16 subchapter.

17 “(7) OVERPAYMENTS AND UNDERPAYMENTS.—

18 “(A) If more or less than the correct amount
19 due under an agreement entered into pursuant to
20 this subsection is paid with respect to any payment
21 of remuneration, proper adjustments with respect
22 to the amounts due under such agreement shall be
23 made, without interest, in such manner and at such

1 times as may be required by regulations prescribed
2 by the Secretary.

3 “(B) If an overpayment cannot be adjusted
4 under subparagraph (A), the amount thereof shall
5 be paid by the Secretary or his delegate, through
6 the Fiscal Service of the Treasury Department,
7 but only if a claim for such overpayment is filed
8 with the Secretary or his delegate within two years
9 from the time such overpayment was made.

10 “(8) DEFINITION OF FOREIGN SUBSIDIARY.—For
11 purposes of this subsection and section 210 (a) of the
12 Social Security Act, a foreign subsidiary of a domestic
13 corporation is—

14 “(A) A foreign corporation more than 50 per
15 centum of the voting stock of which is owned by
16 such domestic corporation; or

17 “(B) A foreign corporation more than 50 per
18 centum of the voting stock of which is owned by the
19 foreign corporation described in subparagraph (A).”

20 “(9) REGULATIONS.—Regulations of the Secretary
21 to carry out the purposes of this subsection shall be de-
22 signed to make the requirements imposed on domestic
23 corporations with respect to services covered by an agree-
24 ment entered into pursuant to this subsection the same,

1 so far as practicable, as those imposed upon employers
2 pursuant to subchapter A or E of chapter 9 of this title.”

3 DEDUCTIONS FROM GROSS INCOME FOR PAYMENTS WITH
4 RESPECT TO EMPLOYEES OF CERTAIN FOREIGN
5 CORPORATIONS

6 SEC. 210. Section 23 of the Internal Revenue Code
7 (relating to deductions from gross income) is amended by
8 inserting at the end thereof the following new subsection:

9 “(gg) PAYMENTS WITH RESPECT TO EMPLOYEES OF
10 CERTAIN FOREIGN CORP[ORATIONS.—In the case of a
11 domestic corporation, amounts (to the extent not com-
12 pensated for) paid or incurred pursuant to an agreement
13 entered into under section 1426 (m) with respect to services
14 performed by United States citizens employed by foreign
15 subsidiary corporations. Any reimbursement of any amount
16 previously allowed as a deduction for income tax purposes
17 under this subsection shall be included in gross income for
18 the taxable year in which received.”

19 TITLE III—PROVISIONS RELATING TO PUBLIC
20 ASSISTANCE

21 TEMPORARY EXTENSION OF 1952 MATCHING FORMULA

22 SEC. 301. Section 8 (e) of the Social Security Act
23 Amendments of 1952 (Public Law 590, Eighty-second Con-

1. gress) is amended by striking out "September 30, 1954"
2. and inserting in lieu thereof "September 30, 1955".

3. TEMPORARY EXTENSION OF SPECIAL PROVISION RELATING
4. TO STATE PLANS FOR AID TO THE BLIND

5. SEC. 302. Section 344 (b) of the Social Security Act
6. Amendments of 1950 (Public Law 734, Eighty-first Con-
7. gress) is amended by striking out "June 30, 1955" and
8. inserting in lieu thereof "June 30, 1957".

9. TECHNICAL AMENDMENTS

10. SEC. 303. (a) Sections 3 (b) (1), 403 (b) (1), and
11. 1003 (b) (1) of the Social Security Act are each amended
12. by striking out "one-half" and inserting in lieu thereof "the
13. State's proportionate share".

14. (b) Section 3 (b) of such Act is amended (1) by
15. striking out "clause (1) of subsection (a)" wherever it ap-
16. pears and inserting in lieu thereof "subsection (a)", and (2)
17. by striking out "increased by five per centum" immediately
18. before the period at the end of paragraph (3).

19. TITLE IV—MISCELLANEOUS PROVISIONS

20. AMENDMENTS PRESERVING RELATIONSHIP BETWEEN
21. RAILROAD RETIREMENT AND OLD-AGE AND SUR-
22. VIVORS INSURANCE

23. SEC. 401 (a). Section 1 (q) of the Railroad Retire-
24. ment Act of 1937, as amended, is amended by striking out
25. "1952" and inserting in lieu thereof "1954".

1 (b) Section 2 (c) of the Railroad Retirement Act of
2 1937, as amended, is amended by striking out "six" and
3 inserting in lieu thereof "twelve"; and subsection (5) (j)
4 of such Act, as amended, is amended by striking out "sixth"
5 and inserting in lieu thereof "twelfth". The amendments
6 made by this subsection shall be applicable only in the case
7 of applications for annuities under the Railroad Retirement
8 Act filed after the month following the month in which this
9 Act is enacted; except that no individual shall, by reason of
10 such amendment, be entitled to any annuity for any month
11 prior to the fifth month before the month in which this Act
12 is enacted.

13 (c) Section 5 (1) (9) of the Railroad Retirement Act
14 of 1937, as amended, is amended by striking out "\$3,600"
15 the second time it appears and inserting in lieu thereof
16 "\$4,200".

17 (d) Section 5 (i) (1) (ii) of the Railroad Retirement
18 Act of 1937, as amended, is amended to read as follows:

19 " (ii) will have been under the age of seventy-five
20 and for which month he is charged with any earnings
21 under section 203 (e) of the Social Security Act or in
22 which month he engaged on seven or more different
23 calendar days in noncovered remunerative activity out-
24 side the United States (as defined in section 203 (k)
25 of the Social Security Act) ; and for purposes of this

1 subdivision the Board shall have the authority to make
2 such determinations and such suspensions of payment
3 of benefits in the manner and to the extent that the
4 Secretary of Health, Education, and Welfare would be
5 authorized to do so under section 203 (g) (3) of the
6 Social Security Act if the individuals to whom this sub-
7 division applies were entitled to benefits under section
8 202 of such Act;”.

9 CROSS REFERENCES TO REDESIGNATED PROVISIONS

10 SEC. 402. References in the Internal Revenue Code,
11 the Railroad Retirement Act of 1937, as amended, or any
12 other law of the United States to any section or subdivision
13 of a section of the Social Security Act redesignated by this
14 Act, and references in the Social Security Act, the Railroad
15 Retirement Act of 1937, as amended, or any other law of
16 the United States to any section or subdivision of a section
17 of the Internal Revenue Code redesignated by this Act,
18 shall be deemed to refer to such section or subdivision of a
19 section as so redesignated.

Union Calendar No. 627

83^d CONGRESS
2^d SESSION

H. R. 9366

[Report No. 1698]

A BILL

To amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

By Mr. REED of New York

MAY 28, 1954

Referred to the Committee on Ways and Means

MAY 28, 1954

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Office Memorandum • UNITED STATES GOVERNMENT

SSA - OASI

TO : Administrative, Supervisory,
and Technical Employees

14:1A
DATE: June 1, 1954

FROM : Victor Christgau, Director
Bureau of Old-Age and Survivors Insurance

SUBJECT: Director's Bulletin No. 203
House Passage of H.R. 9366

The House of Representatives today passed H.R. 9366, the new Administration-sponsored bill which supersedes H.R. 7199. The House action came quickly after the House Committee on Ways and Means reported out the bill on Friday of Memorial Day weekend. Approval was by a vote of 355 to 8.

In its major respects, the House-passed bill conforms closely to the original H.R. 7199. Coverage would be extended to virtually all employment and self-employment, with the exception of Federal employees under the civil service retirement system and persons in the armed services; the exclusion of doctors is continued, but other professional groups are covered. Benefit increases are virtually the same as in H.R. 7199, the earnings base is raised to \$4,200, and provision is made for dropping out up to 5 years from the computation of the average monthly wage. The bill also includes the disability freeze and the annual retirement test. New amendments include a modification of eligibility requirements for the transitional period during which newly covered persons will have an opportunity to become fully insured, and provisions to qualify survivors of workers who died uninsured before September 1, 1950, but who had at least 6 quarters of coverage. Certain restrictions are placed on the payment of dependents' and survivors' benefits outside the United States and on the benefit rights of persons who have been illegally resident in this country or who are deported from the United States. In addition, there are a number of technical improvements in the bill, most of which were included at the suggestion of the Department.

The bill now goes to the Senate. Although no timetable has as yet been set up the Senate Committee on Finance, to whom the bill will be referred, is expected to hold hearings later this month.

The major provisions of H.R. 9366, in comparison with H.R. 7199, are described in more detail below.

Extension of Coverage

The bill would extend coverage to about 9.5 to 10 million more people who during the course of a year work in jobs not now

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covered. The coverage provisions are much the same as those of H.R. 7199. The total number of newly covered workers is reduced as compared with the earlier form of the bill chiefly because the new bill extends coverage to a smaller number of farm workers.

In summary, the bill would cover farm operators and self-employed professional groups (except physicians) whose annual net earnings are at least \$400; farm workers whose cash wages from a single employer amount to \$200 or more a year; domestic and casual workers who receive \$50 or more in cash wages from a single employer during a calendar quarter; members of State and local government retirement systems (except policemen and firemen); clergymen employed by nonprofit organizations; certain additional civilian employees of the Federal Government; homeworkers in States without licensing laws, on the same basis as those in States with licensing laws; employees engaged in fishing and similar activities who are now excluded; American citizens employed outside the United States by foreign subsidiaries of domestic corporations; and American citizens employed by American employers on vessels and aircraft of foreign registry. (The coverage of members of State and local government retirement systems and of clergymen employed by nonprofit organizations would be on a voluntary group basis, as would the coverage of American citizens employed by foreign subsidiaries of domestic corporations.)

The principal changes in the coverage provisions as compared with H.R. 7199 are as follows:

1. Farm operators.--Under the new bill farm operators would be covered as in H.R. 7199 except that the option of reporting either actual net earnings or "presumed net earnings" would be limited to certain farm operators who report on a cash receipts and disbursements basis. Farmers who report their income on an accrual basis would have to report their actual net earnings if they amounted to \$400 or more a year. Under present law, rental income is excluded from covered self-employment income; the new bill specifies that the exclusion shall include rental income received in the form of crop shares.
2. Farm workers.--All farm workers paid cash wages of \$200 or more in a calendar year by one employer would be covered. Farm employers will make annual rather than quarterly reports. Farm workers thus reported will be credited with 2 quarters of coverage for wages of less than \$300, with 3 quarters of coverage for wages of

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\$300 but less than \$400, and with 1/4 quarters of coverage for wages of \$400 or more. While these provisions will increase the number of covered workers almost threefold, most short-time local and migratory seasonal farm workers will continue to be excluded.

3. State and local government employees under retirement systems.--The major changes made by the bill are that (1) a majority of those eligible to vote must vote in the referendum, in addition to the requirement in H.R. 7199 that at least two thirds of those voting must vote in favor of coverage; (2) employees whose positions are under a retirement system but who are not themselves eligible for membership in the system could be covered without a referendum; and (3) employees in positions which were under a retirement system when their coverage group was covered by old-age and survivors insurance but which were no longer under a retirement system (because of dissolution of the system or other action) on the date of enactment of the bill could be covered without a referendum at any time prior to January 1, 1958.

4. Federal employees.--The bill would extend old-age and survivors insurance coverage to most civilian employees of the Federal Government who are not covered by another retirement system. Employees of two additional agencies would be added to the list of covered Federal agencies specifically mentioned in the law: employees in district Home Loan Banks and civilian employees of Coast Guard "post exchanges." None of these employees are covered by the civil service retirement system, and the employing agencies have requested coverage under old-age and survivors insurance to supplement their present retirement protection. Employees of the Tennessee Valley Authority who are members of that agency's retirement system would be covered by an amendment to one of the coverage exclusions in the present law; this coverage was also provided at the request of the employing agency. By deleting the specific exclusions in the present law, the bill would extend old-age and survivors insurance coverage to employees not covered by another retirement system who are employed in the field service of the Post Office Department, to temporary census-taking employees in

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the Bureau of the Census, to employees paid on a contract or fee basis or receiving nominal compensation of \$12 or less per annum, to patient-employees in Federal hospitals, and to members of certain types of committees, boards, etc. The bill also deletes the exclusion of services performed under Federal relief programs, but this change would not result in additional coverage at the present time because there are no Federal unemployment relief programs. Another change that will not result in covering additional workers is the deletion of the exclusion of consular agents; most of these employees are aliens working outside the United States and would therefore remain excluded in spite of the change.

5. Self-employed professional groups.--The new bill would cover all of the excluded self-employed professional groups, except physicians, on the same basis as that on which other self-employed people are now covered. (H.R. 7199 would have covered physicians and as a corollary would also have covered internes.) H.R. 9366 also covers self-employed ministers on the same basis as other self-employed people.
6. Foreign subsidiaries.--The House Committee added a section to the bill which would extend coverage to United States citizens employed outside the United States by foreign subsidiaries of domestic corporations at the option of the latter. A domestic corporation could secure coverage for the United States citizens employed by any or all of its foreign subsidiaries by entering into an agreement with the Treasury Department to pay amounts equivalent to the old-age and survivors insurance employer and employee taxes which would have been payable if the services by the United States citizens had been performed within the United States.

The extension of coverage provided by the bill would, in general, be effective beginning January 1, 1955. Special provision is made, however, for newly covered self-employed people who operate on a fiscal-year basis to be covered for their taxable year ending in 1955; thus newly covered fiscal-year self-employed people might acquire up to 3 quarters of coverage for 1954.

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Average Monthly Wage

As under H.R. 7199, up to 4 years of lowest or no earnings could be dropped from the computation of the average monthly wage of individuals who die or become eligible for benefits after the effective date of the bill, or who have 6 quarters of coverage after June 1953, or who qualify for certain types of benefit recomputations after the effective date.

In addition, the bill as now written provides that an individual who has 20 quarters of coverage could drop an additional low year, making a maximum of 5 low years that could be dropped. This additional year will be of advantage not only to previously covered workers, but also will mean that newly covered workers will have one more year to drop beyond the 4 they would "use up" for the period of noncoverage during 1951-54.

The bill also adds a technical amendment by setting standard end-of-the-year starting and beginning-of-the-year closing dates for the purpose of computing the average monthly wage, applicable to both wage earners and self-employed. (Starting dates of December 31, 1936, and December 31, 1950, would remain as under present law, but the "age 22" starting date is changed to the last day of the year of attainment of age 21. Months in any year after an individual's starting date but prior to the year in which he attained age 22, in which he had less than 2 quarters of coverage would be excluded from the divisor.) Closing dates would be the first day of the year of death, entitlement, or first eligibility. Provision is made for an alternative closing date of the first day of the year following the year of death or entitlement, if a higher average wage would result. This alternative closing date could be used at the time of initial computation if evidence readily available at the time of benefit computation appears to warrant it, or could be used upon later application for recomputation following the year of initial computation. Any benefit increase resulting from such recomputation could be made retroactive for a period of not more than 24 months.

Instead of a minimum divisor of 24 months where the drop-out is used, the bill provides for a minimum divisor of 18. A special closing date of July 1, 1956, would be permitted in cases of death or entitlement in 1956, provided the individual had 6 quarters of coverage after 1954.

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Earnings Base

The earnings base is raised to \$4,200, the same as under H.R. 7199. The new base would go into effect beginning with 1955.

Benefit Increases

The increase in old-age insurance benefits through a conversion table, and the revision of the benefit formula for individuals coming on the rolls in the future are the same as under H.R. 7199. The new formula is 55 percent of the first \$110 of average monthly wage plus 20 percent of the next \$240, with old-age insurance benefits under the formula ranging from a minimum of \$30 to a maximum of \$108.50. These benefits are illustrated by the table below:

<u>Average monthly wage</u>	<u>Retired worker</u>	<u>Aged couple</u>
\$50	\$30.00	\$45.00
100	55.00	82.50
150	68.50	102.80
200	78.50	117.80
250	88.50	132.80
300	98.50	147.80
350	108.50	162.80

A minimum increase of \$5 over present law is guaranteed through the conversion table for all old-age insurance beneficiaries. Conversion table benefits range from \$30 to \$98.50, effective the second month after the month of enactment.

In addition to these amendments the bill provides that the \$30 minimum shall be applicable to any single survivor beneficiary--aged widow, widower, parent, or child. The dollar maximum on family benefits would be \$200 and the total below which family benefits could not be reduced would be the larger of 1 1/2 times the primary insurance amount or \$50. (This latter provision will remedy those situations where, under present law, a wife sometimes does not get fully one half of her husband's benefit amount.) Finally, the maximum lump-sum payment is set at \$255, equal to 3 times the maximum primary insurance amount under present law.

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Eligibility Requirements

H.R. 7199 made no change in the insured status requirements. H.R. 9366 makes two amendments. First, an individual who, at the time of death or attainment of age 65 does not meet the present requirements for fully insured status, would nevertheless be fully insured if all quarters after 1954 and up to that time are quarters of coverage, (a minimum of 6 after 1954 would be required). This modification of the eligibility requirements is intended to permit newly covered workers who are steadily employed to become fully insured after at least 6 quarters of coverage if they die or attain 65 before having had a chance to work long enough to meet the requirements of present law. The provision would not be controlling after the second quarter of 1958, since any newly covered individual who worked continuously in covered employment after 1954 and through that quarter would meet present requirements.

Second, the bill makes eligible for benefits the survivors of workers who died uninsured before September 1, 1950, but who had enough quarters of coverage since 1936 to meet the liberalized requirements of the 1950 amendments for fully insured status (6 quarters of coverage). The amendment would apply for all types of monthly survivors benefits except those added by the 1950 amendments (widowers and former wives divorced). Where proof of support is required, 2 years following the month after enactment of the bill would be allowed for filing such proof. The primary insurance amount would be computed under the law in effect before September 1950 and raised by the conversion table.

Amendments Relating to the Filing of Applications

As in H.R. 7199, the period for which benefits can be paid retroactively in the event of delayed filing is extended from 6 months to 12 months. In addition, H.R. 9366 eliminates filing requirements in certain situations: (a) where an aged widow was entitled to a mother's insurance benefit in the month prior to attainment of age 65, (b) where a mother was entitled to a wife's benefit for the month preceding the month of her husband's death, and (c) where a widow or widower eligible for a lump-sum was entitled to wife's or husband's benefits in the month preceding the month of the spouse's death.

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Repeal of Requirement of Certain Deductions

H.R. 9366 adds amendments to repeal the requirement for deductions from monthly benefits of 1935 lump sums and also of unpaid taxes on wages for services performed in 1939 after attainment of age 65.

Retirement Test

The retirement test is the same as in H.R. 7199. That is, there would be a uniform annual exempt amount of \$1,000, with one month's benefits withheld for each \$80 (or fraction thereof) in excess of \$1,000, except that no benefit would be withheld for any month in which the individual neither earned wages of more than \$80 nor rendered substantial services as a self-employed person in a trade or business. Wage and self-employment earnings are combined for retirement test purposes, and noncovered earnings are taken into account as well as covered earnings. For noncovered employment (including self-employment) outside the United States, benefits would be withheld for any month in which the individual worked on 7 or more calendar days.

Work Recomputations

Because of the liberalization of the retirement test and its application to noncovered as well as covered earnings, benefit suspensions would no longer serve as an effective device for screening out recomputation applications where the additional earnings would not increase the benefit amount. H.R. 9366 contains a new provision (not in H.R. 7199) under which the general requirement for a work recomputation would be (1) 6 quarters of coverage after 1950, and (2) earnings of at least \$1,000 in a calendar year after 1953 and after the year in which occurred the last effective computation or recomputation. In general, applications for recomputations could not be filed until July 1 of the year following the year in which the \$1,000 was earned. The increase resulting from the recomputation would then be payable retroactively to the first month following the year in which the \$1,000 was earned, but in no case could the retroactive period extend beyond 12 months. Beneficiaries 75 and over would be able to qualify for this recomputation as well as those under age 75.

"Drop-out" Recomputations

A beneficiary now on the rolls, and one who comes on the rolls in the future but was eligible for benefits prior to the effective date of the bill, could have his benefits recomputed to take advantage of the "drop-out" provisions if (1) he became

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entitled to a work recomputation on an application filed after the effective date of the bill, or (2) he acquired 6 quarters of coverage after June 30, 1953, or (3) he filed a valid application for a disability determination, or (4) in certain survivors cases, on entitlement to a survivors work recomputation where death occurs after the effective date. The special drop-out recomputation would consider all starting dates and closing dates considered in the initial computation of the benefits, and would use the method of benefit computation yielding the largest primary insurance amount.

Protection of the Benefit Rights of the Disabled

The disability freeze provisions of the new bill are almost identical with those contained in H.R. 7199. Benefit rights of persons regularly covered by the program would be "frozen" during periods of prolonged total disability. When an individual for whom a period of disability has been established dies or retires, his period of disability would be disregarded in determining his insured status and in figuring any benefits due him or his family. The "drop-out" provision for excluding years of low or no earnings from the computation of the individual's average monthly wage would operate independently of the disability freeze; i.e., it would apply to calendar years remaining after the exclusion of his period of disability.

Several minor technical changes were made in the disability provisions of H.R. 7199, at the Bureau's request. The definition of "period of disability" was amended to provide for automatic termination of a period of disability upon attainment of age 65 and to provide that no period of disability may begin after attainment of age 65. The earliest date for accepting a disability "freeze" application was changed to January 1, 1955 (from April 1, 1955 as provided in H.R. 7199). An individual who files before July 1, 1955, must, however, be living on July 1, 1955, for his freeze applications to be valid. Technical changes were also added to the bill to permit the use of deemed military service wage credits and railroad service compensation to meet the earnings requirements for the disability "freeze."

Restrictions on Payments Outside the United States and in the Case of Certain Aliens

These provisions, not in H.R. 7199, are included in H.R. 9366:

1. Benefits for the dependent or survivor of an insured worker would not be payable outside the United States unless (a) such dependent or

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survivor either resided in the United States for 3 out of the 5 years prior to the first month of eligibility (or in the case of a child under age 3, the child was born in the United States) or (b) unless the insured worker was currently insured at death or entitlement on the basis of wage credits earned in covered employment outside the United States or on the basis of military service wage credits. These restrictions would not apply to the benefits of the insured person, himself, nor do they affect the payment of benefits for persons now on the rolls or who are eligible for benefits before the effective date of the bill.

2. Earnings derived by an individual during periods in which he was unlawfully resident in the United States could not be used in establishing eligibility for or the amount of any benefits payable on his wage record. Deletion of earnings during such period would be made on receipt of notification by the Secretary from the Attorney General of the individual's periods of unlawful residence.
3. All benefits payable on the earnings record of any individual deported from the United States because of illegal entry, conviction of a crime, or subversive activity would be terminated. Termination would become effective on receipt of notice from the Attorney General that the individual is under notice of deportation.

Financing

Employer-employee rates would go to 3 1/2 percent each in 1970 and to 4 percent in 1975. This compares with a presently scheduled rate of 3 1/4 percent for all years after 1969. H.R. 7199 had scheduled 3 1/2 percent beginning with 1970, but no increase thereafter. As at present, the self-employed would pay 1 1/2 times the employee rate.

Public Assistance

Two amendments are included. One extends the "McFarland Amendment" of 1952, with respect to Federal matching shares in public assistance, through September 30, 1955. The amendment under present law is scheduled to expire September 30, 1954. The other

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amendment extends through June 30, 1957, the provisions of the 1950 amendments for approval of certain State plans for aid to the blind which do not meet the requirements of clause (8) of Section 1002(a) of the Social Security Act, in order to give the States more time to modify their legislation. Only two States (Pennsylvania and Missouri) are affected by this provision which is presently scheduled to expire June 30, 1955.

Amendments to Railroad Retirement Act

H.R. 7199 provided for amending the Railroad Retirement Act to change references to "the Social Security Act of 1952" to "the Social Security Act of 1954." H.R. 9366 retains this provision and adds three more provisions also designed to maintain the same relationship between the two programs that exists under present law. These three amendments to the Railroad Retirement Act would (1) permit the retroactive payment of annuities under the railroad program for up to 12 months before the application is filed (as provided for old-age and survivors insurance in H.R. 9366), (2) permit old-age and survivors insurance wages plus railroad compensation to go as high as \$4,200 for purposes of computing railroad survivor annuities, and (3) include the old-age and survivors insurance retirement test of H.R. 9366 as a part of the retirement test applying to survivor annuitants under the railroad program.

Victor Christgau

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[REVISED COMMITTEE PRINT]

SOCIAL SECURITY AMENDMENTS OF 1954

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

COMPARATIVE ANALYSIS OF PRESENT LAW AND PROPOSED
CHANGES CONTAINED IN H. R. 7199 AND H. R. 9366
(H. R. 9366 SUPERSEDES H. R. 7199)



JUNE 3, 1954

Compiled by the Department of Health, Education, and Welfare and printed for the use of
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(II)

COMPARISON OF PROVISIONS OF PRESENT LAW, H. R. 7199 AND H. R. 9366

Item	Present law	H. R. 7199	H. R. 9366	Remarks
I. COVERAGE		The following coverage provisions are, in general, effective Jan. 1, 1955.	The following coverage provisions are, in general, effective January 1, 1955.	
Self-employed.....	<p>Covers all self-employed for years in which they have net earnings from self-employment of \$400 or more except:</p> <p>(1) Specified professional groups—physicians, lawyers, dentists, osteopaths, veterinarians, chiropractors, naturopaths, optometrists, architects, Christian Science practitioners, professional engineers, funeral directors, and certain public accountants.</p> <p>(2) Farm operators.</p> <p>(3) Public officials, employee newsboys under age 18, and ministers.</p> <p>(4) Certain types of income, such as dividends, interest, and rentals from real estate, unless received by dealers in real estate and securities in the course of business dealings.</p> <p>(5) Certain gains and losses, such as sale of capital asset.</p>	<p>Same as present law except:</p> <p>(1) Covers professional groups now excluded.</p> <p>(2) Covers farm operators on same basis as other self-employed persons, except for a special provision that makes it easier for low-income farmers to compute their net earnings:—farmers whose annual gross earnings are \$1,800 or less may report either their actual net earnings or 50 percent of their gross earnings; farmers whose annual gross earnings are over \$1,800 may report either their actual net earnings or, if their actual net earnings are less than \$900, they may report \$900.</p> <p>(3) No change.</p> <p>(4) No change.</p> <p>(5) Excludes certain coal royalties which are now covered under the Social Security Act but excluded under the Internal Revenue Code.</p>	<p>Same as present law except:</p> <p>(1) Covers professional groups now excluded, other than physicians.</p> <p>(2) Covers farm operators as in H. R. 7199 except that the special reporting provision for low-income farmers is limited to those reporting on a cash receipt and disbursement basis.</p> <p>(3) Covers self-employed ministers. Continues exclusion of public officials and employee newsboys under age 18.</p> <p>(4) Continues present exclusion and in addition excludes rental income paid in crop shares.</p> <p>(5) Excludes certain coal royalties as in H. R. 7199.</p>	
Employees in commerce and industry.	<p>Covers all employees except:</p> <p>(1) Fishermen not employed on vessels of more than 10 net tons and not engaged in commercial halibut or salmon fishing.</p> <p>(2) Domestic service performed by students in local college clubs and fraternities.</p> <p>(3) Certain close relatives working for members of family.</p> <p>(4) Certain students, student nurses, and interns.</p> <p>(5) Newsboys under 18.</p> <p>(6) Certain homeworkers who are not subject to State licensing laws.</p>	<p>Same as present law except:</p> <p>(1) Covers all fishermen now excluded.</p> <p>(2) No change.</p> <p>(3) No change.</p> <p>(4) Covers interns.</p> <p>(5) No change.</p> <p>(6) Homeworkers who are not subject to State licensing laws are covered on the same basis as those who are.</p>	<p>Same as present law except:</p> <p>(1) Covers all fishermen as in H. R. 7199.</p> <p>(2) No change.</p> <p>(3) No change.</p> <p>(4) No change from present law.</p> <p>(5) No change.</p> <p>(6) Covers homeworkers as in H. R. 7199.</p>	

Comparison of provisions of present law, H. R. 7199 and H. R. 9366—Continued

Item	Present law	H. R. 7199	H. R. 9366	Remarks
I. COVERAGE—Continued				
C. Agricultural workers	<p>Covers only those who are "regularly employed" by 1 employer and who receive cash wages of \$50 or more in a calendar quarter from that employer. In general, after a farmworker has worked for 1 employer continuously for an entire calendar quarter, he is "regularly employed" in the next quarter and in succeeding quarters if he works for that employer on a fulltime basis for at least 60 days during the quarter.</p> <p>The following are specifically excluded from coverage:</p> <p>(1) Mexican contract workers.</p> <p>(2) Workers in cotton ginning and gum naval stores.</p> <p>(3) Noneash remuneration for agricultural work.</p>	<p>Covers agricultural workers who are paid \$50 or more in cash wages by an employer during a calendar quarter.</p> <p>(1) No change.</p> <p>(2) Workers in cotton ginning and gum naval stores covered as agricultural workers.</p> <p>(3) No change.</p>	<p>Covers agricultural workers who are paid \$200 or more in cash wages by an employer in a calendar year.</p> <p>(1) No change.</p> <p>(2) Like H. R. 7199, covers these workers as agricultural workers.</p> <p>(3) No change.</p>	
D. Domestic workers in private homes.	<p>Covers only those workers in nonfarm homes who work for a single employer on at least 24 days and are paid at least \$50 in cash wages by that employer during a calendar quarter.</p> <p>Noneash remuneration is excluded.</p>	<p>Covers all domestic workers in nonfarm homes who are paid \$50 or more in cash wages by an employer during a calendar quarter.</p> <p>No change.</p>	<p>Covers domestic workers as in H. R. 7199.</p> <p>No change.</p>	
E. Work not in the course of the employer's trade or business.	<p>Covers such work if the individual works for a single employer on at least 24 days and is paid at least \$50 in cash wages by that employer during a calendar quarter.</p> <p>Noneash remuneration is excluded.</p>	<p>Covers such work if the individual is paid \$50 or more in cash wages by an employer during a calendar quarter.</p> <p>No change.</p>	<p>Covers such work as in H. R. 7199.</p> <p>No change.</p>	
F. State and local government employees.	<p>Covers State and local government employees (except those specified below) provided individual State enters into an agreement with Federal Government.</p> <p>Following employees are excluded:</p> <p>(1) Employees who are in positions covered under a State or local retirement system (other than the Wisconsin retirement fund) at the time coverage is made applicable to the coverage group to which they belong.</p> <p>(2) Individuals employed on work relief projects.</p> <p>(3) Patients and inmates of institutions who perform work for such institutions.</p>	<p>Same as present law except:</p> <p>(1) Makes coverage available, by means of Federal-State agreements, to employees in positions covered by a State or local retirement system (except policemen and firemen) provided a vote is held among the active members of the system and at least 2/3 of those voting vote in favor of coverage.</p> <p>(2) No change.</p> <p>(3) No change.</p>	<p>Same as present law except:</p> <p>(1) Makes coverage available, by means of Federal-State agreements, to employees in positions covered by a State or local retirement system (except policemen and firemen) provided a referendum is held in which the majority of eligible employees under the retirement system vote and at least two-thirds of those voting vote in favor of coverage. In addition employees whose positions are covered by a retirement system but who are not themselves eligible for membership in the system could be covered without a referendum. Employees in positions which were covered by a retirement system on the date the agreement was made applicable to the coverage group but which, by reason of action taken prior to the date of enactment of the bill, are no longer covered by a retirement system on the date when the agreement is made applicable to such services, may also be covered without a referendum at any time prior to January 1, 1958.</p> <p>(2) No change.</p> <p>(3) No change.</p>	

Comparison of provisions of present law, H. R. 7199 and H. R. 9366—Continued

Item	Present law	H. R. 7199	H. R. 9366	Remarks
COVERAGE—Continued State and local government employees—Continued	Employees of certain State and local transportation systems taken over from private ownership after 1936 are covered compulsorily (no Federal-State agreement necessary).	No change.	No change.	
	State entering into agreement cannot cover employees in most occupational groups which are specifically excluded by general coverage provisions of the law but has option of covering any agricultural workers and students who are in this category. State also has the option of covering or excluding employees in any class of elective position, part-time positions, and fee-basis positions, and emergency services.	No change.	Same as present law except that State could, when bringing in groups of employees other than members of retirement systems, exclude those in positions covered by retirement systems, but ineligible for membership. Effective as of January 1, 1951, certain civilian employees of State National Guard units are deemed to be employees of the State and a separate coverage group.	
Employees of nonprofit organizations.	Covers employees of certain nonprofit organizations which file a certificate showing that the organization waives exemption from social-security tax and that at least 2/3 of employees have signed in favor of coverage, except that the following employees are specifically excluded from coverage: (1) Ministers and members of religious orders. (2) Persons employed by the organization when coverage begins who do not sign the original, or a supplemental, certificate before the 1st wage report is due. (3) Employees of any organization exempt from income tax earning less than \$50 in a calendar quarter.	Same as present law except: (1) Covers ministers and those members of religious orders who are not required to take a vow of poverty, provided the employing organization elects coverage for clergymen and at least 2/3 of the employed clergymen sign a certificate indicating that they favor coverage. (Clergymen could not be covered unless the organization covers its lay employees also; separate certificates required for clergymen and lay employees.) (2) Persons who were in the employ of the organization when coverage began but who did not sign the original, or a supplemental, certificate before the 1st wage report was due are covered for any quarter after they file a supplemental certificate. (3) No change.	Same as present law except: (1) Covers these persons as in H. R. 7199. (2) Covers these persons as in H. R. 7199. (3) No change.	
Federal civilian employees.	Covers employees of the Federal Government and its instrumentalities who are not covered under a Federal staff retirement system, except certain elective officials, certain policymaking committee members and other numerically small categories of employees. Among the small categories of employees who are excluded even though they are not covered by a Federal staff retirement system are temporary employees in the Post Office Department, employees of Federal Home Loan banks, and certain employees of Coast Guard exchanges.	Same as present law except: Covers temporary employees in the field service of the Post Office Department, employees of Federal Home Loan Banks, and certain employees of Coast Guard exchanges.	Same as present law except: Covers these groups of employees as in H. R. 7199, and covers also temporary census-taking employees of the Bureau of the Census; contract and fee-basis employees; \$12-a-year employees; certain policy-making committee members; patient-employees of Government hospitals; and employees under the TVA retirement system.	
Members of Armed Forces.	Not covered under the regular contributory provisions of the program but granted social security wage credits of \$160 per month for active service in the Armed Forces during the World War II period (Sept. 16, 1940–July 24, 1947) and for the postwar period (July 25, 1947–June 30, 1955). These wage credits are not given if benefits are payable to veteran under a Federal program other than those administered by the Veterans' Administration.	Same as present law.	Same as present law.	

Comparison of provisions of present law, H. R. 7199 and H. R. 9366--Continued

Item	Present law	H. R. 7199	H. R. 9366	Remarks
I. COVERAGE--Continued				
J. Railroad employees.....	Covered jointly under the railroad retirement and OASI programs.	Same as present law.	Same as present law.	
K. Geographical scope.....	Covers persons within continental United States, Alaska, Hawaii, Puerto Rico, and Virgin Islands regardless of citizenship or residence except: (1) Nonresident aliens engaged in self-employment. (2) Employees of foreign governments and their instrumentalities. (3) Employees of international organizations entitled to certain privileges under the International Organizations Immunities Act.	Same as present law.	Same as present law.	
	Coverage in other areas is limited to:	Same as present law except:	Same as present law except:	
	(1) American citizens either self-employed or employed by an American employer (except on vessels and aircraft of foreign registry).	(1) Covers American citizens employed by an American employer on vessels and aircraft of foreign registry.	(1) Covers American citizens employed by an American employer on vessels and aircraft of foreign registry as in H. R. 7199. In addition makes coverage available to citizens of the United States employed outside the United States by foreign subsidiaries of American corporations under voluntary agreements between the Federal Government and the parent American company.	
	(2) All persons employed on American vessels and aircraft.	(2) No change.	(2) No change.	
II. CREDITABLE EARNINGS				
	All remuneration for services in covered work is covered except:	Same as present law except:	Same as present law except:	
	(1) Earnings in excess of \$3,600.	(1) Earnings in excess of \$4,200, rather than earnings in excess of \$3,600 as in present law, are excluded, effective Jan. 1, 1955.	(1) Earnings in excess of \$4,200 are excluded, as in H. R. 7199.	
	(2) Certain types of payments for retirement and payments under a plan or system providing benefits on account of sickness or accident disability, etc.	(2) No change.	(2) No change.	
	(3) Sick pay under certain circumstances.	(3) No change.	(3) No change.	
	(4) Payment by the employer of the employee tax under the Federal Insurance Contributions Act or under a State unemployment compensation law.	(4) No change.	(4) No change.	
III. INSURED STATUS				
A. Fully insured.....	1 quarter of coverage (acquired at any time after 1936) for every 2 calendar quarters elapsing after 1950 (or after quarter in which age 21 was attained, if later) and before quarter of death or attainment of age 65, whichever first occurs. For persons who died before September 1, 1950, elapsed time is counted from 1936. Minimum requirement 6 quarters of coverage; maximum 40.	No change (see sec. IX for preservation of benefit rights of permanently and totally disabled).	See sec. IX for preservation of benefit rights of permanently and totally disabled. Otherwise same as present law except: (1) <i>As alternative to present requirements.</i> Individual fully insured if he has quarters of coverage in all quarters after 1954 and before July 1956 or, if later (i) the quarter of death or (ii) attainment of age 65 whichever occurs first. (2) <i>Deaths before September 1, 1950.</i> For purposes of survivor benefits (other than for former wife divorced), individual who died before September 1, 1950, with at least 6 quarters of coverage is fully insured.	
B. Currently insured.....	6 quarters of coverage within 13 quarters ending with quarter of death or entitlement to old-age insurance benefits (defined as primary insurance benefits before 1950 amendments).	No change.	Additional point of determination is quarter of first eligibility for old-age insurance benefits (see sec. VII).	

Comparison of provisions of present law, H. R. 7199 and H. R. 9366—Continued

Item	Present law	H. R. 7199	H. R. 9366	Remarks
INSURED STATUS—Con.				
Quarter of coverage defined.	<p>(1) Quarter in which individual received at least \$50 in wages or was credited with at least \$100 of self-employment income.</p> <p>(2) Each quarter in any calendar year in which wages are \$3,600 or more and each quarter in a taxable year in which combined wages and self-employment income equal \$3,600.</p> <p>(3) Four quarters of coverage credited for minimum \$400 of self-employment income for year.</p> <p>(4) No quarter counted as quarter of coverage before it begins, or after the quarter of death.</p>	<p>(1) Same as present law.</p> <p>(2) After 1954, each quarter in any calendar year in which wages are \$4,200 or more, and each quarter in a taxable year in which combined wages and self-employment income equal \$4,200.</p> <p>(3) Same as present law.</p> <p>(4) Same as present law.</p>	<p>(1) Same as present law.</p> <p>(2) Same as H. R. 7199. In addition, provision made for crediting quarters of coverage on the basis of annual amounts of wages received for agricultural labor as follows: \$400 or more paid in a calendar year, credited with 4 quarters of coverage; \$300-\$399.99, credited with 3 quarters of coverage; \$200-\$299.99, credited with 2 quarters of coverage. (Agricultural wages of less than \$200 from an employer not covered.)</p> <p>(3) Same as present law.</p> <p>(4) Same as present law.</p>	
BENEFIT CATEGORIES				
Age	Payable at age 65 to fully insured individual.	No change.	No change.	
Wife	Payable to wife of old-age beneficiary if at least age 65 or has in her care a child entitled to benefits on her husband's record.	No change.	No change.	
Husband	Payable to husband of old-age beneficiary at age 65 if wife currently insured at time of her entitlement and she was furnishing half his support.	No change.	No change.	
Child	Payable to unmarried child under age 18 of old-age beneficiary or of individual who died either currently or fully insured, if child deemed dependent on such person.	No change.	No change.	
Widow	Payable at age 65 to widow of fully insured worker.	No change.	No change.	
Widower	Payable at age 65 to widower of woman who died both fully and currently insured, if she was furnishing at least half his support.	No change.	No change.	
Other	Payable to widow or former wife divorced of worker who died either fully or currently insured, if she has in her care an entitled child of the worker. Former wife divorced must have been receiving half her support from deceased pursuant to court order or agreement, and the child must be her child entitled to benefits on the former husband's wage record.	No change.	No change.	
Parent	Payable at age 65 to parent of deceased fully insured worker, if worker had furnished half or more of parent's support, and was not survived by widow, widower, or child eligible for benefits on his record.	No change.	No change.	
Spouse	Payable on death of fully or currently insured worker to widow or widower living with the worker at the time of his death, or if no such spouse survives, as reimbursement for funeral expenses.	No change.	No change.	

Comparison of provisions of present law, H. R. 7199 and H. R. 9366 Continued

Item	Present law	H. R. 7199	H. R. 9366	Remarks
V. BENEFIT AMOUNTS				
A. Benefit formula	<p>An individual may have his benefit computed under the following methods provided he meets the conditions therein prescribed. If more than one method is applicable, the one yielding the higher benefit amount will be used.</p> <p>(1) 55 percent of the 1st \$100 of AMW plus 15 percent of the next \$200, based on AMW after 1950, or after age 22, if later. (Formula provided by 1952 amendments.)</p> <p><i>Condition:</i> 6 quarters of coverage after 1950.</p> <p>(2) 1939 benefit formula (10 percent of 1st \$50 of AMW plus 10 percent of next \$200, plus 1 percent of the sum thus obtained for each year of coverage prior to 1951, based on AMW after 1936). The amount obtained is increased by the conversion table in present law. See C below.</p>	<p>After the close of the month following the month of enactment, an individual may have his benefit computed under the following methods provided he meets the conditions therein prescribed. If more than one method is applicable, the one yielding the highest benefit amount will be used.</p> <p>(1) 55 percent of the first \$110 of AMW plus 20 percent of the next \$210, based on AMW after 1950, or after age 22, if later.</p> <p><i>Conditions:</i></p> <p>(a) 6 quarters of coverage after June 1953, or</p> <p>(b) First eligible for OAIIB after effective date, or dies after effective date and before eligible for OAIIB, provided he has 6 quarters of coverage after 1950.</p> <p>(2) (a) 1952 benefit formula (see present law (1)) with benefit amount increased through conversion table in the bill.</p> <p><i>Condition:</i> 6 quarters of coverage after 1950.</p> <p>(b) 1939 benefit formula (see present law (2)) with benefit amount increased through conversion table in the bill.</p>	Same as H. R. 7199	
B. Drop-out of low years	No provision	<p>In computing AMW under A (1) and A (2) (b), above, up to 4 years of lowest (or no) earnings may be dropped. To be eligible for a drop-out under A (2) (b) must meet conditions specified in A (1) (b) above, except the one relating to 6 quarters of coverage after 1950.</p> <p>The drop-out provision is also applicable to benefit recomputations under certain circumstances after the effective date.</p> <p>If any years of low earnings are dropped, at least 2 years must be used in the computation.</p>	Same as H. R. 7199 except that up to 5 years may be dropped if individual has 20 quarters of coverage.	
C. On rolls prior to effective date	<p>(1) For persons on rolls prior to 1952 amendments whose benefits were computed under 1939 formula, primary insurance amount was determined by means of a conversion table. Examples of the increase in benefits resulting under the conversion table are shown below:</p>	<p>(1) Retired workers on the rolls prior to the effective date of the bill, whether their primary insurance amount was computed by the benefit formula in present law or through the old conversion table, will have their benefits for months following the month after month of enactment increased by a new conversion table as shown below:</p>	(1) Same as H. R. 7199	Minimum of 18 months used in computation. Technical amendments to provide standard annual starting and closing dates for periods over which average monthly wage is computed. Special midyear closing date in 1956 permitted for deaths or entitlements in that year, if individual has 6 quarters of coverage after 1951.

Comparison of provisions of present law, H. R. 7199 and H. R. 9366 - Continued

Item	Present law	H. R. 7199	H. R. 9366	Remarks																																																						
BENEFIT AMOUNTS—Con.																																																										
Rolls prior to effective date—Continued	<p>If primary insurance benefit under 1939 law was—</p> <table border="0"> <tr><td>\$10.....</td><td>\$25.00</td></tr> <tr><td>\$15.....</td><td>\$35.00</td></tr> <tr><td>\$20.....</td><td>\$42.00</td></tr> <tr><td>\$25.....</td><td>\$52.40</td></tr> <tr><td>\$30.....</td><td>\$60.80</td></tr> <tr><td>\$35.....</td><td>\$66.60</td></tr> <tr><td>\$40.....</td><td>\$72.00</td></tr> <tr><td>\$45 or over..</td><td>\$77.10</td></tr> </table>	\$10.....	\$25.00	\$15.....	\$35.00	\$20.....	\$42.00	\$25.....	\$52.40	\$30.....	\$60.80	\$35.....	\$66.60	\$40.....	\$72.00	\$45 or over..	\$77.10	<p>If present primary insurance amount is—</p> <table border="0"> <tr><td>\$25.00.....</td><td>\$30.00</td></tr> <tr><td>\$35.00.....</td><td>\$40.00</td></tr> <tr><td>\$42.00.....</td><td>\$47.00</td></tr> <tr><td>\$52.40.....</td><td>\$57.40</td></tr> <tr><td>\$60.80.....</td><td>\$66.30</td></tr> <tr><td>\$66.60.....</td><td>\$73.00</td></tr> <tr><td>\$72.00.....</td><td>\$81.10</td></tr> <tr><td>\$77.10.....</td><td>\$88.50</td></tr> <tr><td>\$81.00.....</td><td>\$93.10</td></tr> <tr><td>\$85.00.....</td><td>\$98.50</td></tr> </table>	\$25.00.....	\$30.00	\$35.00.....	\$40.00	\$42.00.....	\$47.00	\$52.40.....	\$57.40	\$60.80.....	\$66.30	\$66.60.....	\$73.00	\$72.00.....	\$81.10	\$77.10.....	\$88.50	\$81.00.....	\$93.10	\$85.00.....	\$98.50	<p>New primary insurance amount would be—</p> <table border="0"> <tr><td>\$30.00.....</td><td>\$40.00</td></tr> <tr><td>\$40.00.....</td><td>\$47.00</td></tr> <tr><td>\$47.00.....</td><td>\$57.40</td></tr> <tr><td>\$57.40.....</td><td>\$66.30</td></tr> <tr><td>\$66.30.....</td><td>\$73.00</td></tr> <tr><td>\$73.00.....</td><td>\$81.10</td></tr> <tr><td>\$81.10.....</td><td>\$88.50</td></tr> <tr><td>\$88.50.....</td><td>\$93.10</td></tr> <tr><td>\$93.10.....</td><td>\$98.50</td></tr> </table>	\$30.00.....	\$40.00	\$40.00.....	\$47.00	\$47.00.....	\$57.40	\$57.40.....	\$66.30	\$66.30.....	\$73.00	\$73.00.....	\$81.10	\$81.10.....	\$88.50	\$88.50.....	\$93.10	\$93.10.....	\$98.50	Same as H. R. 7199.
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Minimum primary insurance amount.	\$25.....	\$30, after month following month of enactment.	Same as H. R. 7199.																																																							
Maximum family benefits.	(1) The maximum amount payable on a single wage record is the lesser of \$168.75 or 80 percent of the insured person's average monthly wage. The 80-percent limitation, however, cannot reduce the total family benefits below \$45. (2) Reductions necessary to bring total family benefits within the applicable limitations are made proportionately against all benefits except the insured worker's benefit, which is never reduced.	(1) Effective after the last day of the month following month of enactment, the absolute dollar maximum is raised to \$190, and the amount below which the 80-percent limitation cannot reduce total family benefits is raised to \$50. (2) Same as present law.	(1) Dollar maximum raised to \$200. The 80 percent maximum cannot reduce total family benefits below the larger of \$50 or 1½ times the primary insurance amount. (2) Same as present law.																																																							
Dependents' and survivors' benefits.	(Subject to maximum limitations on total family benefits).	(Subject to maximum limitations on total family benefits).	(Subject to maximum limitations on total family benefits).																																																							
Wife or husband of old-age beneficiary.	½ of primary insurance amount.	Same as present law.	Same as present law.																																																							
Child of living old-age beneficiary.	½ of primary insurance amount.	Same as present law.	Same as present law.																																																							
Widow, widower, former wife divorced, or parent of deceased insured person.	¾ of primary insurance amount.	Same as present law.	Same as present law, except minimum benefit is \$30 if individual is sole beneficiary entitled.																																																							
Child of deceased insured person.	If only 1 child is entitled, ¾ of primary insurance amount. If more than 1 child entitled, each child gets ½ of primary insurance amount plus an equal share in an additional ¼ of primary insurance amount.	Same as present law.	Same as present law, except minimum is \$30 if a child is sole beneficiary entitled.																																																							
Lump-sum death payment.	3 times the primary insurance amount.	Same as present law.	Same as present law, except that statutory maximum of \$255 is provided.																																																							
Effective application for benefits.	Benefits payable retroactively for 6 months prior to month of application.	Retrospective period extended to 12 months for application filed after month following month of enactment (but period may not extend back further than 5 months prior to month of enactment).	Same as H. R. 7199.																																																							
Computation of benefits or entitlement.	(1) <i>Work recomputations.</i> Recomputation if individual has 6 quarters of coverage after 1950 and 12 benefit suspensions on account of work within a 3-year period after 1950 and after last computation or recomputation. Persons age 75 and over eligible for one recomputation to base benefits on earnings since 1950. (2) <i>Other.</i> Recomputation to permit use of closing date 2 quarters later than date used in initial computation.	(1) No change. (2) No change.	(1) <i>Work recomputations.</i> Recomputation if individual has 6 quarters of coverage after 1950 and \$1,000 of earnings in calendar year after 1953 and after year of individual's last computation or recomputation. Applies also for beneficiaries age 75 and over. (2) <i>Other.</i> Technical amendments necessitated by standard beginning-of-the-year closing dates in initial computations.																																																							

Comparison of provisions of present law, H. R. 7199 and H. R. 9366--Continued

Item	Present law	H. R. 7199	H. R. 9366	Remarks
VI. RETIREMENT TEST	<p>1. Applies only to covered work.</p> <p>2. <i>Separate tests for employed and self-employed persons.</i></p> <p>(a) <i>Employed persons</i> No benefit is payable to a beneficiary under age 75 (or to any dependent drawing on his record) for any month in which he earns wages of more than \$75 in covered employment.</p> <p>Penalties imposed for failure to report wages of more than \$75 prior to accepting a benefit for the second month following the month in which the earnings occurred.</p> <p>(b) <i>Self-employed persons</i> 1 month's benefit is withheld from the beneficiary under age 75 (and from any dependent drawing on his record) for each unit of \$75 (or fraction thereof) by which annual covered net earnings exceed \$900. However, benefits are not withheld for any month in which the self-employed person did not render "substantial services" in a covered trade or business.</p> <p>Where the taxable year is less than 12 months, the basic exempt amount is reduced in proportion to the number of months in the taxable year.</p> <p>Individuals required to file annual reports of net earnings from self-employment in excess of \$75 times the number of months in the year. Reports must be filed on or before the 15th day of the 3d month following the close of the year. Penalties imposed for failure to file timely reports.</p> <p>Estimates of net earnings (and other information) may be requested from the beneficiary during the course of the year.</p> <p>Temporary suspensions of benefits may be made during the course of the year, until it is determined whether deductions apply.</p>	<p>1. Applies to noncovered as well as to covered work.</p> <p>2. <i>Same annual test of earnings for both employed and self-employed persons.</i></p> <p>1 month's benefit withheld from the beneficiary under age 75 (and from any dependent drawing on his record) for each unit of \$80 (or fraction thereof) by which annual earnings from both covered and non-covered employment and self-employment exceed \$1,000. However, benefits not withheld for any month during which the individual neither rendered services for wages in excess of \$80 nor rendered substantial services in a trade or business.</p> <p>Where the taxable year is less than 12 months, the basic exempt amount is reduced in proportion to the number of months in the taxable year.</p> <p>Individuals required to file annual reports of earnings under circumstances similar to those now applicable to the self-employed. Penalties imposed for failure to file timely reports of earnings, unless the failure to file on time was for "good cause."</p> <p>Estimates of earnings (and other information) may be requested from the beneficiary during the course of the year.</p> <p>Temporary suspensions of benefits, similar to those now applicable to the self-employed, may be made during the course of a year until it is determined whether deductions apply.</p> <p>These provisions effective for taxable years beginning after 1954.</p>	<p>Same as H. R. 7199.</p> <p>Same as H. R. 7199.</p>	
3. <i>No test for noncovered work outside the United States.</i>		<p>3. <i>Test for noncovered work outside the United States.</i></p> <p>Deductions made from the benefits for any month in which a beneficiary under age 75 engages in a noncovered remunerative activity (whether employment or self-employment) outside the United States on 7 or more calendar days. If deductions are made for any month for this reason, deductions also made from the benefits of any dependent drawing benefits on the basis of the individual's wage record.</p> <p>Penalty provisions apply to failure to make timely reports of work on 7 or more days, unless the failure to report on time was due to "good cause."</p> <p>Provisions effective for months after December 1954.</p>	Same as H. R. 7199.	

Comparison of provisions of present law, H. R. 7199 and H. R. 9366—Continued

Item	Present law	H. R. 7199	H. R. 9366	Remarks
RETIREMENT TEST—Con.	4. Benefits are not suspended because of work or earnings for months during which the beneficiary is age 75 or over.	4. Same as present law.	Same as present law.	
REDUCTIONS FROM BENEFITS OF DEPENDENTS AND SURVIVORS RESIDING ABROAD	No provision	No provision	Benefits for dependents and survivors not payable for months beneficiary resides outside United States, unless (a) beneficiary met certain requirements as to prior residence in the United States, or, (b) insured person on whose record the beneficiary is entitled was currently insured at death, first eligibility for old-age insurance benefits or at entitlement on basis of military service wage credits or covered earnings outside the United States.	
QUALIFYING PROVISIONS Earnings during unlawful residence in United States.	No provision	No provision	Earnings during periods of unlawful residence as determined by the Attorney General shall not be used in determination of insured status or benefit amount.	
Termination of benefits upon deportation.	No provision	No provision	Benefits payable on individual's record would be terminated upon notification by the Attorney General of the individual's deportation because of illegal entry, conviction of a crime, or subversive activity.	
DISABILITY "FREEZE"	No provision [NOTE.—An inoperative provision similar to disability freeze in H. R. 7199 was included in sec. 3 of Public Law 590, Social Security Act Amendments of 1952.]	When an individual for whom a period of disability has been established dies or retires his period of disability will be disregarded in determining his insured status and in figuring any benefits due him or his family. The "drop-out" provision (see sec. V B) will apply after a period of disability has been excluded from consideration.	Same as H. R. 7199, except as noted:	
Eligibility requirements		<p>(1) An individual must have a physical or mental impairment which can be expected to be of long-continued and indefinite duration or to result in death. The impairment must be medically determinable and must preclude the disabled person from engaging in any substantially gainful work. An individual is disabled, within the meaning of the law, if he is blind as that term is defined.</p> <p>(2) A period of disability cannot exist unless it has lasted at least 6 full calendar months.</p> <p>(3) An individual must have acquired at least 20 quarters of coverage out of the last 40 calendar quarters ending with the quarter in which the period of disability begins. In addition he must have acquired 6 quarters of coverage out of the last 13 calendar quarters ending with the quarter in which the period of disability begins.</p> <p>(4) He must be alive and still disabled at the time application for a period of disability is filed.</p>		

Comparison of provisions of present law, H. R. 7199 and H. R. 9866—Continued

Item	Present law	H. R. 7199	H. R. 9866	Remarks																																																																												
IX. DISABILITY "FREEZE"—Con.																																																																																
C. Effective dates		<p>(1) Apr. 1, 1955, is the first day on which a disability "freeze" application may be accepted.</p> <p>(2) July 1955 is the first month for which an individual can be paid a benefit computed with the exclusion of a period of disability.</p> <p>(3) All applications filed before July 1, 1957, are fully retroactive, insofar as the start of a period of disability is concerned, i. e., the period of disability extends from the earliest date on which the individual was disabled and met the quarters of coverage requirements described in B (3).</p> <p>(4) For applications filed after June 30, 1957, retroactivity of the period of disability is limited to 1 year.</p>	<p>(1) January 1, 1955, is the first day on which a disability "freeze" application may be accepted. The individual must be living, however, on July 1, 1955, to establish a period of disability.</p>																																																																													
D. Disability determinations		<p>(1) The Secretary is directed to enter into contractual agreements under which State vocational rehabilitation agencies or other appropriate State agencies will make determinations of disability.</p> <p>(2) The Secretary is authorized to make determinations of disability for individuals who are not covered by State agreements.</p> <p>(3) The Secretary may, on his own motion, review a State agency determination that a disability exists and may, as a result of such review, find that no disability exists or that the disability began later than determined by the State agency.</p> <p>(4) Any individual who is dissatisfied with a determination, whether made by a State agency or by the Secretary, has the right to a hearing and to judicial review, as provided in present law.</p>																																																																														
E. Administrative expenses		Appropriations are authorized from the trust fund to reimburse State agencies for necessary costs incurred in making disability determinations.																																																																														
F. Rehabilitation		The policy of Congress is stated that disabled persons applying for the disability freeze be promptly referred to vocational rehabilitation agencies for necessary rehabilitation services.																																																																														
G. Military service credits and railroad compensation.			Technical amendments are included to permit using (a) wage credits for service in the Armed Forces and (b) railroad compensation, for purposes of determining an individual's eligibility for a period of disability.																																																																													
X. FINANCING																																																																																
A. Maximum taxable amount.	\$3,600 a year.	\$4,200 a year after 1954.	\$4,200 a year after 1954.																																																																													
B. Tax rates.	<table border="1"> <thead> <tr> <th>Years</th> <th>Employee</th> <th>Employer</th> <th>Self-employed</th> </tr> </thead> <tbody> <tr> <td>1951-53</td> <td>1½%</td> <td>1½%</td> <td>2½%</td> </tr> <tr> <td>1954-59</td> <td>2</td> <td>2</td> <td>3</td> </tr> <tr> <td>1960-64</td> <td>2½</td> <td>2½</td> <td>3½</td> </tr> <tr> <td>1965-69</td> <td>3</td> <td>3</td> <td>4½</td> </tr> <tr> <td>1970 and thereafter.</td> <td>3½</td> <td>3½</td> <td>4½</td> </tr> </tbody> </table>	Years	Employee	Employer	Self-employed	1951-53	1½%	1½%	2½%	1954-59	2	2	3	1960-64	2½	2½	3½	1965-69	3	3	4½	1970 and thereafter.	3½	3½	4½	<table border="1"> <thead> <tr> <th>Years</th> <th>Employee</th> <th>Employer</th> <th>Self-employed</th> </tr> </thead> <tbody> <tr> <td>1951-53</td> <td>Same as present law</td> <td>Same as present law</td> <td>Same as present law</td> </tr> <tr> <td>1954-59</td> <td>Same as present law</td> <td>Same as present law</td> <td>Same as present law</td> </tr> <tr> <td>1960-64</td> <td>Same as present law</td> <td>Same as present law</td> <td>Same as present law</td> </tr> <tr> <td>1965-69</td> <td>Same as present law</td> <td>Same as present law</td> <td>Same as present law</td> </tr> <tr> <td>1970 and thereafter.</td> <td>3½%</td> <td>3½%</td> <td>5½%</td> </tr> </tbody> </table>	Years	Employee	Employer	Self-employed	1951-53	Same as present law	Same as present law	Same as present law	1954-59	Same as present law	Same as present law	Same as present law	1960-64	Same as present law	Same as present law	Same as present law	1965-69	Same as present law	Same as present law	Same as present law	1970 and thereafter.	3½%	3½%	5½%	<table border="1"> <thead> <tr> <th>Years</th> <th>Employee</th> <th>Employer</th> <th>Self-employed</th> </tr> </thead> <tbody> <tr> <td>1951-53</td> <td>Same as present law</td> <td>Same as present law</td> <td>Same as present law</td> </tr> <tr> <td>1954-59</td> <td>Same as present law</td> <td>Same as present law</td> <td>Same as present law</td> </tr> <tr> <td>1960-64</td> <td>Same as present law</td> <td>Same as present law</td> <td>Same as present law</td> </tr> <tr> <td>1965-69</td> <td>Same as present law</td> <td>Same as present law</td> <td>Same as present law</td> </tr> <tr> <td>1970-74</td> <td>3½%</td> <td>3½%</td> <td>5½%</td> </tr> <tr> <td>1975 and thereafter.</td> <td>4</td> <td>4</td> <td>6</td> </tr> </tbody> </table>	Years	Employee	Employer	Self-employed	1951-53	Same as present law	Same as present law	Same as present law	1954-59	Same as present law	Same as present law	Same as present law	1960-64	Same as present law	Same as present law	Same as present law	1965-69	Same as present law	Same as present law	Same as present law	1970-74	3½%	3½%	5½%	1975 and thereafter.	4	4	6	
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Comparison of provisions of present law, H. R. 7199 and H. R. 9366—Continued

Item	Present law	H. R. 7199	H. R. 9366	Remarks
PUBLIC ASSISTANCE				
Temporary extension of 1952 matching formula.	Temporary increase in Federal matching shares for State public assistance programs expires September 30, 1954. Under such temporary increase, formula for old age assistance, aid to the blind, and aid to the permanently and totally disabled is $\frac{1}{2}$ of the first \$25 plus $\frac{1}{2}$ of the remainder up to a maximum of \$55.	Same as present law.	Expiration date postponed until September 30, 1955.	
Temporary extension of special 1950 provisions relating to State aid-to-the-blind plans.	Under such temporary increase, formula for aid to dependent children is $\frac{1}{2}$ of the first \$15 plus $\frac{1}{2}$ of the remainder within individual maximums of \$30 for the adult, \$30 for the first child, and \$21 for each additional child in a family. Temporary provision for approval of certain State plans for aid to the blind which do not meet requirements of clause 8 of section 1002(a) of Social Security Act expires June 30, 1955.	Same as present law.	Expiration date postponed until June 30, 1957.	

[COMMITTEE PRINT]

COMMITTEE ON FINANCE
UNITED STATES SENATE
EUGENE D. MILLIKIN, CHAIRMAN

MAJOR DIFFERENCES IN THE PRESENT
SOCIAL SECURITY LAW AND H. R. 9366
AS PASSED BY THE HOUSE OF
REPRESENTATIVES
RELATING TO
OLD-AGE AND SURVIVORS INSURANCE
AND
PUBLIC ASSISTANCE



JUNE 24, 1954

Printed for the use of the Committee on Finance

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(II)

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Major differences in the present social-security law and H. R. 9366 as passed by the House of Representatives relating to old-age and survivors insurance and public assistance

(Parenthetical references are to pages in House committee report)

OLD-AGE AND SURVIVORS INSURANCE

I. COVERAGE

Item	Present law	H. R. 9366
A. Self-employed.....	<p>Covers all self-employed for years in which they have net earnings from self-employment of \$400 or more except:</p> <p>(1) Specified professional groups—physicians, lawyers, dentists, osteopaths, veterinarians, chiropractors, naturopaths, optometrists, architects, Christian Science practitioners, professional engineers, funeral directors, and certain public accountants.</p> <p>(2) Farm operators.</p> <p>(3) Ministers.</p> <p>(4) Public officials and employee newsboys under age 18.</p> <p>(5) Certain types of income, such as dividends, interest, and rentals from real estate, unless received by dealers in real estate and securities in the course of business dealings.</p> <p>(6) Certain gains and losses, such as sale of capital asset.</p>	<p>The following coverage provisions are, in general, effective Jan. 1, 1955.</p> <p>Same as present law except:</p> <p>(1) Covers professional groups now excluded, other than physicians. (Pp. 3; 6-8; 43-44.)</p> <p>(2) Covers farm operators on same basis as other self-employed persons, except for a special provision that makes it easier for low-income farmers who report on a cash basis to compute their net earnings—such farmers whose annual gross earnings are \$1,800 or less may report either their actual net earnings or 50 percent of their gross earnings; farmers who report on a cash basis and whose annual gross earnings are over \$1,800 may report either their actual net earnings or, if their actual net earnings are less than \$900, may report \$900. (Pp. 2, 3, 6-7, 43-44, 81.)</p> <p>(3) Covers self-employed ministers. (Pp. 3, 7-8, 11-12, 42-43.)</p> <p>(4) Continues exclusion of public officials and employee newsboys under age 18.</p> <p>(5) Continues present exclusion; makes clear that rental income paid in crop shares is excluded. (P. 44.)</p> <p>(6) Excludes certain coal royalties which are now covered under the Social Security Act but excluded under the Internal Revenue Code. (P. 44.)</p>
B. Employees in commerce and industry.	<p>Covers all employees except:</p> <p>(1) Fishermen not employed on vessels of more than 10 net tons and not engaged in commercial halibut or salmon fishing.</p>	<p>Same as present law except:</p> <p>(1) Covers all fishermen now excluded. (Pp. 4, 13, 43.)</p>

I. COVERAGE—Continued

Item	Present law	H. R. 9366
B. Employees in commerce and industry—Con.	<p>Covers all employees except—Continued</p> <p>(2) Domestic service performed by students in local college clubs and fraternities.</p> <p>(3) Certain close relatives working for members of family.</p> <p>(4) Certain students, student nurses, and interns.</p> <p>(5) Newsboys under 18.</p> <p>Certain homeworkers who are not subject to State licensing laws are excluded as employees but may be covered as self-employed persons.</p>	<p>Same as present law except—Continued</p> <p>(2) No change.</p> <p>(3) No change.</p> <p>(4) No change.</p> <p>(5) No change.</p> <p>Homeworkers who are not subject to State licensing laws are covered on the same basis as those who are. (Pp. 4, 12-13, 43.)</p>
C. Agricultural workers..	<p>Covers only those who are "regularly employed" by 1 employer and who receive cash wages of \$50 or more in a calendar quarter from that employer. In general, after a farm-worker has worked for 1 employer continuously for an entire calendar quarter, he is "regularly employed" in the next quarter and in succeeding quarters if he works for that employer on a full-time basis for at least 60 days during the quarter.</p> <p>The following are specifically excluded from coverage:</p> <p>(1) Mexican contract workers.</p> <p>(2) Workers in cotton ginning and gum naval stores.</p> <p>(3) Noncash remuneration for agricultural work.</p>	<p>Covers agricultural workers who are paid \$200 or more in cash wages by an employer in a calendar year. (Pp. 2, 4, 9-10, 38-39.)</p> <p>(1) No change. (P. 39.)</p> <p>(2) Workers in cotton ginning and gum naval stores covered as agricultural workers. (P. 39.)</p> <p>(3) No change.</p>
D. Domestic workers in private homes.	<p>Covers only those workers in nonfarm homes who work for a single employer on at least 24 days and are paid at least \$50 in cash wages by that employer during a calendar quarter.</p> <p>Noncash remuneration is excluded.</p>	<p>Covers all domestic workers in nonfarm homes who are paid \$50 or more in cash wages by an employer during a calendar quarter. (Pp. 4, 10, 37.)</p>
E. Work not in the course of the employer's trade or business.	<p>Covers such work if the individual works for a single employer on at least 24 days and is paid at least \$50 in cash wages by that employer during a calendar quarter.</p> <p>Noncash remuneration is excluded.</p>	<p>No change.</p> <p>Covers such work if the individual is paid \$50 or more in cash wages by an employer during a calendar quarter. (Pp. 4, 10-11, 37-38.)</p>
F. State and local government employees.	<p>Covers State and local government employees (except those specified below) provided individual State enters into an agreement with Federal Government.</p> <p>Following employees are excluded:</p> <p>(1) Employees who are in positions covered under a State or local retirement system (other than the Wisconsin retirement fund) at the time coverage is made applicable to the coverage group to which they belong.</p>	<p>No change.</p> <p>Same as present law except:</p> <p>(1) Makes coverage available, by means of Federal-State agreements to employees in positions covered by a State or local retirement system (except policemen and firemen) provided a referendum is held in which the majority of eligible employees under the retirement system vote and at least $\frac{2}{3}$ of those voting vote</p>

I. COVERAGE—Continued

Item	Present law	H. R. 9366
F. State and local government employees—Con.	<p>Following employees are excluded—Continued</p> <p>(2) Individuals employed on work relief projects.</p> <p>(3) Patients and inmates of institutions who perform work for such institutions.</p> <p>Employees of certain State and local transportation systems taken over from private ownership after 1936 are covered compulsorily (no Federal-State agreement necessary).</p> <p>State entering into agreement cannot cover employees in most occupational groups which are specifically excluded by general coverage provisions of the law but has option of covering any agricultural workers and students who are in this category. State also has the option of covering or excluding employees in any class of elective position, part-time positions, and fee-basis positions, and emergency services.</p>	<p>Same as present law except—Continued in favor of coverage. In addition employees whose positions are covered by a retirement system but who are not themselves eligible for membership in the system could be covered without a referendum. Employees in positions which were covered by a retirement system on the date the agreement was made applicable to the coverage group but which, by reason of action taken prior to the date of enactment of the bill, are no longer covered by a retirement system on the date when the agreement is made applicable to such services may also be covered without a referendum at any time prior to Jan. 1, 1958.</p> <p>(Pp. 4, 8-9, 45-50.)</p> <p>(2) No change.</p> <p>(3) No change.</p> <p>No change.</p> <p>Same as present law except that State could, when bringing in groups of employees other than members of retirement systems, exclude those in positions covered by retirement systems, but ineligible for membership.</p> <p>(P. 48.)</p>
G. Employees of nonprofit organizations.	<p>Covers employees of certain nonprofit organizations which file a certificate showing that the organization waives exemption from social-security tax and that at least 2/3 of employees have signed in favor of coverage, except that the following employees are specifically excluded from coverage:</p> <p>(1) Ministers and members of religious orders.</p>	<p>Same as present law except:</p> <p>(1) Covers ministers and those members of religious orders who are not required to take a vow of poverty, provided the employing organization elects coverage for clergymen and at least 2/3 of the employed clergymen sign a certificate indicating that they favor coverage. (Clergymen could not be covered unless the organization covers its lay employees also; separate certificates required for clergymen and lay employees.)</p> <p>(Pp. 4, 11-12, 41-42, 87-88, 89-90.)</p>

I. COVERAGE—Continued

Item	Present law	H. R. 9366
G. Employees of nonprofit organizations—Con.	<p>Covers employees, etc.—Continued</p> <p>(2) Persons employed by the organization when coverage begins who do not sign the original, or a supplemental, certificate before the 1st wage report is due.</p> <p>(3) Employees of any organization exempt from income tax earning less than \$50 in a calendar quarter.</p>	<p>Same as present law except—Continued</p> <p>(2) Persons who were in the employ of the organization when coverage began but who did not sign the original, or a supplemental, certificate before the 1st wage report was due are covered for any quarter after they file a supplemental certificate.</p> <p>(Pp. 89-90.)</p> <p>(3) No change.</p>
H. Federal civilian employees.	<p>Covers employees of the Federal Government and of certain of its instrumentalities who are not covered under a Federal staff retirement system.</p> <p>The following categories of Federal employees are specifically excluded:</p> <p>(1) The President, Vice President, and Members of the Congress.</p> <p>(2) Employees in the legislative branch.</p> <p>(3) Temporary employees in the field service of the Post Office Department.</p> <p>(4) Temporary census-taking employees of the Bureau of the Census.</p> <p>(5) Employees paid on a contract or fee basis.</p> <p>(6) Employees whose compensation is nominal—\$12-a-year men.</p>	<p>Same as present law except covers employees of all Federal instrumentalities who are not covered by another retirement system. In addition specific provisions would cover employees of Federal home loan banks even though they are under another retirement system, and employees of Coast Guard exchanges.</p> <p>(Pp. 4, 6, 12, 40-41.)</p> <p>The categories of employees listed as being specifically excluded under present law are affected as follows:</p> <p>(1) No change.</p> <p>(2) No change.</p> <p>(3) Covered.</p> <p>(4) Covered.</p> <p>(5) Covered.</p> <p>(6) Covered.</p>
I. Members of Armed Forces.	<p>Not covered under the regular contributory provisions of the program but granted social security wage credits of \$160 per month for active service in the Armed Forces during the World War II period (Sept. 16, 1940-July 24, 1947) and for the postwar period (July 25, 1947-June 30, 1955). These wage credits are not given if benefits are payable to veteran under a Federal program other than those administered by the Veterans' Administration.</p>	<p>Same as present law.</p> <p>(P. 6.)</p>
J. Railroad employees	<p>Under coordination provisions contained in Railroad Retirement Act, railroad employment covered jointly under railroad retirement and old-age and survivors insurance. In all cases except retirement cases in which the individual had 10 years or more of railroad employment benefits are payable under one program or the other based on combined railroad compensation and old-age and sur-</p>	<p>Amendments made to the Railroad Retirement Act to preserve the present relationship between the 2 programs; otherwise, no change.</p> <p>(P. 94.)</p>

I. COVERAGE—Continued

Item	Present law	H. R. 9366
<p>J. Railroad employees— Continued</p>	<p>Under coordination provisions, etc.—Continued vivors insurance wages. Provisions for financial interchange are such as to place the old-age and survivors insurance trust fund in the same position it would have been in if railroad employment were covered by old-age and survivors insurance.</p> <p>(7) Patients or inmates employed in Federal hospitals, homes, or other institutions.</p> <p>(8) Consular agents in the Foreign Service.</p> <p>(9) Interns, student nurses, and other students in Federal hospitals.</p> <p>(10) Persons employed for emergency work in disaster situations.</p> <p>(11) Employees under Federal unemployment relief programs.</p> <p>(12) Certain committee and board members.</p> <p>(13) Persons excluded from the Civil Service Retirement Act because they are subject to another retirement system.</p>	<p>(P. 94.)—Continued</p> <p>(7) Patients employed in Federal hospitals, etc., covered, but inmates of penal institutions remain excluded.</p> <p>(8) This exclusion deleted, but since consular agents are, by and large, aliens employed outside the United States, they would still be excluded.</p> <p>(9) No change.</p> <p>(10) No change.</p> <p>(11) This exclusion deleted; there are no employees under Federal relief programs at present.</p> <p>(12) Covered.</p> <p>(13) No change, except members of the retirement system of the Tennessee Valley Authority covered.</p>
<p>K. Geographical scope----</p>	<p>Covers persons within continental United States, Alaska, Hawaii, Puerto Rico, and Virgin Islands regardless of citizenship or residence except:</p> <p>(1) Nonresident aliens engaged in self-employment.</p> <p>(2) Employees of foreign governments and their instrumentalities.</p> <p>(3) Employees of international organizations entitled to certain privileges under the International Organizations Immunities Act.</p> <p>Coverage in other areas is limited to:</p> <p>(1) American citizens either self-employed or employed by an American employer (except on vessels and aircraft of foreign registry).</p> <p>(2) All persons employed on American vessels and aircraft.</p>	<p>Same as present law.</p> <p>Same as present law except:</p> <p>(1) Covers American citizens employed by an American employer on vessels and aircraft of foreign registry (pp. 4, 13, 40). In addition makes coverage available to citizens of the United States employed outside the United States by foreign subsidiaries of American corporations under voluntary agreements between the Federal Government and the parent American company. The domestic corporation could include some or all of its foreign subsidiaries in the agreement; it would have to agree to pay the equivalent of both employer and employee taxes on behalf of the subsidiaries included (Pp. 4, 12, 51, 81, 91-93).</p> <p>(2) No change.</p>

II. CREDITABLE EARNINGS

Item	Present law	H. R. 9366
	<p>All remuneration for services in covered work is covered except:</p> <p>(1) Earnings in excess of \$3,600.</p> <p>(2) Certain types of payments for retirement and payments under a plan or system providing benefits on account of sickness or accident disability, etc.</p> <p>(3) Sick pay under certain circumstances.</p> <p>(4) Payment by the employer of the employee tax under the Federal Insurance Contributions Act or under a State unemployment compensation law.</p>	<p>Same as present law except:</p> <p>(1) Earnings in excess of \$4,200, rather than earnings in excess of \$3,600 as in present law, are excluded, effective Jan. 1, 1955. (Pp. 4, 14-15, 71, 84.)</p> <p>(2) No change.</p> <p>(3) No change.</p> <p>(4) No change.</p>

III. INSURED STATUS

A. Fully insured-----	<p>1 quarter of coverage (acquired at any time after 1936) for every 2 calendar quarters elapsing after 1950 (or after quarter in which age 21 was attained, if later) and before quarter of death or attainment of age 65, whichever first occurs. For persons who died before September 1950, elapsed time is counted from 1936. Minimum requirement 6 quarters of coverage; maximum 40.</p> <p>Fully insured status qualifies for old-age, dependents, and survivors benefits; both fully and currently insured status required for dependent husbands' and dependent widowers' benefits.</p>	<p>See sec. IX for preservation of benefit rights of permanently and totally disabled. Otherwise same as present law except:</p> <p>(1) As alternative to present requirements. Individual fully insured if he has quarters of coverage in all quarters after 1954 and before July 1956 or, if later (i) the quarter of death or (ii) attainment of age 65, whichever occurs first. (Pp. 5; 21-22; 77-78.)</p> <p>(2) Deaths before Sept. 1, 1950. For purposes of survivor benefits (other than for widower or former wife divorced), individual who died before Sept. 1, 1950, with at least 6 quarters of coverage is fully insured. (Pp. 5; 78.)</p> <p>Same as present law.</p>
B. Currently insured-----	<p>6 quarters of coverage within 13 quarters ending with quarter of death or entitlement to old-age insurance benefits (defined as primary insurance benefits before 1950 amendments).</p> <p>Currently insured status qualifies for child's, widowed mother's, and lump-sum benefits.</p>	<p>Adds point of determination: quarter of 1st eligibility for old-age insurance benefits. (See sec. VII.) (Pp. 69-70.)</p> <p>Same as present law.</p>
C. Quarter of coverage defined.	<p>(1) Quarter in which individual received at least \$50 in wages or was credited with at least \$100 of self-employment income.</p>	<p>(1) Same as present law.</p>

III. INSURED STATUS—Continued

Item	Present law	H. R. 9366
C. Quarter of coverage defined—Continued	<p>(2) Each quarter in any calendar year in which wages are \$3,600 or more and each quarter in a taxable year in which combined wages and self-employment income equal \$3,600.</p> <p>(3) 4 quarters of coverage credited for minimum \$400 of self-employment income for year.</p> <p>(4) No quarter counted as quarter of coverage before it begins, or after the quarter of death.</p>	<p>(2) After 1954, each quarter in any calendar year in which wages are \$4,200 or more, and each quarter in a taxable year in which combined wages and self-employment income equal \$4,200. (P. 71.) In addition, provision made for crediting quarters of coverage on the basis of annual amounts of wages received for agricultural labor as follows: \$400 or more paid in a calendar year, credited with 4 quarters of coverage; \$300 to \$399.99, credited with 3 quarters of coverage; \$200 to \$299.99, credited with 2 quarters of coverage. (Agricultural wages of less than \$200 from an employer not covered.) (Pp. 10, 38-39, 78.)</p> <p>(3) Same as present law.</p> <p>(4) Same as present law.</p>

IV. BENEFIT CATEGORIES

A. Old age.....	Payable at age 65 and over to fully insured individual.	No change.
B. Wife.....	Payable to wife of old-age beneficiary if at least age 65 or regardless of her age if she has in her care a child entitled to benefits on her husband's record.	No change
C. Husband.....	Payable to dependent husband of old-age beneficiary at age 65 or over if wife currently insured at time of her entitlement and she was furnishing half his support.	No change.
D. Child.....	Payable to unmarried child under age 18 of old-age beneficiary or of individual who died either currently or fully insured, if child deemed dependent on such person.	No change.
E. Widow.....	Payable at age 65 or over to widow of fully insured worker.	No change.
F. Widower.....	Payable at age 65 or over to dependent widower of woman who died both fully and currently insured, if she was furnishing at least half his support.	No change.
G. Mother.....	Payable to widow or former wife divorced of worker who died either fully or currently insured, if she has in her care an entitled child of the worker. Former wife divorced must have been receiving half her support from deceased pursuant to court order or agreement, and the child must be her child entitled to benefits on the former husband's wage record.	No change.

IV. BENEFIT CATEGORIES—Continued

Item	Present law	H. R. 9366
H. Parent.....	Payable at age 65 or over to parent of deceased fully insured worker, if worker had furnished half or more of parent's support, and was not survived by widow, widower, or child eligible for benefits on his record.	No change.
I. Lump sum.....	Payable on death of fully or currently insured worker to widow or widower living with the worker at the time of his death, or if no such spouse survives, as reimbursement for funeral expenses, irrespective of the payment of monthly benefits.	No change.

V. BENEFIT AMOUNTS

A. Average monthly wage.	<p>In general, an individual's average monthly wage for computing his monthly old-age insurance benefit amount is determined by dividing the total of his wages and self-employment income after the applicable starting date and up to the applicable closing date, by the number of months involved. Starting dates may be 1936, 1950, or if later, the quarter of attainment of age 22. Closing dates for wages may be 1st day of 2d quarter preceding quarter of death or entitlement to benefits, whichever first occurred. Where either event occurred after individual first became eligible for benefits, alternative closing date of 1st day of 2d quarter before the quarter of first eligibility may be used if that will yield a larger benefit. Special closing dates are applicable for self-employment income. The closing date used for the divisor is the later of the wage and self-employment income closing dates.</p> <p>The applicable starting and closing dates used are those which yield the highest benefit amount. The minimum divisor is 18 months. (The average monthly wage is reduced under this method of computation for periods in the elapsed time when the individual is not in covered employment.)</p>	<p>Generally the same as present law, except for the dropout of low years—see C below—and for technical amendments to provide standard annual starting and closing dates for periods over which average monthly wage is computed. Special midyear closing date in 1956 permitted for deaths or entitlements in that year, if individual has 6 quarters of coverage after 1954. Also see the provisions in sec. IX preserving the benefit rights of permanently and totally disabled persons.</p> <p>(Pp. 13, 14, 53, 54, 61-62.)</p>
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V. BENEFIT AMOUNTS—Continued

Item	Present law	H. R. 9366
B. Benefit formula-----	<p>An individual may have his benefit computed under the following methods provided he meets the conditions therein prescribed. If more than 1 method is applicable, the 1 yielding the higher benefit amount will be used.</p> <p>(1) 55 percent of the first \$100 of average monthly wage plus 15 percent of the next \$200, based on average monthly wage after 1950, or after age 22, if later. (Formula provided by 1952 amendments.) <i>Condition:</i> 6 quarters of coverage after 1950.</p> <p>(2) 1939 benefit formula (40 percent of 1st \$50 of average monthly wage plus 10 percent of next \$200, plus 1 percent of the sum thus obtained for each year of coverage prior to 1951, based on average monthly wage after 1936). The amount obtained is increased by the conversion table in present law. See D below.</p>	<p>After the close of the month following the month of enactment, an individual may have his benefit computed under the following methods provided he meets the conditions therein prescribed. If more than 1 method is applicable, the 1 yielding the highest benefit amount will be used. (Pp. 4-5, 52-58.)</p> <p>(1) 55 percent of the first \$110 of average monthly wage plus 20 percent of the next \$240, based on average monthly wage after 1950, or after age 22, if later. (Pp. 4-5, 16.)</p> <p><i>Conditions:</i></p> <p>(a) 6 quarters of coverage after June 1953, or</p> <p>(b) First eligible for old-age insurance benefits after effective date, or dies after effective date and before eligible for old-age insurance benefits, provided he has 6 quarters of coverage after 1950.</p> <p>(2) (a) 1952 benefit formula (see present law (1)) with benefit amount increased through conversion table in the bill. <i>Condition:</i> 6 quarters of coverage after 1950.</p> <p>(b) 1939 benefit formula (see present law (2)) with benefit amount increased through conversion table in the bill. (Pp. 53, 54-57.)</p>
C. Dropout of low years--	No provision.	<p>In computing average monthly wage under (1) and (2) (b), above, up to 4 years (5 years, if individual has 20 quarters of coverage) of lowest (or no) earnings may be dropped. To be eligible for a dropout under (2) (b) must meet conditions specified in (1) (b) above, except the one relating to 6 quarters of coverage after 1950. (Pp. 13-14, 15, 54.)</p> <p>The dropout provision is also applicable to benefit recomputations under certain circumstances after the effective date. (Pp. 58 ff.)</p>

V. BENEFIT AMOUNTS—Continued

TABLE 1.—Illustrative monthly benefits for individual retiring in the future and for his wife under existing law and H. R. 9366

ASSUMING LEVEL EARNINGS AFTER 1950

Average monthly wage		Present law		H. R. 9366	
On basis of present law	With drop-out	Single	Married ¹	Single	Married ¹
\$50	\$50	\$27. 50	² \$41. 30	⁴ \$32. 50	⁴ \$48. 80
100	100	55. 00	³ 80. 00	⁴ 60. 00	⁴ 90. 00
150	150	62. 50	93. 80	68. 50	102. 80
200	200	70. 00	105. 00	78. 50	117. 80
250	250	77. 50	116. 30	88. 50	132. 80
300	300	85. 00	127. 50	98. 50	147. 80
350	350	(⁵)	(⁵)	108. 50	162. 80

ASSUMING SPECIFIED INCREASE IN EARNINGS ARISING FROM DROPOUT PROVIDED IN BILL

\$50	\$70	\$27. 50	² \$41. 30	\$38. 50	⁴ \$57. 80
100	120	55. 00	³ 80. 00	62. 50	93. 80
150	170	62. 50	93. 80	72. 50	108. 80
200	220	70. 00	105. 00	82. 50	123. 80
250	270	77. 50	116. 30	92. 50	138. 80
300	310	85. 00	127. 50	100. 50	150. 80
350	350	(⁵)	(⁵)	108. 50	162. 80

¹ With wife aged 65 or over.² 80 percent maximum may not reduce benefits below \$45.³ Reduced to 80 percent of average monthly wage.⁴ These amounts produced by the 1952 benefit formula and conversion table; with level average monthly wage amounts below \$130, amounts are higher if the conversion table is used. Benefits not reduced below 1½ times primary insurance amount by operation of 80 percent maximum.⁵ Present law includes earnings only up to \$300 a month.

V. BENEFIT AMOUNTS—Continued

TABLE 2.—Illustrative benefit amounts for survivors of insured individuals under existing law and those qualifying in the future under H. R. 9366

ASSUMING LEVEL EARNINGS AFTER 1950

Average monthly wage	Average monthly wage with dropout	Aged widow or widower ¹		Widow and 1 child ²		Widow and 2 children		Widow and 3 children	
		Present law	H. R. 9366	Present law	H. R. 9366	Present law	H. R. 9366	Present law	H. R. 9366
\$50	\$50	\$20.70	³ \$30.00	⁴ \$41.30	^{5*} \$48.80	⁴ \$45.00	⁵ \$50.00	⁴ \$45.00	⁵ \$50.00
100	100	41.30	*45.00	⁶ 80.00	⁷ *90.00	⁶ 80.00	⁷ *90.00	⁶ 80.00	⁷ *90.00
150	150	46.90	51.40	93.80	102.80	⁶ 120.00	⁶ 120.00	⁶ 120.00	⁶ 120.00
200	200	52.50	58.90	105.00	117.80	140.00	157.20	⁶ 160.00	⁶ 160.00
250	250	58.20	66.40	116.30	132.80	155.00	177.00	⁸ 168.80	⁸ 200.00
300	300	63.80	73.90	127.50	147.80	⁸ 168.80	197.00	⁸ 168.80	⁸ 200.00
350	350	(⁹)	81.40	(⁹)	162.80	(⁹)	⁸ 200.00	(⁹)	⁸ 200.00

ASSUMING SPECIFIED INCREASE IN EARNINGS ARISING FROM DROPOUT PROVIDED IN BILL

\$50	\$70	\$20.70	³ \$30.00	⁴ \$41.30	⁷ \$57.80	⁴ \$45.00	⁷ \$57.80	⁴ \$45.00	⁷ \$57.80
100	120	41.30	46.90	⁶ 80.00	93.80	⁶ 80.00	⁶ 96.00	⁶ 80.00	⁶ 96.00
150	170	46.90	54.40	93.80	108.80	⁶ 120.00	⁶ 136.00	⁶ 120.00	⁶ 136.00
200	220	52.50	61.90	105.00	123.80	140.00	165.00	⁶ 160.00	⁶ 176.00
250	270	58.20	69.40	116.30	138.80	155.00	185.00	⁸ 168.80	⁸ 200.00
300	310	63.80	75.40	127.50	150.80	⁸ 168.80	⁸ 200.00	⁸ 168.80	⁸ 200.00
350	350	(⁹)	81.40	(⁹)	162.80	(⁹)	⁸ 200.00	(⁹)	⁸ 200.00

¹ Also single surviving parent or child.² Also 2 aged parents.³ Application of \$30 family minimum.⁴ Application of 80 percent maximum may not reduce benefits below \$45.⁵ Application of 80 percent maximum may not reduce benefits below \$50.⁶ Reduced to 80 percent of average monthly wage.⁷ Application of 80 percent maximum may not reduce benefits below 1½ times primary insurance amount.⁸ Dollar maximum on benefits.⁹ Maximum average wage under present law is \$300.

*These amounts produced by the 1952 benefit formula and the conversion table; with level average monthly wage amounts below \$130, the benefit is higher if the conversion table is used.

V. BENEFIT AMOUNTS—Continued

Item	Present law	H. R. 9366																																								
D. On rolls prior to effective date.	<p>(1) For persons on rolls prior to 1952 amendments whose benefits were computed under 1939 formula, primary insurance amount was determined by means of a conversion table. Examples of the increase in benefits resulting under the conversion table are shown below:</p> <table border="0"> <thead> <tr> <th data-bbox="387 565 679 617">If primary insurance benefit under 1939 law was—</th> <th data-bbox="684 565 917 638">The present primary insurance amount is—</th> </tr> </thead> <tbody> <tr><td>\$10.....</td><td>\$25. 00</td></tr> <tr><td>\$15.....</td><td>35. 00</td></tr> <tr><td>\$20.....</td><td>42. 00</td></tr> <tr><td>\$25.....</td><td>52. 40</td></tr> <tr><td>\$30.....</td><td>60. 80</td></tr> <tr><td>\$35.....</td><td>66. 60</td></tr> <tr><td>\$40.....</td><td>72. 00</td></tr> <tr><td>\$45 or over.....</td><td>77. 10</td></tr> </tbody> </table>	If primary insurance benefit under 1939 law was—	The present primary insurance amount is—	\$10.....	\$25. 00	\$15.....	35. 00	\$20.....	42. 00	\$25.....	52. 40	\$30.....	60. 80	\$35.....	66. 60	\$40.....	72. 00	\$45 or over.....	77. 10	<p>(1) Retired workers on the rolls prior to the effective date of the bill, whether their primary insurance amount was computed by the benefit formula in present law or through the old conversion table, will have their benefits for months following the month after month of enactment increased by a new conversion table as shown below:</p> <table border="0"> <thead> <tr> <th data-bbox="921 565 1213 617">If present primary insurance amount is—</th> <th data-bbox="1218 565 1445 638">New primary insurance amount would be—</th> </tr> </thead> <tbody> <tr><td>\$25. 00.....</td><td>\$30. 00</td></tr> <tr><td>\$35. 00.....</td><td>40. 00</td></tr> <tr><td>\$42. 00.....</td><td>47. 00</td></tr> <tr><td>\$52. 40.....</td><td>57. 40</td></tr> <tr><td>\$60. 80.....</td><td>66. 30</td></tr> <tr><td>\$66. 60.....</td><td>73. 90</td></tr> <tr><td>\$72. 00.....</td><td>81. 10</td></tr> <tr><td>\$77. 10.....</td><td>88. 50</td></tr> <tr><td>\$81. 00.....</td><td>93. 10</td></tr> <tr><td>\$85. 00.....</td><td>98. 50</td></tr> </tbody> </table> <p>(Pp. 4, 15, 17-18, 54-58.)</p>	If present primary insurance amount is—	New primary insurance amount would be—	\$25. 00.....	\$30. 00	\$35. 00.....	40. 00	\$42. 00.....	47. 00	\$52. 40.....	57. 40	\$60. 80.....	66. 30	\$66. 60.....	73. 90	\$72. 00.....	81. 10	\$77. 10.....	88. 50	\$81. 00.....	93. 10	\$85. 00.....	98. 50
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	(2) Dependents given proportionate increases, subject to family maximum provisions.	(2) Dependents given proportionate increases, subject to family maximum provisions. (P. 18.)																																								
E. Minimum primary insurance amount.	\$25	\$30, after month following month of enactment. (Pp. 5, 55.)																																								
F. Maximum family benefits.	<p>(1) The maximum amount payable on a single wage record is the lesser of \$168.75 or 80 percent of the insured person's average monthly wage. The 80-percent limitation, however, cannot reduce the total family benefits below \$45.</p> <p>(2) Reductions necessary to bring total family benefits within the applicable limitations are made proportionately against all benefits except the insured worker's benefit, which is never reduced.</p>	<p>(1) Dollar maximum raised to \$200. The 80-percent maximum cannot reduce total family benefits below the larger of \$50 or 1½ times the primary insurance amount. (Pp. 5, 18, 62.)</p> <p>(2) Same as present law.</p>																																								
G. Dependents' and survivors' benefits.	(Subject to maximum limitations on total family benefits.)	(Subject to maximum limitations on total family benefits.)																																								
1. Wife or husband of old-age beneficiary.	½ of primary insurance amount.	Same as present law.																																								
2. Child of living old-age beneficiary.	½ of primary insurance amount.	Same as present law.																																								
3. Widow, widower, former wife divorced, or parent of deceased insured person.	¾ of primary insurance amount.	Same as present law, except minimum benefit is \$30 if individual is sole beneficiary entitled. (Pp. 5, 18, 65.)																																								

V. BENEFIT AMOUNTS—Continued

Item	Present law	H. R. 9366
G. Dependents and survivors' benefits—Con.		
4. Child of deceased insured person.	If only 1 child is entitled, $\frac{3}{4}$ of primary insurance amount. If more than 1 child entitled, each child gets $\frac{1}{2}$ of primary insurance amount plus an equal share in an additional $\frac{1}{4}$ of primary insurance amount.	Same as present law, except minimum is \$30 if a child is sole beneficiary entitled. (Pp. 5, 18, 65.)
5. Lump-sum death payment.	3 times the primary insurance amount.	Same as present law, except that statutory maximum of \$255 is provided. (Pp. 5, 20, 65.)
H. Retroactive application for benefits.	Benefits payable retroactively for 6 months prior to month of application.	Retroactive period extended to 12 months for application filed after month following month of enactment (but period may not extend back further than 5 months prior to month of enactment). (Pp. 71-72.)
I. Recomputation of benefits after entitlement.	<p>Recomputation to take account of wages earned in 2 quarters preceding quarter of entitlement or death. (Initial computation based on earnings up to the second quarter preceding the quarter of death or entitlement—beginning of lag period.)</p> <p>Recomputation of benefit rate if individual has 6 quarters of coverage after 1950 and 12 benefit suspensions on account of work within a 3-year period after August 1950 and after last computation or recomputation.</p> <p>Individuals age 75 and over with 6 quarters of coverage after 1950 eligible for 1 recomputation to base benefits on earnings since 1950.</p>	<p>Recomputation to take account of earnings in year of death or entitlement. (Pp. 54, 59, 61.)</p> <p>Recomputation if individual has 6 quarters of coverage after 1950 and \$1,000 of earnings in calendar year after 1953 and after individual's last computation or (with certain exceptions) recomputation. Applies also for beneficiaries age 75 and over. (Pp. 5-6, 25, 58.)</p> <p>Restriction deleted. (P. 26.)</p>

VI. RETIREMENT TEST

<p>1. Applies only to covered work.</p> <p>2. Separate tests for employed and self-employed persons.</p> <p>(a) Employed persons: No benefit is payable to a beneficiary under age 75 (or to any dependent drawing on his record) for any month in which he earns wages of more than \$75 in covered employment. Penalties imposed for failure to report wages of more than \$75 prior to accepting a benefit for the 2d month following the month in which the earnings occurred.</p>	<p>1. Applies to noncovered as well as to covered work. (Pp. 5, 21, 65-69.)</p> <p>2. Same annual test of earnings for both employed and self-employed persons. (Pp. 5, 20-21, 65, 66-69.)</p> <p>1 month's benefit withheld from the beneficiary under age 75 (and from any dependent drawing on his record) for each unit of \$80 (or fraction thereof) by which annual earnings from both covered and noncovered employment and self-employment exceed \$1,000. However, benefits not withheld for any month during which the individual neither rendered services for wages in excess of \$80 nor rendered substantial services in a trade or business.</p>
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VI. RETIREMENT TEST—Continued

Item	Present law	H. R. 9366
	<p>2. Separate tests for employed and self-employed persons—Continued</p> <p>(b) Self-employed persons:</p> <p>1 month's benefit is withheld from the beneficiary under age 75 (and from any dependent drawing on his record) for each unit of \$75 (or fraction thereof) by which annual covered net earnings exceed \$900. However, benefits are not withheld for any month in which the self-employed person did not render "substantial services" in a covered trade or business.</p> <p>Where the taxable year is less than 12 months, the basic exempt amount is reduced in proportion to the number of months in the taxable year.</p> <p>Beneficiaries required to file annual reports of net earnings from self-employment in excess of \$75 times the number of months in the year. Reports must be filed on or before the 15th day of the 3d month following the close of the year. Penalties imposed for failure to file timely reports.</p> <p>Estimates of net earnings (and other information) may be requested from the beneficiary during the course of the year.</p> <p>Temporary suspensions of benefits may be made during the course of the year, until it is determined whether deductions apply.</p> <p>3. No test for noncovered work outside the United States.</p>	<p>2. Same annual test of earnings for both employed and self-employed persons—Continued</p> <p>Where the taxable year is less than 12 months, the basic exempt amount is reduced in proportion to the number of months in the taxable year.</p> <p>Beneficiaries required to file annual reports of earnings in excess of \$1,000, or the proportionate amount for taxable years of less than 12 months. Penalties imposed for failure to file timely reports of earnings, unless the failure to file on time was for "good cause."</p> <p>Estimates of earnings (and other information) may be requested from the beneficiary during the course of the year.</p> <p>Temporary suspensions of benefits, similar to those now applicable to the self-employed, may be made during the course of a year until it is determined whether deductions apply.</p> <p>These provisions effective for taxable years beginning after 1954.</p> <p>3. Test for noncovered work outside the United States.</p> <p>Deductions made from the benefits for any month in which a beneficiary under age 75 engages in a noncovered remunerative activity (whether employment or self-employment) outside the United States on 7 or more calendar days. If deductions are made for any month for this reason, deductions also made from the benefits of any dependent drawing benefits on the basis of the individual's wage record. (Pp. 5, 21, 65, 66, 69, 70.)</p> <p>Penalty provisions apply to failure to make timely reports of work on 7 or more days, unless the failure to report on time was due to "good cause."</p> <p>Provisions effective for months after December 1954.</p>

VI. RETIREMENT TEST—Continued

Item	Present law	H. R. 9366
	4. Benefits are not suspended because of work or earnings for months during which the beneficiary is age 75 or over.	4. Same as present law. (Pp. 65, 66.)

VII. DEDUCTIONS FROM BENEFITS OF DEPENDENTS AND SURVIVORS RESIDING ABROAD

	No provision.	Benefits for dependents and survivors not payable for months beneficiary resides outside United States, unless (a) beneficiary met certain requirements as to prior residence in the United States, or, (b) insured person on whose record the beneficiary is entitled was currently insured at death, first eligibility for old-age insurance benefits or at entitlement on basis of military service wage credits or covered earnings outside the United States. (Pp. 5, 24, 25, 69, 70.)
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VIII. DISQUALIFYING PROVISIONS

A. Earnings during unlawful residence in United States.	No provision.	Earnings during periods of unlawful residence as determined by the Attorney General shall not be used in determination of insured status or benefit amount. (Pp. 5, 25, 76-77.)
B. Termination of benefits upon deportation.	No provision.	Benefits payable on individual's record would be terminated upon notification by the Attorney General of the individual's deportation because of illegal entry, conviction of a crime, or subversive activity. (Pp. 5, 25, 77.)

IX. DISABILITY "FREEZE"

i. Effect of provision-----	No provision. (NOTE.—An inoperative provision similar to disability freeze in H. R. 9366 was included in sec. 3 of Public Law 590, Social Security Act amendments of 1952.)	When an individual for whom a period of disability has been established dies or retires his period of disability will be disregarded in determining his insured status and in figuring any benefits due him or his family. The dropout provision (see sec. V C) will apply after a period of disability has been excluded from consideration. (Pp. 22-24, 72-76.)
j. Eligibility requirements.	-----	(1) An individual must be precluded from engaging in any substantially gainful activity by reason of a physical or mental impairment. The impairment must be medically determinable and one which can be expected to be of

IX. DISABILITY "FREEZE"—Continued

Item	Present law	H. R. 9366
B. Eligibility requirements—Continued		<p>long-continued and indefinite duration or to result in death. An individual is disabled, within the meaning of the law, if he is blind as that term is defined. (Pp. 23, 73.)</p> <p>(2) A period of disability cannot be established unless it has lasted at least 6 full calendar months. (Pp. 23, 74.)</p> <p>(3) To be eligible for the freeze, an individual must have acquired at least 20 quarters of coverage out of the last 40 calendar quarters ending with the quarter in which the period of disability begins. In addition he must have acquired 6 quarters of coverage out of the last 13 calendar quarters ending with the quarter in which the period of disability begins. (Pp. 22-23, 74.)</p> <p>(4) He must be alive and still disabled at the time application for a disability freeze is filed. (Pp. 24, 74.)</p>
C. Effective dates		<p>(1) Jan. 1, 1955, is the 1st day on which a disability "freeze" application may be accepted. The individual must be alive, however, on July 1, 1955, to establish a period of disability. (Pp. 24, 74.)</p> <p>(2) July 1955 is the 1st month for which an individual can be paid a benefit computed with the exclusion of a period of disability. (Pp. 24, 76.)</p> <p>(3) All applications filed before July 1, 1957, are fully retroactive, insofar as the start of a period of disability is concerned, i. e., the period of disability extends from the earliest date on which the individual was disabled and met the quarters of coverage requirements described in B (3). (Pp. 24, 74.)</p> <p>(4) For applications filed after June 30, 1957, retroactivity of the period of disability is limited to 1 year. (P. 74.)</p>
D. Disability determinations.		<p>(1) The Secretary is directed to enter into contractual agreements under which State vocational rehabilitation agencies or other appropriate State agencies will make determinations of disability. (Pp. 23-24, 75.)</p> <p>(2) The Secretary is authorized to make determinations of disability for individuals who are not covered by State agreements. (Pp. 24, 76.)</p>

IX. DISABILITY "FREEZE"—Continued

Item	Present law	H. R. 9366
D. Disability determinations—Continued		<p>(3) The Secretary may, on his own motion, review a State agency determination that a disability exists and may, as a result of such review, find that no disability exists or that the disability began later than determined by the State agency. (Pp.75-76.)</p> <p>(4) Any individual who is dissatisfied with a determination, whether made by a State agency or by the Secretary, has the right to a hearing and to judicial review, as provided in present law. (P. 76.)</p>
E. Administrative expenses.		<p>Appropriations are authorized from the trust fund to reimburse State agencies for necessary costs incurred in making disability determinations. (P. 76.)</p>
F. Rehabilitation		<p>The policy of Congress is stated that disabled persons applying for the disability freeze be promptly referred to vocational rehabilitation agencies for necessary rehabilitation services. (P. 76.)</p>
G. Military service credits and railroad compensation.		<p>Technical amendments are included to permit using (a) wage credits for service in the Armed Forces and (b) railroad compensation, for purposes of determining an individual eligibility for a period of disability. (Pp. 74, 75.)</p>

X. FINANCING

A. Maximum taxable amount.	\$3,600 a year.			\$4,200 a year after 1954.		
B. Tax rates	<p>Years</p> <p>1951-53.....</p> <p>1954-59.....</p> <p>1960-64.....</p> <p>1965-69.....</p> <p>1970 and thereafter..</p>	<p>Employee</p> <p>1½%</p> <p>2</p> <p>2½</p> <p>3</p> <p>3¼</p>	<p>Employer</p> <p>1½%</p> <p>2</p> <p>2½</p> <p>3</p> <p>3¼</p>	<p>Self-employed</p> <p>2¼%</p> <p>3</p> <p>3¼</p> <p>4½</p> <p>4%</p>	<p>Years</p> <p>1951-53.....</p> <p>1954-59.....</p> <p>1960-64.....</p> <p>1965-69.....</p> <p>1970-74.....</p> <p>1975 and thereafter..</p>	<p>Employee</p> <p>Same as present law.</p> <p>Same as present law.</p> <p>Same as present law.</p> <p>Same as present law.</p> <p>3½%</p> <p>4</p> <p>Employer</p> <p>Same as present law.</p> <p>Same as present law.</p> <p>Same as present law.</p> <p>3½%</p> <p>4</p> <p>Self-employed</p> <p>5¼%</p> <p>6</p>
				(Pp. 6, 26-35, 90-91.)		

PUBLIC ASSISTANCE

Item	Present law	H. R. 9366
<p>A. Temporary extension of 1952 matching formula.</p>	<p>Temporary increase in Federal matching shares for State public assistance programs expires Sept. 30, 1954.</p> <p>Under such temporary increase, formula for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is $\frac{1}{4}$ of the 1st \$25 plus $\frac{1}{2}$ of the remainder up to a maximum of \$55.</p> <p>Under such temporary increase, formula for aid to dependent children is $\frac{1}{4}$ of the 1st \$15 plus $\frac{1}{2}$ of the remainder within individual maximums of \$30 for the adult, \$30 for the 1st child, and \$21 for each additional child in a family.</p>	<p>Expiration date postponed until Sept. 30, 1955. (Pp. 6, 35-36, 93.)</p>
<p>B. Temporary extension of special 1950 provisions relating to State aid-to-the-blind plans.</p>	<p>Temporary provision for approval of certain State plans for aid to the blind which do not meet requirements of clause 8 of sec. 1002 (a) of Social Security Act expires June 30, 1955.</p>	<p>Expiration date postponed until June 30, 1957. (Pp. 6, 36, 93.)</p>

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Calendar No. 2004

83D CONGRESS }
2d Session }

SENATE

{ REPORT
{ No. 1987

SOCIAL SECURITY AMENDMENTS OF 1954

JULY 27 (legislative day, JULY 2), 1954.—Ordered to be printed

Mr. MILLIKIN, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 9366]

The Committee on Finance, to whom was referred the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

I. PURPOSE AND SCOPE OF THE BILL

A basic program of contributory old-age and survivors insurance is important to the economic security of American families. Your committee is convinced that coverage of this system should be substantially broadened. Further than that, changes are needed in the benefit structure to bring benefits more in line with present-day price and wage levels. Special provisions are needed to prevent the reduction of benefits for workers who, because of total disability, cannot continue to work, and finally the retirement test should be amended so as to promote greater freedom for older workers to take part-time or seasonal work.

In making recommendations for bringing a sizable proportion of these workers under the old-age and survivors insurance system, your committee has considered both the administrative feasibility of their coverage and the wishes of the members of these groups, as expressed through their spokesmen in testimony before the committee. Your committee found that, in some instances, there was a division of opinion; particularly among the farm operators and the professional self-employed.

In the interest of securing as broad coverage as possible under the program, your committee carefully considered the possibility of allowing individuals working in such occupations to elect coverage on a voluntary basis. In this way the problem of diverse opinion on entrance into the program could have been resolved. Your committee concluded, however, that extension of coverage on an individual voluntary basis involved grave dangers with respect to the financing of the system, as well as discrimination against the great majority of workers covered under the program on a compulsory basis. Therefore, where the committee found that substantial agreement did not exist among a group as to whether it desired to be covered, the committee concluded that it would be wiser to continue the exclusion of that group rather than allow its members to elect coverage as individuals.

The old-age and survivors insurance system contains benefit provisions which allow for the payment of benefits in individual cases that are considerably in excess of the value of the contributions paid. Thus workers retiring in the early years after their coverage under the program started are permitted to draw full-rate benefits on the basis of a short period of work and contributions. Also, the survivors' insurance protection to individuals with large families is especially valuable. These provisions are necessary to the effective fulfillment of the purposes of the system in preventing dependency. They would, however, make the program vulnerable to adverse selection if coverage were to be made available on the basis of individual choice. Those who would elect coverage under a voluntary option are primarily those who could expect the largest return for a relatively small contribution. The deficit in their contributions would have to be made up by increasing the contribution rate for the covered group as a whole. The result would be that those who are compulsorily covered along with their employers would have to bear a large part of the cost of the difference between what the select group pays and what it receives.

Your committee is convinced that the compulsory character of the system must be preserved, and that in the absence of overriding considerations of a special character, as is present in the case of members of the clergy, any extension of coverage must be on a mandatory basis with respect to individuals.

The amendments recommended by your committee would extend coverage to some 7 million people who during the course of a year work in jobs not now covered by the program. This represents a substantial expansion of coverage over present law. With more people qualifying for old-age and survivors insurance, fewer will have to rely on public assistance to meet their daily living expenses after retirement or death of the breadwinner.

As a means of affording security for the American people in a way consistent with their independence and dignity, your committee recommends approval of fundamental reforms in the old-age and survivors insurance benefit structure. These changes will raise the level of benefits and relate benefits more realistically to the individual's customary earnings while working. Thus, provision is made for increasing the maximum on the annual amount of earnings on which workers pay social-security taxes and which count in the computation of their benefits. The rise in wage levels makes such an increase

imperative so that normal work earnings may be reflected in the benefit amounts payable under the system. Provision is also made for disregarding limited periods of low or no earnings in the computation of average earnings.

Further, special provisions are made to protect the benefit rights of workers who become totally disabled. Where a worker who has been regularly employed under the program is prevented from continuing his coverage by reason of total disability, your committee believes that his insured status under the system should be preserved and that the benefit payable on his record upon his retirement or upon his death should not be reduced. A further desirable effect of the provision for the protection of the benefit rights of disabled workers will be the impetus given to referral of handicapped persons to the State vocational rehabilitation programs.

The general improvement of benefit levels that may be expected from enactment of the above provisions is rounded out by an amendment to the formula used in computing benefit amounts and by increased payments to the 6.5 million beneficiaries currently on the benefit rolls.

Finally your committee believes older people who are retired, but who are able to undertake at least some productive employment should have more generous provisions made than in present law with respect to their receipt of benefit payments under the program. To ease the situation of retired workers who undertake part-time, intermittent, or seasonal work, your committee recommends a more liberal and flexible test of retirement, applied on an annual basis for wage-earners as well as self-employed persons. The recommended test would allow for higher earnings while drawing benefits. Moreover, after an individual reaches 72 years of age, he could draw benefits without any limitation on his earnings.

II. SUMMARY OF PRINCIPAL PROVISIONS OF THE BILL

A. *Old-age and survivors insurance*

1. *Extension of coverage.*—Old-age and survivors insurance coverage would be afforded to approximately 7 million persons who work during the course of a year in jobs now excluded from the program. The groups brought into the program under the bill are as follows:

(a) Employees of State and local governments who are covered by State and local retirement systems, other than policemen and firemen, under voluntary agreements between the State and the Federal Government, if a majority of the members of the system vote in a referendum in favor of coverage (about 3.5 million).

(b) Farmworkers who are paid at least \$50 in cash wages by a given employer in a calendar quarter (about 2.6 million).

(c) Domestic workers in private homes (and others who perform work not in the course of the employer's trade or business) who are paid \$50 in cash wages by an employer in a calendar quarter, regardless of the 24-day test required in the present law (about 250,000).

(d) Ministers and members of religious orders, whether self-employed or employees, if they elect individually for coverage as self-employed persons (about 260,000).

(e) American citizens employed outside the United States by foreign subsidiaries of American companies—under voluntary agreements between the Federal Government and the parent American concern (about 100,000).

(f) Homeworkers who are now excluded from coverage as employees (whether or not they are now covered as self-employed persons) because their services are not subject to State licensing laws (about 100,000).

(g) Employees engaged in fishing and related activities, on vessels of 10 net tons or less or on shore (about 50,000).

(h) American citizens employed by American employers on vessels and aircraft of foreign registry (a very small number).

2. *Computation of average monthly wage.*—Up to 5 years in which earnings were lowest (or nonexistent) could be dropped from the computation of the average monthly wage.

3. *Earnings base.*—The total annual earnings on which benefits would be computed and contributions paid would be raised from \$3,600 to \$4,200.

4. *Increase in benefits.*—(a) More than 6.5 million persons now on the benefit rolls would have their benefits increased. The average increase for retired workers would be about \$6 a month, with proportionate increases for dependents and survivors. The range in primary insurance amounts for those now on the rolls would be \$30 to \$98.50 as compared to \$25 to \$85 under present law.

(b) Persons who retire or die in the future would, in general, have their benefits computed by the following new formula: 55 percent of the first \$110 of average monthly wage (rather than \$100 as in present law) plus 20 percent of the next \$240 (rather than 15 percent of the next \$200).

(c) The minimum monthly benefit amount for a retired worker would be \$30, and the minimum amount payable where only one survivor is entitled to benefits on the deceased insured person's earnings, would be \$30.

(d) The maximum monthly family benefit of \$168.75 would be increased to \$200; the provision of existing law that total family benefits cannot exceed 80 percent of the worker's average monthly wage would not reduce total family benefits below 1½ times the insured workers primary insurance amount or \$50, whichever is the greater.

5. *Limitation on earnings of beneficiaries.*—The earnings limitation would be removed at age 72. For beneficiaries under age 72 the earnings limitation would be made the same for wage earners and self-employed persons. A beneficiary could earn as much as \$1,200 in a year from covered work without loss of benefits. He would lose 1 month's benefit for each unit of \$80 (or fraction thereof) of covered earnings in excess of \$1,200, but in no case would he lose benefits for months in which he neither earned more than \$80 in wages nor rendered substantial services in self-employment. Beneficiaries engaged in noncovered work outside the United States would have their benefits withheld for any month in which they worked on 7 or more days.

6. *Eligibility for benefits.*—(a) As an alternative to the present requirements for fully insured status, an individual would be fully insured if all the quarters elapsing after 1954 and up to the quarter of his death or attainment of age 65 were quarters of coverage, provided he had at least 6 quarters of coverage after 1954.

(b) Benefits would be paid to the surviving aged widow, widowed mother, and children, or parents of any individual who died after 1939 and prior to September 1, 1950, and had at least 6 quarters of coverage.

7. *Preservation of benefit rights for disabled.*—The period during which an individual was under an extended total disability would be excluded in determining his insured status and the amount of benefits payable to him upon retirement or to his survivors in the event of his death. Only disabilities lasting more than 6 months would be taken into account. Determinations of disabilities generally would be made by State vocational rehabilitation agencies or other appropriate State agencies pursuant to agreements with the Secretary of Health, Education, and Welfare.

8. *Recomputation of benefits for work after entitlement.*—An individual may have his benefit recomputed to take into account additional earnings after entitlement if he has covered earnings of more than \$1,200 in a calendar year after 1953 and after the year in which his benefit was last computed.

9. *Contribution rates.*—Employers and employees will continue to share equally, with the rates on each being as follows:

Calendar years:	Rate (percent)
1954-59.....	2
1960-64.....	2½
1965-69.....	3
1970-74.....	3½
1975 and after.....	4

The self-employed would pay 1½ times the above rates.

B. Public assistance

1. The provisions of the 1952 amendments, presently scheduled to expire on September 30, 1954, with respect to temporary increases in Federal payments to States for old-age assistance, aid to dependent children, aid to the blind, and aid to the permanently and totally disabled are extended through September 30, 1956.

2. The provisions of the 1950 amendments for approval of certain State plans for aid to the blind which did not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act are extended from June 30, 1955, to June 30, 1957.

III. EXTENSION OF OLD-AGE AND SURVIVORS INSURANCE COVERAGE

A. General

The old-age and survivors insurance program now covers about 8 out of 10 of the Nation's jobs. During the course of a year about 62 million people work in employment or self-employment covered under the program. The committee-approved bill would afford coverage to about 7 million people who in the course of a year work in jobs that are not now covered.

Under the bill, coverage would be extended to members of State and local retirement systems (other than policemen and firemen), additional farm workers and domestic workers, ministers and members of religious orders, and certain other smaller groups.

The major groups who would still remain excluded from the program are self-employed farm operators and self-employed professional persons, members of the Armed Forces, most Federal civilian employ-

ees, and policemen and firemen covered by a State or local government retirement system.

B. Specific coverage groups added

1. *Employees of State and local governments under retirement systems.*—In the course of a year about 3.5 million employees (other than policemen and firemen) are in positions covered by State and local retirement systems. The present law, which provides for covering State and local government employees under voluntary agreements between the individual State and the Federal Government, excludes from coverage under an agreement employees who are in positions covered by a State or local retirement system on the date the agreement is made applicable to the coverage groups to which they belong (except for members of the Wisconsin retirement fund, for whom coverage was made available under special provisions enacted in 1953).

Under present law the only way in which employees under a retirement system can be covered is by dissolving the system before the group is brought under the Federal-State agreement. Several States and a large number of local governments have secured old-age and survivors insurance coverage for employees by this method. In all except a few cases where the old-age and survivors insurance system alone provides greater protection than the dissolved system, a supplemental system has been established to replace the abandoned system after old-age and survivors insurance coverage was secured. An estimated 300,000 employees now have the combined protection of old-age and survivors insurance and a supplemental system.

Under the bill, a State could bring members of a State or local retirement system (except policemen and firemen) under its old-age and survivors insurance agreement, if a referendum by secret written ballot is held among the members of the system and a majority of the members of the system eligible to vote in the referendum vote in favor of old-age and survivors insurance coverage.

The bill continues the present exclusion of policemen and firemen who are covered by a State or local retirement system. Policemen and firemen, because of the special demands made by their work, usually have special provisions in their retirement systems (retirement at age 50 or 55, for example) and most of them believe that it would be unwise to attempt to coordinate these provisions with the provisions of the old-age and survivors insurance system.

The bill states that it is the policy of the Congress in making coverage available to retirement system members that the protection of members and beneficiaries of the retirement system not be impaired by reason of coverage of the retirement system members under old-age and survivors insurance. The bill also removes the possibility that retirement system members (other than policemen and firemen) may be covered without a referendum, by dissolving the retirement system.

Under present law, employees whose positions are covered by a retirement system but who are not themselves eligible for membership in the system cannot be covered under old-age and survivors insurance. The bill would permit these employees (other than policemen and firemen) to be covered without a referendum even if the members of the retirement system were not covered. The employees would not be

permitted to vote in any referendum on coverage for the retirement system members, since they could be covered regardless of the outcome of the referendum. If the retirement system members were covered after a favorable referendum, however, employees in positions covered by the system but not themselves eligible for membership in the system would also be included under the agreement.

The bill would also provide for covering without a referendum, at any time prior to January 1, 1958, employees who could not be covered when their coverage group was brought in because they were under a retirement system, but whose system was later dissolved by action taken prior to enactment of the bill. It is necessary to do this because the referendum provisions could not be applied to these employees, since there would be no active members of a retirement system who could vote in a referendum.

The bill amends the provision of the House bill so a State may consider any political subdivision or any combination of political subdivisions as having a separate retirement system for the purposes of the referendum. The bill also requires that each public institution of higher learning shall be considered as having a separate retirement system for the purposes of the referendum. Special provision is made in the bill for coverage under the Utah agreement of employees performing services for certain enumerated units of the State in positions covered by a retirement system who are precluded from coverage under present law. Special provision is also made for coverage under a State agreement, at the option of the State, of services of inspectors of agricultural products employed to perform services in connection with agreements between States and the United States Department of Agriculture. As in the House bill, civilian employees of State National Guard units would be covered at the option of the State.

2. *Farmworkers*.—Under the present law, in order to be covered, a farmworker must be "regularly employed" by one employer and receive cash wages of \$50 or more in a calendar quarter from that employer. The definition of "regularly employed" is complicated and difficult to apply. In general, after a farmworker has worked for one employer continuously for an entire calendar quarter, he is "regularly employed" in succeeding quarters if he works for that employer on a full-time basis on at least 60 days during the quarter. Records must be kept over a substantial period before it is clear whether or not an individual is covered. The bill would substitute a simple coverage test for the present test. A farmworker would be covered with respect to his work for an employer if he is paid at least \$50 in cash wages by that employer in a calendar quarter. The complexities of the time test would be eliminated; yet the recommended test would continue to exclude from coverage the most intermittent or short-term workers and avoid nuisance reporting of small amounts of wages.

The coverage test for farmworkers under the House bill is more restrictive than the test in the committee-approved bill. Under the House bill, a farmworker would be covered with respect to his work for an employer if he is paid \$200 or more in cash wages by that employer during the course of a year; and employers would make annual, rather than quarterly, reports of the cash wages paid to farmworkers who meet the test.

Both the House-approved and the committee-approved bills would extend coverage to cotton-gin workers. The House bill would have

extended coverage to gum naval stores workers; the committee bill continues the present exclusion of these workers.

The committee-approved bill would cover a total of about 2.6 million additional farmworkers, or about 1.3 million more than would be covered under the House bill.

3. *Domestic workers in private homes and others who perform work not in the course of the employer's business.*—The bill, like the House bill, would cover all domestic workers who work in nonfarm private homes and who are paid \$50 in cash wages by an employer in a calendar quarter. It would delete the unnecessary and complicated requirement of present law limiting the coverage of domestic workers to those who work for a single employer on 24 days during a calendar quarter. The simplified test of coverage for domestic services in private homes provided by the bill would cover, during the course of a year, about 250,000 more household workers than does the present law. It would also afford additional coverage for from 50,000 to 100,000 workers who under present law are covered on some but not all of their domestic jobs.

Most of the domestic workers who would continue to be excluded from coverage would be students, housewives, and others who spend comparatively little time working for pay. Under the bill almost 90 percent of the persons whose major activity is domestic employment would be covered.

Persons performing other types of service not in the course of the employer's trade or business would, like domestic workers, be covered by the bill if they are paid \$50 in cash wages by an employer in a calendar quarter. It is estimated that this would give coverage to about 50,000 persons. Your committee proposes this provision to improve and simplify the coverage of such services and to retain the principle, now in the present law, of applying the same coverage test for these nonbusiness services as is applied to domestic services performed in private homes. It is important to establish uniform tests for these two types of work because there are certain kinds of non-business services which are not, strictly speaking, domestic service in private homes but which are difficult to distinguish from domestic service.

4. *Ministers and members of religious orders.*—Under the present law any service performed by a 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 is excluded from coverage. About 260,000 ministers and 160,000 members of religious orders are affected by this exclusion. The committee bill would permit ministers and the few members of religious orders who have not taken a vow of poverty to secure coverage by filing a certificate indicating their desire to be covered as self-employed persons. In general, a minister or a member of a religious order who has not taken a vow of poverty would have 2 years after coverage became available, or after he became a minister or a member of such religious order, in which to take advantage of this provision. An election of coverage once made would be irrevocable.

Under the House bill ministers and members of religious orders employed by a nonprofit organization (other than a member of a religious order who has taken a vow of poverty as a member of the order) could be covered if the organization filed a certificate covering them and at least two-thirds of the ministers and members of religious orders

employed by the organization signed the certificate indicating their desire for coverage. Ministerial employees who signed the certificate and those employed after coverage of the organization began would have been covered. The House-approved bill would have covered self-employed ministers on a compulsory basis.

A provision for coverage on an individual election basis, while not generally desirable, is considered by your committee to be justified in this area because of the special circumstances. Many churches have expressed the fear that their participation in the old-age and survivors insurance program as employers of ministers might interfere with the well-established principle of separation of church and state. Many church representatives also believe that individual ministers who do not wish to be covered on grounds of conscience should not be required to participate in the program.

5. *United States citizens employed outside of the United States by foreign subsidiaries of American employers.*—Under present law, United States citizens working outside of the United States for American employers are covered under old-age and survivors insurance. The bill would extend this coverage to include United States citizens working for foreign subsidiaries of American companies. These provisions would make coverage available to roughly 100,000 United States citizens working abroad for such subsidiaries.

American employers frequently find it necessary to carry on their operations in other countries through subsidiaries established under the laws of a foreign country. The United States citizens working for such subsidiaries are likely to have the same close economic and personal ties with the United States, and the same expectation of returning to the United States, as do United States citizens working abroad for American employers.

The coverage of these citizens will prevent the gaps in coverage under old-age and survivors insurance which would otherwise occur when citizens who ordinarily work in covered employment within the United States work abroad for a period for a subsidiary of an American company. Additional disadvantages also arise because workers may refuse to accept employment, realizing that their old-age and survivors insurance protection will suffer if they do so. This new coverage would eliminate these difficulties.

Because the United States cannot levy the employer tax of the old-age and survivors insurance program upon foreign subsidiaries of American employers, the United States citizens employed by these subsidiaries must be covered under special provisions which will avoid the levy of a tax on these foreign subsidiaries. Accordingly, the bill provides for the coverage of United States citizens working abroad for a foreign subsidiary of an American employer if the American employer involved makes an agreement with the Secretary of the Treasury to pay the social-security taxes for the United States citizens employed abroad by the foreign subsidiary.

In order to avoid adverse selection, the bill provides that all of the American citizens employed by a given subsidiary would have to be covered if any were covered.

The committee bill is the same as the House bill with respect to United States citizens employed by foreign subsidiaries of American employers except for minor technical amendments.

6. *Homeworkers.*—The Committee-approved bill, like the House-approved bill, would extend employee coverage to about 100,000 additional homeworkers. Homeworkers who have the status of employees under the usual common-law rules applicable in determining employer-employee relationship have been covered since 1937. In addition, under the 1950 amendments, homeworkers who do not have employee status under the usual common-law rules are covered as employees if they work according to specifications of the person for whom the work is done on materials or goods furnished by that person and required to be returned to him or his designee, if they are paid cash wages of \$50 or more during a calendar quarter by a given employer, and if they are subject to State licensing laws. The bill would cover as employees those homeworkers who meet all the conditions specified in the 1950 amendments except the condition that the services be subject to licensing requirements under State law. By eliminating the licensing requirement, the bill provides employee coverage to all homeworkers who perform service under substantially the same conditions irrespective of the State in which the individual is located.

7. *Employees engaged in fishing and related activities.*—Under present law, employees engaged in the catching of fish, shellfish, and other aquatic species (except salmon and halibut), either on the shore or as officers or crew members of vessels of 10 net tons or less, are excluded from old-age and survivors insurance coverage. Under this provision the protection of the program is denied to many of the lower paid workers in the fishing industry. This gap in protection has been particularly evident since self-employed owners of fishing vessels were covered in 1951. The bill would correct this situation by covering those employee fishermen, clam diggers, etc., who are now excluded. About 50,000 additional people would be covered in the course of a year under this provision.

8. *United States citizens employed by American employers on vessels and aircraft of foreign registry.*—Since 1950 most United States citizens working outside the United States for American employers have been covered under old-age and survivors insurance. The amendments of 1950 failed, however, to make this coverage extension applicable to American citizens employed by American employers on vessels and aircraft of foreign registry. The bill would correct this situation by covering this small group of American citizens on the same basis as other American citizens working outside the United States for American employers.

9. *Civilian employees of Federal Government.*—The House bill would have extended coverage to certain Federal employees including temporary employees in the field service of the Post Office Department, employees of district Federal home-loan banks, Tennessee Valley Authority, and others. These provisions were deleted by your committee because it was thought unwise to extend coverage to additional Federal employees and in some instances afford Federal employees overlapping benefit rights under old-age and survivors insurance as well as under another Federal retirement system. Moreover, under present law services of Federal employees that have been covered by old-age and survivors insurance are also creditable in certain circumstances under the civil-service retirement system. Your committee believes the practice of allowing dual benefits on the basis of the same service should be discontinued. The bill,

therefore, would prohibit the use of Federal service that has been credited under old-age and survivors insurance for benefit purposes under any other Federal retirement system.

IV. AVERAGE MONTHLY WAGE

The bill changes the method for computing the average monthly wage, on which the primary insurance amount (and thus, the amount of every dependent's and survivor's benefit) is based. For individuals who qualify for benefits after the effective date of the bill, or who meet certain other conditions after that date, up to 5 years in which their earnings were lowest (or nonexistent) will be eliminated from the computation of the average monthly wage. In general, every individual who first qualified for benefits after the effective date, or who had at least 6 quarters of coverage after June 1953 (which means that the sixth quarter of coverage must be earned after September 1954), or who qualified for certain types of benefit recomputations after the effective date, could eliminate up to 4 years of lowest or no earnings from the computation. If, in addition to meeting the applicable requirements stated above, he had at least 20 quarters of coverage (acquired at any time), he could eliminate an additional low year.

This "dropout" of years of low earnings will benefit both those individuals to whom coverage is extended by this bill, and those who were covered in the past. Without such a provision, individuals first brought under coverage on January 1, 1955, would be under a severe handicap, in that all the months in the years 1951-54, during which they had no covered earnings, would be included as divisor months in the computation of their average monthly wage. Under the change proposed in the bill, as the newly covered qualify for benefits, their benefits would be based entirely on their covered earnings after 1954. After 5 years of work in covered employment, they can drop an additional year, which would be the year in which their covered earnings were lowest.

Individuals who are already covered by the program would also be able to drop the 4 or 5 years of lowest or no covered earnings whenever they occurred. Years in which their earnings were low because of short periods of sickness or unemployment would no longer reduce their average monthly wage and benefit amount. The "dropout" proposal would thus also be of material advantage to the persons who have been contributing to the program for longer periods of time.

The bill would also simplify the computation of the average monthly wage by the general use of standard first-of-the-year starting and closing dates, with computations based on calendar years, for both wage earners and self-employed persons.

V. EARNINGS BASE

Under the provisions of the bill the maximum amount of covered earnings considered, for both tax and benefit purposes, would be raised from \$3,600 to \$4,200 a year, effective January 1, 1955.

The major reason for this proposal is to maintain the principle of old-age and survivors insurance that benefits should vary significantly with the individual's previous earnings. Since the benefits paid upon retirement or death are figured on the basis of the indi-

vidual's past earnings, it follows that the basic factor in the determination of benefit amounts is the level of previous earnings which can be counted. Over three-fifths of the male workers regularly covered by the program now earn more than \$3,600, the maximum amount counted for benefit purposes. About half of retired men who have had their benefits based on their earnings after 1950 are getting benefits at or within \$10 of the \$85 maximum benefit payable under present law. The reason why their benefits do not vary more is not that their earnings have been the same but that the maximum is too low to reflect the differences in their earnings. Your committee believes that if the principle that benefits should vary with earnings is to be maintained, additional earnings above the \$3,600 limit must be counted toward benefits. It follows that those who earn above that amount should receive higher benefits than those whose earnings are less.

Earnings somewhat above \$3,600 do not, under present conditions, mark a man as high paid but are typical earnings in major sections of commerce and industry. Average annual full-time earnings in manufacturing industries in 1953 were about \$4,000. The average for mining was about \$4,400 and for transportation, almost \$4,400. Skilled workers in any industry earn more than the average for the industry.

For workers who have earned maximum wages under the program, the benefit increases in the amendments of 1950 and 1952 did not quite compensate for the increases in prices which has taken place since the benefit levels were set in 1939. No recognition has been given to the substantial increase in the level of living as measured by the extent to which increases in wages have exceeded increases in prices. Under the formula provided in the 1939 law, a worker who earned maximum wages under the program and who retired now would be getting a benefit of \$47.20. The increase in prices since 1939 has been such that this benefit of \$47.20 would now need to be over \$90 (rather than the \$85 provided by present law) in order for this retired worker to buy the same level of living that was contemplated by the 1939 act. If benefits were to be increased in proportion to the increase which has occurred in wages, this benefit of \$47.20 would now need to be somewhat over \$110 a month. The bill would raise the benefit for the worker earning the maximum creditable wages to \$108.50.

An increase in benefit amounts to compensate for the general increase in the level of earnings could be made by a revision of the benefit formula, without any increase in the wage base, but such a step would have a major disadvantage. The percentage of workers receiving benefits at or near the maximum would remain at least as high as at present, thus weakening the basic principle that benefits should vary with past earnings.

VI. INCREASE IN OLD-AGE AND SURVIVORS INSURANCE BENEFITS

A. General

Improvement in benefit levels will result from extension of coverage, elimination of up to 5 years of lowest or no earnings in computing the average monthly wage, the provision to preserve the benefit rights of persons with extended total disability, and the increase in the maxi-

imum annual earnings which can be included in the computation of benefits. In addition, the bill provides for an increase in the percentage of average monthly wage yielded by the benefit formula. The level of benefits thus established will represent a more realistic floor of protection in line with current price and wage levels.

Benefit payments are increased for beneficiaries presently on the rolls as well as for those qualifying in the future. For present retired workers, monthly payments will range from \$30 to \$98.50, as compared with \$25 to \$85 under present law, with the average increase in benefit amounts being about \$6. For those coming on the rolls in the future the range of benefit payments, taking into account the increased earnings base, will be from \$30 to \$108.50.

B. Revised benefit formula

The benefit formula provides the highest relative benefits in relation to earnings at the lowest levels of income. This is in recognition of the fact that low-income workers have less opportunity to supplement their benefits from private savings and insurance. As wages rise, the money amounts which very low-paid workers earn rise also. For this reason it becomes necessary to extend upward the level of earnings to which the first factor in the benefit formula applies. Accordingly, the bill increases from \$100 to \$110 the amount of average earnings to which the 55-percent factor in the present formula is applicable.

A further amendment in the formula is made by increasing the second step from 15 to 20 percent, and raising the maximum earnings to which the formula applies from \$300 a month to \$350 in line with the increase in the annual earnings base from \$3,600 to \$4,200. (See table 1 for illustrative benefits for a retired worker under this bill as compared with present law.) A higher percentage of the upper earnings must be provided to maintain the relative protection the average earner can expect to obtain from benefits under the old-age and survivors insurance system. At the same time, higher paid workers can be expected to make more adequate supplementary provision for themselves and their families than can the lowest paid. Under the revised formula, benefits for a retired worker (without dependents) with average earnings of \$350 a month will represent only 31 percent of his earnings as compared to 55 percent for a worker in the very lowest group.

Finally, it may be noted that previous legislation has increased the lower step of the formula twice, but the upper step only once. Under the 1939 law, the benefit formula was 40 percent of the first \$50 of average earnings plus 10 percent of the next \$200. In 1950 the formula was amended to provide 50 percent of the first \$100 plus 15 percent of the next \$200. The 1952 amendments increased the first step to 55 percent, but made no change in the second step.

The revised formula, which will be applicable to average earnings computed over the period since 1950, will apply for most workers coming on the rolls in the future. Where, however, the individual's benefit would be larger if computed through the conversion table (described hereafter) which will be used to raise the benefits of persons now on the rolls, he will receive the larger amount.

TABLE 1.—*Illustrative monthly benefits for retired workers*
 ASSUMING LEVEL EARNINGS

Average monthly wage		Present law		Bill	
On basis of present law	With dropout as provided in bill	Single	Married ¹	Single	Married ¹
\$50.....	\$50	\$27.50	² \$41.30	³ \$32.50	³ \$48.80
\$100.....	100	55.00	⁴ 50.00	³ 60.00	² 90.00
\$150.....	150	62.50	93.80	68.50	102.80
\$200.....	200	70.00	105.00	78.50	117.80
\$250.....	250	77.50	116.30	88.50	132.80
\$300.....	300	85.00	127.50	98.50	147.80
\$350.....	350	(⁵)	(⁶)	108.50	162.80

ASSUMING SPECIFIED INCREASE IN EARNINGS ARISING FROM DROPOUT PROVIDED IN BILL ⁷					
Average monthly wage	With dropout as provided in bill	Single	Married ¹	Single	Married ¹
\$50.....	\$70	\$27.50	² \$41.30	\$38.50	⁷ \$57.80
\$100.....	120	55.00	⁴ 50.00	62.50	93.80
\$150.....	170	62.50	93.80	72.50	108.80
\$200.....	220	70.00	105.00	82.50	123.80
\$250.....	270	77.50	116.30	92.50	138.80
\$300.....	310	85.00	127.50	100.50	150.80
\$350.....	350	(⁵)	(⁶)	108.50	162.89

¹ With wife aged 65 or over.

² Application of 80 percent maximum may not reduce benefits below \$45.

³ These amounts produced by the 1952 benefit formula and conversion table; with level average monthly wage amounts below \$130, amounts are higher if the conversion table used.

⁴ Reduced to 80 percent of average wage.

⁵ Present law includes earnings only up to \$300 a month.

⁶ These assumed increases in earnings arising from the dropout provisions in regard to computation of average wage are merely illustrative. Actually the dropout will produce varying results which may be lower or higher than those shown.

⁷ Application of 80 percent maximum may not reduce benefits below 1½ times primary insurance amount.

C. Increase for present beneficiaries

The bill provides increases in benefits for the 6.5 million present beneficiaries under the system. In thus making benefit increases effective for those already on the rolls, the bill follows the precedent of the 1950 and 1952 amendments. The purpose of helping beneficiaries to meet their current living needs through their benefit payments is served only if the value of the benefits being paid is kept adjusted to changes in economic conditions.

The increase in old-age insurance benefits (or primary insurance amounts on which dependents and survivors benefits are based) is accomplished through a conversion table establishing a new higher amount for each primary insurance amount under present law (see table 2). In effect the new amounts are derived by applying the new formula to the average monthly wage on which the present benefit is based, except where application of the formula yields an increase in benefits of less than \$5 over present law. In such cases, an increase to \$5 will be made, thus assuring a minimum increase of this amount in all present old-age insurance benefits. The minimum benefit will be \$30 and the maximum \$98.50. This maximum is consistent with the maximum average wage of \$300 which can be computed under present law.

TABLE 2.—*Summary of conversion table for computing new monthly benefits for those now on the roll*

<i>Present primary insurance amount</i>	<i>New primary insurance amount</i>
\$25.00	\$30.00
30.00	35.00
40.00	45.00
50.00	55.00
60.00	65.10
70.00	78.50
80.00	91.90
85.00	98.50

The conversion table will also be applicable in certain cases for workers coming on the rolls in the future. These will include any workers who are not eligible for dropping out low years from the computation of their average monthly wage, as well as workers who do not have their benefits increased by at least \$5 (over what present formula would provide) by use of the dropout and the new benefit formula. This alternative will produce a larger benefit in cases where dropping out the low years does not produce a significant increase in the average wage and the wage is at the relatively low level where the new formula does not in itself increase benefits by as much as \$5. As another alternative, in those cases—relatively few in number—where a worker eligible for the dropout would get a higher benefit on the basis of average earnings computed over the period since 1936, the low 4 or 5 years will be dropped from the computation based on the modified 1939 act formula and the conversion table applied.

D. Family benefits

Dependents' and survivors' monthly benefits will be increased automatically with the increase in primary insurance amounts, since they are computed as percentages of the primary insurance amount. The bill further provides that the maximum amount of benefits that may be paid on an individual's record shall be raised from \$168.75 to \$200 per month.

The present provision that family benefits may not exceed 80 percent of the average monthly wage on which they are based is retained. The bill provides, however, that in no case shall application of the 80-percent maximum reduce total family benefits below the larger of 1½ times the primary insurance amount or \$50. In this way the benefits for a retired worker and wife, as well as for any two survivor beneficiaries will always be payable in their full proportions. Under present law there are cases, for example, where application of the 80-percent maximum prevents a wife from getting the full one-half of the husband's benefit amount. The new provision replaces the present stipulation that family benefits may not be reduced below \$45 by the 80-percent maximum provision.

Finally, the bill provides that the minimum amount payable where only one survivor beneficiary is drawing payments on an individual's record shall be \$30 a month, the same as the minimum old-age insurance benefit. This amount will thus become the minimum payment for any single surviving widow, widower, child, or parent, instead of a proportion of the minimum primary amount as provided under present law. Your committee believes it reasonable that the

minimum payment on any individual's record be \$30, regardless of whether it is his own benefit or that for a survivor. See table 3 for illustrative survivor benefits under the bill as contrasted with those under present law.

E. Lump-sum death payment

The bill retains the present provision that the lump-sum death payment be computed as three times the primary insurance amount.

No provision is made to further limit the amount to the present maximum of \$255, as was specified by the House bill. The maximum of three times the primary insurance amount in itself restricts the lump sum to a reasonably modest amount, consistent with the objective of helping to meet the special expenses connected with a worker's last illness and death. A further restriction does not appear warranted, particularly since in some cases, the lump sum represents the only payment made on the individual's record. Under the committee bill the maximum lump-sum death benefit could under no circumstances exceed \$325.50.

TABLE 3.—Illustrative monthly benefits for survivors of insured workers
ASSUMING LEVEL EARNINGS

Average monthly wage	Aged widow or widower ¹		Widow and 1 child ²		Widow and 2 children		Widow and 3 children	
	With dropout as provided in bill	Present law	Present law	Bill	Present law	Bill	Present law	Bill
\$50.....	\$50	\$20.70	\$41.30	\$48.00	\$45.00	\$50.00	\$45.00	\$50.00
\$100.....	100	41.30	70.00	90.00	70.00	90.00	70.00	90.00
\$150.....	150	46.90	93.80	102.80	120.00	120.00	120.00	120.00
\$200.....	200	52.50	105.00	117.80	140.00	157.00	160.00	160.00
\$250.....	250	58.20	116.30	132.80	155.00	177.00	168.80	168.80
\$300.....	300	63.80	127.50	147.80	162.80	197.00	168.80	168.80
\$350.....	350	(¹⁰)	(¹⁰)	162.80	(¹⁰)	200.00	(¹⁰)	200.00

ASSUMING SPECIFIED INCREASE IN EARNINGS ARISING FROM DROPOUT PROVIDED IN BILL ¹¹	
\$50.....	\$70
\$100.....	120
\$150.....	170
\$200.....	220
\$250.....	270
\$300.....	310
\$350.....	350

¹ Also single surviving parent or child.
² Also 2 aged parents.
³ Application of \$30 minimum family benefit.
⁴ Application of 80 percent maximum may not reduce benefits below \$45.
⁵ Application of 80 percent maximum may not reduce benefits below \$50.
⁶ These amounts produced by the 1952 benefit formula and the conversion table; with level average monthly wage amounts below \$130, the benefit is higher if the conversion table is used.
⁷ Reduced to 80 percent of average wage.
⁸ Application of 80 percent maximum may not reduce benefits below 1½ times primary insurance amount.
⁹ Dollar maximum on benefits.
¹⁰ Maximum average wage under present law is \$300.
¹¹ These assumed increases in earnings arising from the dropout provisions in regard to computation of average wage are merely illustrative. Actually, the dropout will produce varying results which may be lower or higher than those shown.

VII. IMPROVEMENT OF THE RETIREMENT TEST

Monthly benefits under the old-age and survivors insurance system are paid upon the retirement or death of the family earner. Consequently, the law provides that benefits are not payable to persons otherwise eligible for benefits if they have substantial employment or self-employment earnings, as determined under the retirement test set out in the act.

Your committee seeks to maintain this principle, but has determined that certain amendments should be made to increase the equity of the retirement test and to afford greater opportunities to retired individuals to supplement their benefits through earnings from part-time or intermittent work.

A. Age where retirement test does not apply reduced from age 75 to 72

Under present law, persons age 75 and over are exempted from the retirement test primarily as a means of assuring some return on contributions for people who continue working to a very advanced age and who would otherwise draw very little, if any, payment under the system. The committee bill would lower the exempt age from 75 to 72. The House bill would make no change in present law in this respect.

B. Establishment of uniform annual test for wage earners and self-employed persons

Two separate tests of earnings are provided under present law, applicable to beneficiaries under age 75. Wage earners are subject to an "all or none" monthly test under which benefits for the individual and for any dependents drawing benefits on his record are withheld for any month in which he earns covered wages of more than \$75. The present test for self-employed persons is on an annual basis under which 1 month's benefit is withheld for each \$75 (or fraction thereof) of self-employment earnings in excess of \$900 in a year, except that no benefit is withheld for any month in which the self-employed person did not render substantial services in his trade or business.

Under the bill, the test is put on an annual basis for both wages and self-employment earnings, and the two types of income are combined for purposes of determining the individual's total earnings. The bill also provides an increase in the amount of earnings which individuals may have without loss of benefits. The annual exempt amount is set at \$1,200, rather than \$1,000 as provided by the House bill. In view of today's earnings levels, your committee believes that the more liberal amount is justified. One month's benefit would be withheld for each \$80 or fraction thereof in excess of \$1,200, but no benefit would be suspended for any month in which the individual neither earned wages of more than \$80 nor rendered substantial services as a self-employed person in his trade or business.

Under the new test, wage earners will not lose a benefit each month they earn above a specified amount but will be able to take intermittent full-time work or more regular part-time work than at present without the loss of benefits or with the loss of only a few months' benefits, depending on what they earn. For example, a beneficiary could work throughout the year at \$110 a month and lose only 2 months' benefits, whereas under present law he would lose all 12.

As another example, a beneficiary could earn \$300 a month working full time for 3 months without losing any benefits, whereas under present law he would lose 3 months' benefits.

The combination of wage and self-employment earnings for retirement test purposes will eliminate the possibility which arises under the dual test now in the law that individuals having both types of earnings receive the advantage of the exempt amount on each.

Your committee has not included the House-approved provision which would extend the retirement test to earnings in noncovered work. Your committee believes that such extension would be administratively practicable only if employment coverage is made substantially universal.

C. Extension of retirement test to employment outside the United States

The retirement test under the bill would continue to apply to covered earnings outside the United States in the same way as in this country. In addition, a test is established for employment in noncovered work outside the United States.

No specific earnings amount could possibly differentiate between full-time and part-time work in all countries where beneficiaries might be working. For this reason a different type of test is provided. Under this test benefits would be withheld for any month in which a beneficiary under age 72 engages in noncovered remunerative activity (either employment or self-employment) outside the United States on 7 or more different calendar days. For administrative reasons, a monthly test, rather than an annual test is recommended.

VIII. INSURED STATUS

The Social Security Act Amendments of 1950 greatly liberalized the requirements for insured status by granting a "new start" whereby an individual was fully insured if he had quarters of coverage (acquired at any time) equal in number to half the calendar quarters elapsing after 1950 (rather than 1936). Your committee believes that it is unnecessary, in this bill, to provide for another "new start" in the requirements for insured status. Successive "new starts," reducing the insured status requirements to the minimum of 6 quarters of coverage, tend to weaken the principle that benefits should be payable only on the basis of a substantial degree of attachment to employment covered by the system.

There is, however, good reason to grant a temporary liberalization to benefit those newly covered workers who, although they are continuously engaged in covered work after 1954, die or retire before they can meet the requirements for insured status in present law. For this reason, the bill provides that an individual is deemed to be fully insured at the time of his death or attainment of age 65, whichever is earlier, if all of the quarters elapsing after 1954 and up to that time are quarters of coverage, provided that at least 6 of the quarters after 1954 are quarters of coverage. This provision ceases to be applicable in the case of those reaching age 65 or dying after the third quarter of 1958. Any newly covered individual who worked continuously in covered employment after 1954 and up to the fourth quarter of that year would meet the requirements of present law with regard to fully insured status.

IX. PRESERVATION OF BENEFIT RIGHTS FOR DISABLED

A. Need for disability freeze

Under present law old-age and survivors insurance rights are impaired or may be lost entirely when workers have periods of total disability before reaching retirement age. Unless the worker is already permanently insured when he becomes disabled, he may have lost his fully insured status when he reaches retirement age because the entire period of his disability is included in the elapsed time which is the basis for determining his insured status. When benefit amounts are computed under present law, whether for retirement benefits or survivors benefits, his total earnings after a specified starting date and up to age 65 or death are divided by the total elapsed time, including any periods of total disability, in determining his average monthly wage, on which monthly benefits are based. A freeze of old-age and survivors insurance status during extended total disability would remove this disadvantage by preventing such periods of disability from reducing or denying retirement and survivors benefits. In addition there is available to the disabled individual the 4- or 5-year dropout period provided by this bill for all persons.

Such a freeze provision is analogous to the "waiver of premium" commonly used in life insurance and endowment annuity policies to maintain the protection of these policies for the duration of the policyholder's disability. About 200 life-insurance companies (many of the largest) operating in the United States offer a "waiver of premium" clause to individuals purchasing ordinary life insurance. It has been estimated that about half of the standard ordinary life insurance issued currently is protected through "waiver of premium" in the event of the disability of the insured.

B. Emphasis on rehabilitation

Your committee recognizes the great advances in rehabilitation techniques made in recent years and appreciates the importance of rehabilitation efforts on behalf of disabled persons. It is a well-recognized truth that prompt referral of disabled persons for appropriate vocational rehabilitation services increases the effectiveness of such services and enhances the probability of success. The bill is framed to carry out your committee's objective that disabled individuals applying for disability determinations be promptly referred to State vocational rehabilitation agencies, to the end that as many disabled individuals as possible may be restored to gainful work.

C. Earnings requirements

The earnings requirements which must be met to qualify for the freeze are intended to limit the application of this provision to individuals who have had a reasonably long, as well as recent, record of covered earnings. They operate to screen out those who have not established a reasonably substantial attachment to the labor force and those who have voluntarily retired from gainful activity, and have not been compelled to leave the labor force by reason of their disability.

D. Definition of disability

Only those individuals who are totally disabled by illness, injury, or other physical or mental impairment which can be expected to be

of long-continued and indefinite duration may qualify for the freeze. The impairment must be medically determinable and preclude the individual from performing any substantial gainful work. An individual would also be disabled, by definition, if he is blind within the meaning of that term as used in the bill. A person who does not meet the statutory definition but who nevertheless has a severe visual impairment would be in the same position as all other disabled persons, that is, he may qualify for a period of disability under the general definition of disability if he is unable to engage in any substantial gainful activity by reason of his impairment.

There are two aspects of disability evaluation: (1) There must be a medically determinable impairment of serious proportions which is expected to be of long-continued and indefinite duration or to result in death, and (2) there must be a present inability to engage in substantial gainful work by reason of such impairment (recognizing, of course, that efforts toward rehabilitation will not be considered to interrupt a period of disability until the restoration of the individual to gainful activity is an accomplished fact). The physical or mental impairment must be of a nature and degree of severity sufficient to justify its consideration as the cause of failure to obtain any substantial gainful work. Standards for evaluating the severity of disabling conditions will be worked out in consultation with the State agencies. They will reflect the requirement that the individual be disabled not only for his usual work but also for any type of substantial gainful activity.

Disability must have lasted for 6 months before it may be considered. This provision is intended to exclude from consideration temporary conditions which terminate within 6 months.

In prescribing that the freeze apply only in the case of impairments "which can be expected to be of long-continued and indefinite duration" your committee seeks to assure that only long-lasting impairments are covered. This provision is not inconsistent with efforts toward rehabilitation since it refers only to the duration of the impairment and does not require a prediction of continued inability to work. An individual would not meet the definition of "disability" if he can, by reasonable effort and with safety to himself, achieve recovery or substantial reduction of the symptoms of his condition.

E. Determinations of disability

By and large, determinations of disability will be made by State agencies, administering plans approved under the Vocational Rehabilitation Act. This would serve the dual purpose of encouraging rehabilitation contacts by disabled persons and would offer the advantages of the medical and vocational case development undertaken routinely by the rehabilitation agencies. These agencies have well-established relationships with the medical profession and would remove the major load of case development from the Department.

By agreement, the State agencies will apply the standards developed for evaluating severity of impairments for purposes of the freeze. This will promote equal treatment of all disabled individuals under the old-age and survivors insurance system in all States. The cost to these agencies for their services in making disability determinations will be met out of the trust fund.

In the relatively few cases where there may be no agreement with a State or there is delay in obtaining agreement, disability determinations will be made by the Department of Health, Education, and Welfare. Such determinations will also be made in certain types or classes of cases, which, because of their characteristics or their volume (e. g., the backlog), are excluded from the agreement at the State's request.

F. Effective dates

January 1, 1955, has been specified as the earliest date a disability freeze application can be accepted in order to give the Department of Health, Education, and Welfare time to prepare its forms and procedures and negotiate necessary agreements with State agencies. An individual who files a freeze application before July 1, 1955, must, however, be alive on July 1, 1955, in order to get a period of disability.

Until July 1, 1957, a disability "freeze" application could establish a period of disability beginning on the earliest date the individual was disabled and met the covered work requirements described above. This means that an individual who was disabled as early as the fourth quarter of 1941 could have had sufficient qualifying earnings and could establish a period of disability provided he was continuously disabled and filed a disability freeze application before July 1, 1957. Despite the administrative difficulties created, your committee believes that the large number of persons who have been totally disabled for the years before the enactment of this provision should be included in the group receiving the advantages of the freeze provision, but only for periods of disability continuing to the date of application.

Benefit increases for disabled individuals already on the benefit rolls would be payable beginning July 1955. Newly entitled persons would be able to have their benefits computed with the exclusion of a period of disability, beginning with the month of July 1955. Survivors of workers who died after having qualified for a period of disability would receive increased benefits.

X. MISCELLANEOUS PROVISIONS

A. Recomputation because of continued work after entitlement

The bill changes the provisions under which an individual's primary insurance amount may be recomputed because of continued covered employment after his entitlement to old-age insurance benefits.

The present requirement is that an individual have 6 quarters of coverage after 1950, and must have lost at least 12 of his monthly benefits because of work in covered employment within a 36-month period since the last previous effective computation or recomputation of his benefit amount. This provision served to avoid frequent requests for recomputation of the benefit amount where little or no increase in the benefit rate would result.

In view of the increase in the amount of earnings exempted under the retirement test by the bill, retention of the requirement for 12 months' benefit suspensions would frequently prevent recomputations for individuals who should be able to obtain them. Your committee believes, therefore, that it is necessary to revise the condition determining when an individual may have his benefit recomputed because of additional earnings. Under the proposed change an individual

may qualify for the recomputation if he has been credited with covered wages and self-employment income of more than \$1,200 in a completed calendar year after 1953 and after the year in which the individual's benefit was last computed or recomputed. As under present law, the requirement that the individual have at least six quarters of coverage after 1950 will be retained.

The changed provision is similar to that in the House bill; however, earnings of more than \$1,200 are required instead of \$1,000 or more, conforming to the change in the annual exempt amount under the retirement test made by the committee bill.

The recommended provision will remove certain present restrictions on the recomputation of benefit amounts of persons who have reached the age at which they are exempt from the retirement test. Such individuals even though continuing to work in covered employment for substantial earnings, cannot now meet the requirement for the recomputation because their benefits are not suspended because of such work.

Three provisions included in the House-approved bill with respect to payment of benefits to persons residing abroad, persons with periods of illegal residence, and persons who are deported from the United States are omitted from the committee-approved bill.

B. Residence requirements

The House-approved bill would have prohibited the payment of dependents' and survivors' benefits to individuals residing outside the United States, unless such individuals met certain requirements as to prior residence in the United States or unless special insured status requirements were met by the worker on whose record the benefits are payable. Your committee does not believe the place of residence of the dependents or survivors of an insured worker should result in their losing protection to which they are otherwise entitled as a result of contributions paid by the insured worker.

The House-approved bill would have required that earnings during periods of unlawful residence be disregarded in the determination of an individual's insured status or benefit amounts. This amendment would have involved a large administrative burden with very little result since many of the persons who are illegally present in this country are migrant agricultural workers who are unlikely to work long enough in covered employment to acquire eligibility for benefits.

The House-approved bill would have required that no monthly benefits be paid on the basis of the wages and self-employment income of an individual who has been deported for specified causes. Your committee has not had an opportunity to give sufficient study to all the possible implications of this provision, which involves termination of benefit rights under the contributory program of old-age and survivors insurance, and has therefore deleted this provision from the bill.

XI. ACTUARIAL COST ESTIMATES FOR OLD-AGE AND SURVIVORS INSURANCE SYSTEM

A. Financing policy

The Congress very carefully considered the problem of cost in determining the benefit provisions of both the 1950 and 1952 acts. The belief was expressed in the committee reports that the old-age and

survivors insurance program should be on a completely self-supporting basis from contributions of covered individuals and employers. Accordingly, the law under those acts contained a tax schedule which it was believed would, under a level-wage assumption, make the system self-supporting as nearly as could be foreseen under circumstances then existing. Under the 1952 act the program's actuarial balance was estimated to remain virtually the same as in the estimates made at the time the 1950 act was enacted; this was the case because of the rise in earnings levels in the 3 years preceding the enactment of the 1952 act, which rise was taken into account in the estimates for the 1952 act. It was recognized that future experience may be expected to differ from the conditions assumed in the estimates so that any tax schedule, at least in the distant future, might have to be modified.

Subsequent to the enactment of the 1952 act, new cost estimates were developed to take into account the considerable change in economic conditions during the last few years and the additional actuarial and statistical data available from the program's operations and from the 1950 census. According to these new estimates (contained in Actuarial Study No. 36 of the Social Security Administration, Department of Health, Education, and Welfare) the level-premium cost of the benefit disbursements and administrative expenses under the 1952 amendments is somewhat more than one-half percent of payroll higher than the level-premium equivalent of the scheduled taxes (including allowance for interest on the existing trust fund).

This lack of sufficiency is of long-range importance. It will be appreciated, however, that whether this eventuates will depend upon whether the assumptions made are realized in the future experience. It would not seem necessary to make any immediate legislative changes in the contribution schedule merely because an "insufficiency" shows up as a result of new cost estimates. This is particularly the case when such insufficiency is relatively small and when such new cost estimates involve a change in actuarial assumptions as to future experience. On the other hand, a situation involving an insufficiency should very likely require some legislative action if it were borne out over subsequent actuarial cost estimates. In the meantime, it would seem that any proposed legislative changes as to benefits, coverage, etc., could be considered to be proper from a cost standpoint if for the proposed plan the resulting "actuarial insufficiency" were the same or substantially the same as for the existing law—provided that the insufficiency remains relatively small.

The net effect of the benefit changes your committee has recommended in the present program, some of which would increase long-range costs and some of which would decrease them, is an increase in the long-range cost of the program by slightly over 1 percent of covered payroll. To counterbalance this, we have recommended increases in the long-range contribution schedule—in 1970 and thereafter—which are about equivalent to the increased benefit cost of 1 percent of payroll.

Your committee recognizes that future cost estimates, particularly if earnings continue to rise, may indicate that a lower schedule of contribution rates will provide for a self-supporting system than would appear necessary under the latest cost estimates. Nevertheless, we believe that the long-range schedule of old-age and survivors insurance contributions should be adjusted so as to meet the additional costs

of the changes now proposed. On the other hand, we believe that there is no necessity now to attempt to cover fully, or even partially, the deficiency which the new estimates indicate in the financing of the present program. With this in mind we have adopted the schedule of rates in the House-approved bill under which the rate on employer and employee in 1970 be raised from $3\frac{1}{4}$ to $3\frac{1}{2}$ percent, and that in 1975 and thereafter the rate be increased to 4 percent, with corresponding changes for the self-employed.

B. Basic assumptions for cost estimates

Estimates of the future cost of the old-age and survivors insurance program are affected by many factors that are difficult to determine. Accordingly, the assumptions used in the actuarial cost estimates may differ widely and yet be reasonable. Because of numerous factors, such as the aging of the population of the country and the inherent slow but steady growth of the benefit roll in any retirement program benefit payments may be expected to increase continuously for at least the next 50 to 75 years.

The cost estimates for the committee-approved bill are presented first on a range basis so as to indicate the plausible variation in future costs depending upon the actual trend developing for the various cost factors. Both the low-cost and high-cost estimates are based on high economic assumptions, intended to represent close to full employment, with average annual earnings at about the level prevailing in 1951-52, or somewhat below current experience. Following the presentation of the cost estimates on a range basis, intermediate estimates developed directly from the low-cost and high-cost estimates (by averaging them) are shown so as to indicate a basis for financing provisions.

In general, the costs are shown as a percentage of covered payroll. It is believed that this is the best measure of the financial cost of the program. Dollar figures taken alone are misleading because, for example, extension of coverage generally increases not only the outgo of the system but also to a greater extent its income, with the result that the cost relative to payroll decreases.

The low-cost and high-cost assumptions relate to the cost as a percentage of payroll in the aggregate and not to the dollar costs. The two cost assumptions are based on possible variations in fertility rates, mortality rates, retirement rates, remarriage rates, and so forth.

The cost estimates have been prepared on the basis of the same assumptions and techniques as those contained in the estimates of the Social Security Administration's Actuarial Study No. 36 (relating to present law) and Actuarial Study No. 38 (relating to H. R. 7199) and in the cost estimates for the House-approved bill (H. Rept. 1698, pp. 26-35).

An important measure of long-range cost is the level-premium contribution rate required to support the system into perpetuity. This rate is determined by taking the present values, at interest, of future income and outgo of the system. It is assumed that benefit payments and taxable payrolls remain level after the year 2050—actually benefits as a percentage of payroll are virtually constant after about 2020. If such a level contribution rate were adopted, relatively large accumulations in the trust fund would result, and in consequence there would also be sizable eventual income from interest. Even though such a method of financing is not followed, this rate may

nevertheless be used as a convenient measure of long-range costs. This is a valuable cost concept, especially in comparing various possible alternative plans and provisions, since it takes into account the heavy deferred load.

The estimates are based on level-earnings assumptions (slightly below the present level). If in the future the earnings level should be considerably above that now prevailing, and if the benefits for those on the roll are at sometime adjusted upward so that the annual cost relative to payroll will remain the same, then the increased dollar outgo resulting will offset the increased dollar income. This is an important reason for considering costs relative to payroll rather than in dollars.

The cost estimates have not taken into account the possibility of a rise in earnings levels, although such a rise has characterized the past history of this country. If such an assumption were used, along with the assumption that the benefits nevertheless would not be changed, the cost relative to payroll would, of course, be lower. Under such circumstances, any cost deficiency currently estimated would tend to be met by this reduction in cost.

If benefits are adjusted to keep pace with rising earnings trends, the year-by-year costs as a percentage of payroll would be unaffected. However, in such case this would not be true as to the level-premium cost which would be higher, since under such circumstances the relative value of the interest earnings of the trust fund would gradually diminish with the passage of time. If earnings do consistently rise, and if benefits are adjusted upward, thorough consideration will need to be given to the financing basis of the system because then the interest earnings on the trust fund will not meet as large a proportion of the benefit costs as would be anticipated if the earnings level had not risen.

Financial interchange provisions with the railroad retirement system are, under present law, in effect such that the old-age and survivors insurance trust fund is to be placed in the same financial position as if railroad employment had always been covered under the old-age and survivors insurance program. It is estimated that the net effect of these provisions will, over the long-range future, be a relatively small net gain to the old-age and survivors insurance system since the reimbursements from the railroad retirement system will be somewhat larger than the net additional benefits paid on the basis of railroad earnings. The long-range costs developed here are for the operation of the trust fund on the basis, as provided in current law in respect to financing provisions, that all railroad employment is covered employment (beginning with 1937).

The contribution income and benefit disbursement figures shown in the subsequent tables are slightly higher (by less than 5 percent) than the payments made directly to the trust fund by contributors and the payments made directly from the trust fund to the individual beneficiaries. This is the case because such figures include both the additional contributions which would have been collected and the additional benefits that would have been paid if railroad employment had always been directly covered by old-age and survivors insurance, rather than merely indirectly for financing purposes. The balance for these two elements is to be accounted for in actual practice by the operation of the financial interchange provisions. The balance in the fund thus corresponds exactly to the actual situation.

C. Results of cost estimates on range basis

Table 4 presents costs as a percentage of payroll for each of the various types of benefits. The level-premium cost for the benefits provided in the committee-approved bill, on the basis of $2\frac{1}{4}$ percent interest, is roughly $6\frac{1}{2}$ to $8\frac{1}{2}$ percent of payroll, while at $2\frac{1}{2}$ percent interest the corresponding figures are $6\frac{1}{2}$ percent and $8\frac{1}{2}$ percent, respectively.

Table 5 presents the estimated operations of the trust fund under the committee-approved bill on the basis of a 2.4 percent interest rate, which is the interest rate used as the appropriate single rate in the previously mentioned preceding estimates. For the past year, up until July 1954, this was the rate currently being earned. As of the present time the rate is only 2.3 percent since the special issues in the trust fund, constituting almost 90 percent of total investments, now bear a rate of $2\frac{1}{4}$ percent as against $2\frac{3}{8}$ percent in the fiscal year ending June 30, 1954. For the sake of consistency, the 2.4 percent rate has continued to be used for the trust fund calculations.

Under the low-cost estimate, the trust fund builds up quite rapidly and even some 50 years hence is growing at a rate of about \$4 billion per year and at that time is about \$100 billion in magnitude. In fact, under this estimate, benefit disbursements do not exceed contribution income during the next 60 years, and even in the year 2000 are about 5 percent smaller.

On the other hand, under the high-cost estimate the trust fund builds up to a maximum of about \$22 billion in the next 5 years, but decreases thereafter until it is exhausted in the year 1992. Benefit disbursements exceed contribution income during 1957-69, and again in 1973-74 and after 1978. Accordingly, the trust fund remains more or less stable at about \$22 billion during 1955-62 (since interest income offsets the excess of disbursements over contribution income).

Although there is a wide spread in the ultimate estimated trust fund, the range of the estimates offers a reasonable guide to action on the part of your committee. The trust fund, it will be remembered, is a cumulative item and thus tends over the course of years to move relatively rapidly in one direction or the other under the necessary assumption that the provisions of the law remain unchanged despite the experience developing as either "low cost" or "high cost." From table 4, it will be noted that the cost as a percentage of payroll—the best measure of cost—has a range from the low-cost estimate to the high-cost one of only about 10 percent relatively in the early years of operation and about 50 percent ultimately.

These results as to the progress of the trust fund under the two estimates are consistent and reasonable, since the system on an intermediate-cost estimate basis is intended to be approximately self-supporting. Accordingly, in most instances a low-cost estimate should show that the system is more than self-supporting, whereas a high-cost estimate should show that a deficiency would eventually arise. In actual practice, under the philosophy in the 1950 and 1952 acts as set forth in the committee reports therefor, assuming no change in benefit provisions, the tax schedule would be adjusted in future years so that neither of the developments of the trust fund shown in table 5 would ever eventuate. Thus, if experience followed the low-cost estimate, the contribution rates would probably be adjusted downward, or perhaps would not be increased in future years according to schedule. On the other hand, if the experience followed

the high-cost estimate, the contribution rates would have to be raised above those scheduled. At any rate, the high-cost estimate in table 5 does indicate that under the tax schedule adopted, there would be ample funds to meet benefit disbursements for several decades, even under relatively high-cost experience. In any event, if a deficiency arises in the financing of the system some years hence, or if subsequent experience and actuarial estimates indicate the imminence of a deficiency, your committee believes that this can readily and safely be handled by a future Congress when the occasion arises.

D. Results of intermediate-cost estimate

This section will present the intermediate-cost estimate, developed from the low-cost and high-cost estimates of this report, by averaging them (using the dollar estimates and developing therefrom the corresponding estimates relative to payroll). This intermediate-cost estimate may not represent the most probable estimate; it is impossible to develop any such figures. Rather, the intermediate-cost estimate has been set down as a convenient and readily available single set of figures to use for comparative purposes.

The Congress, in enacting the 1950 and 1952 acts, was of the belief that the old-age and survivors insurance program should be on a completely self-supporting basis. This belief is reiterated in this report. Your committee, however, does not believe that it is necessary at this time to provide for an exact, or even approximate, long-range balance of income and disbursements based on actuarial cost estimates which necessarily cannot be exact predictions. A single estimate is valuable in considering how closely the long-range balance may approximate exact mathematical self-support.

The tax schedule in the 1950 act (left unchanged in the 1952 act) and that in both the House-approved and committee-approved bills are as follows:

Calendar year	1950 act			Committee-approved bill		
	Employee	Employer	Self-employed	Employee	Employer	Self-employed
	Percent	Percent	Percent	Percent	Percent	Percent
1951-53.....	1½	1½	2¼	1½	1½	2¼
1954-59.....	2	2	3	2	2	3
1960-64.....	2½	2½	3½	2½	2½	3½
1965-69.....	3	3	4½	3	3	4½
1970-74.....	3½	3½	4½	3½	3½	5½
1975 and after.....	3½	3½	4½	4	4	6

Table 6 gives an estimate of the level-premium cost of both the House-approved bill and the committee-approved bill tracing through the increase in cost over the present act according to the major changes proposed.

[In percent]

Level-premium equivalent	Present law	House-approved bill	Committee-approved bill
Benefit costs ¹	6.62	7.34	7.65
Contributions.....	6.05	7.12	7.12
Net difference.....	.57	.22	.53

¹ Including adjustments (a) to reflect lower contribution rate for self-employed compared with employer-employee rate, (b) for existing trust fund, and (c) for administrative expenses.

The 1½-percent increase in the ultimate combined employer-employee rate in the committee-approved bill (and also in the House-approved bill) represents an equivalent level increase of slightly over 1 percent. This higher amount meets the increased cost of the benefits of the committee-approved bill, although it does not appreciably reduce the currently estimated actuarial deficiency of the present system.

Table 7 shows the year-by-year cost of the benefit payments according to the intermediate-cost estimate for the present act and for the House-approved and committee-approved bills. These figures are based on a future level-earnings assumption and do not consider business cycles (booms and depressions), which over a long period of years tend to average out. The benefit disbursements under the committee-approved bill for 1955 are estimated at about \$4.8 billion, with a range of \$4.5 to \$5.0 billion (as contrasted with contribution income of about \$5.9 billion). The dollar amount of the increased cost in 1955 of the committee-approved bill over the present act is about \$700 million. The cost as a percentage of payroll is about the same because of the higher payroll in the bill due to the extended coverage. The dollar amount of the increased benefit cost in 1955 for the committee-approved bill as compared with the House-approved bill is about \$150 million. In subsequent years, the benefit cost of the committee-approved bill as a percentage of payroll increasingly exceeds the cost of present law, with such excess being about 1 percent after 1970.

Table 8 presents the costs of the benefits under the bill as a percentage of payroll for each of the various types of benefits and is comparable with table 4 of the previous section.

Table 9 shows the estimated operation of the trust fund under the committee-approved bill according to the intermediate-cost estimate (using a 2.4 percent interest rate) and is comparable with table 5 of the previous section. According to this estimate, contribution income generally exceeds benefit disbursements for the next 25 to 30 years, although in 1958-59, 1962-64, and 1968-69 (the years preceding the next three scheduled increases in the contribution rates), there is an excess of benefit outgo over contribution income. This difference is in most instances more than counterbalanced by interest income so that the fund is estimated to grow more or less steadily until reaching a maximum of \$53 billion in 1988 and then to decrease. During the next decade, according to this estimate the fund levels off at about \$24 billion in 1957-59, increases slightly in 1960-61 (when the next increase in the contribution schedule is effective), and then is again relatively level at somewhat over \$25 billion in 1961-64. The decline in the long-distant future indicates that under the committee-approved bill the proposed tax schedule is not self-supporting under the intermediate-cost estimate with a level-earnings assumption, but as indicated previously, the intermediate-cost estimate may not represent the most probable estimate of what future experience will be. Your committee believes that any lack of self-support or any deficiency showing up in the long-distant future can be acted upon by subsequent Congresses.

TABLE 4.—Estimated benefit payments as percent of taxable payroll for committee-approved bill, by type of benefit

ACTUAL DATA ¹									
[In percent]									
Calendar year	Monthly benefits						Lump-sum death pay-ments	Disability freeze ³	Total benefits
	Old-age	Wife's ²	Widow's ²	Par-ent's	Moth-er's	Child's			
1951.....	0.99	0.15	0.14	0.01	0.07	0.24	0.05	-----	1.65
1952.....	1.11	.17	.16	.01	.08	.26	.05	-----	1.83
1953.....	1.50	.22	.20	.01	.09	.30	.07	-----	2.39
LOW-COST ASSUMPTIONS									
1960.....	2.74	0.35	0.55	0.01	0.17	0.43	0.11	0.04	4.40
1970.....	3.60	.40	.99	.01	.17	.40	.13	.06	5.74
1980.....	4.56	.43	1.23	.01	.16	.37	.14	.07	6.97
1990.....	5.17	.43	1.31	.01	.15	.36	.15	.08	7.66
2000.....	4.98	.41	1.22	.01	.15	.35	.15	.07	7.34
2020.....	5.66	.45	1.17	.01	.14	.35	.15	.08	8.02
Level premium: ⁴									
2¼ percent interest.....	4.56	.42	1.07	.01	.15	.36	.14	.07	6.77
2½ percent interest.....	4.46	.42	1.05	.01	.15	.36	.14	.06	6.65
HIGH-COST ASSUMPTIONS									
1960.....	3.20	0.40	0.58	0.01	0.20	0.44	0.11	0.05	4.99
1970.....	4.23	.46	1.05	.02	.20	.39	.13	.06	6.54
1980.....	5.45	.48	1.32	.02	.18	.35	.14	.08	8.03
1990.....	6.67	.49	1.42	.02	.17	.33	.16	.09	9.35
2000.....	6.97	.50	1.35	.02	.16	.30	.16	.09	9.54
2020.....	9.33	.65	1.49	.02	.15	.30	.20	.12	12.26
Level premium: ⁴									
2¼ percent interest.....	6.25	.52	1.22	.02	.17	.33	.16	.08	8.75
2½ percent interest.....	6.03	.51	1.19	.02	.17	.34	.15	.08	8.49

¹ Excluding effect of railroad coverage under financial interchange provisions.

² Included are excesses of wife's and widow's benefits over old-age benefits for female old-age beneficiaries also eligible for wife's and widow's benefits. Also includes husband's and widower's benefits, respectively.

³ The cost of the "disability freeze" is here shown separately, although in actual practice it is spread among the various types of benefits.

⁴ Level-premium contribution rate for benefit payments after 1952 and in perpetuity, not taking into account (a) lower contribution rate for self-employed compared with employer-employee rate; (b) existing trust fund; and (c) administrative expenses. These level-premium rates assume benefits and payrolls remain level after the year 2050.

NOTE.—All estimates are based on high-employment assumptions.

TABLE 5.—Estimated progress of trust fund under committee-approved bill, 2.4 percent interest

[In millions]

ACTUAL DATA

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
1953 ¹	\$3,945	\$3,006	\$88	\$414	\$18,707
1953 ²	4,100	3,207	91	425	19,166

LOW-COST ESTIMATE

1954.....	\$5,243	\$3,550	\$88	\$489	\$21,240
1955.....	5,939	4,543	97	525	23,064
1960.....	7,528	6,978	111	636	27,357
1970.....	12,047	10,324	138	919	39,985
1980.....	15,538	13,839	166	1,640	70,741
1990.....	16,975	16,621	192	2,296	98,034
2000.....	18,883	17,706	209	3,023	129,448
2020.....	22,255	22,808	258	5,519	235,078

HIGH-COST ESTIMATE

1954.....	\$5,077	\$3,715	\$95	\$465	\$20,898
1955.....	5,906	5,016	114	511	22,185
1960.....	7,456	7,845	146	527	22,204
1970.....	11,919	11,636	186	443	18,933
1980.....	15,127	15,525	225	554	23,262
1990.....	15,896	18,992	262	180	5,995
2000.....	16,966	20,691	284	(³)	(³)
2020.....	17,579	27,536	347	-----	-----

¹ Excluding effect of railroad coverage under financial interchange provisions.
² Including effect of railroad coverage under financial interchange provisions (as is also the case for future estimates shown below).
³ Fund exhausted in 1922.

NOTE.—All estimates are based on high-employment assumptions.

TABLE 6.—Changes in estimated level-premium costs of benefit payments as percentage of payroll, by type of change, House-approved bill and committee-approved bill, intermediate-cost estimate, high-employment assumptions

Item	Level-premium cost	
	House-approved bill	Committee-approved bill
Cost of present act: ¹	<i>Percent</i>	<i>Percent</i>
1952 estimate, 2¼ percent interest.....	6.00	6.00
Current estimate, 2¼ percent interest.....	6.74	6.74
Current estimate, 2.4 percent interest.....	6.62	6.62
Effect of proposed changes:		
Extension of coverage.....	-.18	-.13
Raising earnings base to \$4,200.....	-.15	-.15
Increase in benefits ²	+.82	+.83
Liberalization of retirement test.....	+.03	+.30
Elimination of lowest years of earnings.....	+.13	+.11
"Disability freeze" provision.....	+.07	+.07
Cost of bill, ¹ 2.4 percent interest.....	7.34	7.65

¹ Including adjustments (a) to reflect lower contribution rate for self-employed compared with employer-employee rate; (b) for existing trust fund; and (c) for administrative expenses.
² Primarily reflects effect of new benefit formula and conversion table, but also includes effect of revised minimum and maximum benefit provisions and the minor changes in insured status provisions (and in House-approved bill, change in lump-sum death payment provisions).

TABLE 7.—Estimated cost of benefit payments under present law and under House-approved and committee-approved bills, intermediate-cost estimate, high-employment assumptions

Calendar year	Amount (in millions)			In percent of payroll		
	Present law	House-approved bill	Committee-approved bill	Present law	House-approved bill	Committee-approved bill
1955.....	\$4,075	\$4,630	\$4,779	Percent 3.05	Percent 2.85	Percent 3.15
1960.....	5,716	7,266	7,406	4.10	4.29	4.69
1970.....	8,318	11,031	10,982	5.26	5.75	6.14
1980.....	11,116	14,861	14,681	6.40	7.07	7.49
2000.....	14,812	19,444	19,200	7.30	7.91	8.38
2020.....	19,475	25,166	25,173	8.63	9.22	9.89
Level-premium: ¹						
$\frac{3}{4}$ percent interest.....				6.69	7.22	7.69
2.4 percent interest.....				6.60	7.12	7.58
$2\frac{1}{2}$ percent interest.....				6.54	7.05	7.51

¹ Level-premium contribution rate for benefit payments in 1953 and after and into perpetuity, not taking into account (a) lower contribution rate for self-employed compared with employer-employee rate, (b) existing trust fund, and (c) administrative expenses.

TABLE 8.—Estimated benefit payments as percent of taxable payroll under committee-approved bill, intermediate-cost estimate

Calendar year	Monthly benefits						Lump-sum death payments	Disability freeze ²	Total benefits
	Old-age	Wife's	Widow's ¹	Parent's	Mother's	Child's			
1960.....	2.97	0.37	0.56	0.01	0.18	0.43	0.11	0.05	4.69
1970.....	3.91	.44	1.02	.01	.18	.39	.13	.06	6.14
1980.....	5.00	.46	1.27	.01	.17	.36	.14	.07	7.49
1990.....	5.90	.46	1.36	.02	.16	.35	.15	.08	8.48
2000.....	5.92	.45	1.28	.02	.15	.32	.15	.08	8.38
2020.....	7.28	.54	1.31	.01	.15	.33	.17	.10	9.89
Level-premium: ³									
$\frac{3}{4}$ -percent interest.....	5.34	.47	1.14	.01	.16	.35	.15	.07	7.69
$2\frac{1}{2}$ -percent interest.....	5.20	.46	1.11	.01	.16	.35	.14	.07	7.51

¹ Included are excesses of wife's and widow's benefits over old-age benefits for female old-age beneficiaries also eligible for wife's and widow's benefits. Also includes husband's and widower's benefits, respectively.

² The cost of the "disability freeze" is here shown separately, although in actual practice it is spread among the various types of benefits.

³ Level-premium contribution rate for benefit payments after 1952 and in perpetuity, not taking into account (a) lower contribution rate for self-employed compared with employer-employee rate, (b) existing trust fund, and (c) administrative expenses. These level-premium rates assume benefits and payrolls remain level after the year 2050.

NOTE.—All estimates are based on high-employment assumptions.

TABLE 9.—*Estimated progress of trust fund under committee-approved bill, intermediate-cost estimate, 2.4 percent interest*

ACTUAL DATA					
[In millions]					
Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
1953 ¹	\$3,945	\$3,006	\$88	\$414	\$18,707
1953 ²	4,100	3,207	91	425	19,166
INTERMEDIATE-COST ESTIMATE					
1954.....	\$5,160	\$3,633	\$91	\$467	\$21,069
1955.....	5,922	4,779	105	518	22,624
1960.....	7,492	7,406	128	582	24,780
1965.....	9,580	9,266	146	604	25,848
1970.....	11,142	10,982	162	681	29,459
1975.....	14,191	12,790	178	850	37,020
1980.....	15,332	14,681	196	1,097	47,034
1990.....	16,436	17,809	227	1,238	52,014
2000.....	17,924	19,200	246	1,115	46,804
2020.....	19,917	25,173	302	382	13,533

¹ Excluding effect of railroad coverage under financial interchange provisions.² Including effect of railroad coverage under financial interchange provisions (as is also the case for future estimates shown below).

NOTE.—All estimates are based on high-employment assumptions.

XII. PUBLIC ASSISTANCE

The bill extends through September 30, 1956, the provisions of the 1952 amendments (presently scheduled to expire on September 30, 1954) with respect to Federal payments to States for public-assistance programs. Until that date, the Federal share in old-age assistance, aid to the blind, and aid to the permanently and totally disabled will continue to be four-fifths of the first \$25 of a State's average monthly payment per recipient, plus one-half of the remainder, within individual maximums of \$55. For aid to dependent children the Federal share will be four-fifths of the first \$15 of a State's average monthly payment per recipient, plus one-half of the remainder within individual maximums of \$30 for the adult, \$30 for the first child, and \$21 for each additional child in a family. This action is taken pending possible consideration of basic amendments in the Federal matching formulas. The cost of continuing such increased Federal payments is about \$400 million for the 24-month period. The House bill would have extended the provisions in the 1952 amendments through September 30, 1955.

The bill extends from June 30, 1955, to June 30, 1957, the provision in section 344 of the Social Security Act Amendments of 1950 which provided for the approval of certain State plans for aid to the blind which did not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act. The amendments provided that such plans could be approved for the period from October 1, 1950, and ending June 30, 1955. Only two States are now affected by the provision (Pennsylvania and Missouri). Extending the time to June 30, 1957, will enable these two States to have sufficient time to allow them to make the modifications in their State laws necessary so they, like all other States, will comply with the income and resources provision in the act as a condition for Federal grants to the States.

SECTION-BY-SECTION ANALYSIS

The first section of the bill contains a short title, "Social Security Amendments of 1954." The remainder of the bill is divided into four titles: title I, which amends title II of the Social Security Act; title II, which amends the Internal Revenue Code; title III, which makes certain amendments relating to public assistance; and title IV, which makes several conforming amendments in the Railroad Retirement Act and other laws.

TITLE I—AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT

EXTENSION OF COVERAGE

Section 101 of the bill amends sections 209, 210, 211, and 218 of the Social Security Act so as to extend coverage under the old-age and survivors insurance system to additional groups of gainfully employed individuals.

DOMESTIC SERVICE, NOT IN COURSE OF EMPLOYER'S BUSINESS, AND AGRICULTURAL LABOR

Domestic service

Section 101 (a) (1) of the bill amends paragraph (2) of section 209 (g) of the Social Security Act, which relates to domestic service. This paragraph now provides for the exclusion from wages, for purposes of old-age and survivors insurance, of cash remuneration paid in a quarter for domestic service in a private home unless such remuneration paid in such quarter for the service is \$50 or more and the employee is regularly employed by the employer in the quarter. He is "regularly employed" if he performs such service for that employer on at least 24 days in the same quarter or the preceding quarter. The amendment, also approved by the House, would eliminate the 24-day test, thus making coverage of domestic service depend solely on receipt by the employee, in a quarter, of \$50 in cash remuneration from one employer for such service.

As under existing law and under the House-approved bill, domestic service (as well as service not in the course of the employer's trade or business, which is described below) will not include any service described in section 210 (f) (5) (service performed on a farm operated for profit).

Service not in course of employer's business

Section 101 (a) (2) of the bill, which is the same as in the House-approved bill, amends section 209 (g) of the Social Security Act by adding a new paragraph (3). This paragraph relates to cash remuneration received for service not in the course of the employer's trade or business and should be considered together with the repeal of section 210 (a) (3) of the Social Security Act which would be accomplished by section 101 (a) (5) of the bill. Section 210 (a) (3) of the act now excludes, from employment covered by it, service not in the course of the employer's trade or business performed by an employee in a calendar quarter unless the cash remuneration paid by the employer for such service in that quarter is \$50 or more and the service is performed by an individual on at least 24 days in that quarter or the

preceding quarter for that employer. The 24-day test for this purpose is the same as the test used under existing law (and described above) for domestic service in a private home. The effect of the new paragraph (3) of section 209 (g), plus the repeal of paragraph (3) of section 210 (a), is to eliminate the 24-day requirement and to make coverage under old-age and survivors insurance of service not in the course of the employer's trade or business depend solely on receipt by the employee of \$50 in cash remuneration, in a calendar quarter, for the service from that employer.

The \$50 test is also changed slightly. Under existing law the \$50 must be paid for service performed in a quarter for the employer, and the time of payment is unimportant. Under the new section 209 (g) (3), the test is payment of \$50 in a quarter for the service, and the time of performance of the service is unimportant. This change (which parallels a change made in the Internal Revenue Code by the bill) should ease the burden on the employer for reporting purposes.

Agricultural labor

Section 101 (a) (3) of the bill amends section 209 (h) of the Social Security Act by inserting a new paragraph (2) (the existing provisions of section 209 (h) becoming paragraph (1) thereof). The new paragraph would exclude from wages, for purposes of old-age and survivors insurance, cash remuneration paid by an employer to an employee in any calendar quarter for agricultural labor unless such remuneration is \$50 or more. This amendment should be considered with the amendment to paragraph (1) of section 210 (a) of the Social Security Act which would be effected by section 101 (a) (4) of the bill.

Under the existing provisions of section 210 (a) (1) of the Social Security Act, agricultural labor performed in a calendar quarter is excluded from employment covered by old-age and survivors insurance unless the cash remuneration paid for such labor is \$50 or more and such labor is performed for the employer by an individual regularly employed by him to perform such labor. The "regularly employed" test for this purpose is both more substantial and more complex than the 24-day test now applicable to domestic service and service not in the course of the employer's trade or business. For purposes of section 210 (a) (1)—

an individual is deemed to be regularly employed by an employer during a calendar quarter * * * only if (i) such individual performs agricultural labor * * * for such employer on a full-time basis on 60 days * * * during the quarter, and (ii) the quarter was immediately preceded by a qualifying quarter. A qualifying quarter is defined as (I) any quarter during all of which the individual was continuously employed by the employer, or (II) any subsequent quarter meeting the test of clause (i) above if, after the last quarter during all of which the individual was continuously employed by the employer, each intervening quarter met the test of clause (i). An individual is also deemed to be regularly employed by an employer during a calendar quarter if he was regularly employed (upon application of clauses (i) and (ii) by the employer during the preceding calendar quarter (H. Rept. No. 2771, 81st Cong., 2d sess. (Conference report on H. R. 6000), p. 95).

The main effects of the amendments made by paragraphs (3) and (4) of section 101 (a) of the bill are to eliminate the present "regularly employed" test as a requirement for the coverage of an individual's agricultural labor under old-age and survivors insurance.

The provision differs from that in the House-approved bill in that the House-approved bill places the coverage test for agricultural labor on a calendar-year basis, instead of on a calendar-quarter basis as at present and as proposed by the bill here reported. The bill as passed by the House made coverage of an individual's agricultural labor depend solely on the payment to him of cash remuneration of \$200 or more in a calendar year by the same employer for such labor.

At the present time, services performed in connection with the ginning of cotton and services performed in connection with the production or harvesting of crude gum (oleoresin) from a living tree or the processing of such crude gum into gum spirits of turpentine and gum resin, if such processing is carried on by the original producer of the crude gum, are excluded from coverage under old-age and survivors insurance (sec. 210 (a) (1) (B) of the Social Security Act). Also, these services may not be counted in determining whether an individual meets the 60-day-\$50 test in connection with other agricultural labor, discussed above, although it may be counted for purposes of a "qualifying quarter." The amendment to section 210 (a) (1) of the Social Security Act would remove the specific exclusion of services performed in connection with the ginning of cotton and would have the effect of covering such services under old-age and survivors insurance on the same basis as other agricultural labor. The bill would retain the employment exclusion in present law of services performed in connection with the production, harvesting or processing of crude gum (oleoresin) mentioned above (this is expressed in the law as service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act); these services, therefore, would not be covered under the old-age and survivors insurance program. The bill as passed by the House covered both these types of services under old-age and survivors insurance.

The exclusion of services performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended (Public Law 78, 82d Cong.) would be continued in section 210 (a) (1) of the Social Security Act, as amended by section 101 (a) (4) of the bill. The House-approved bill also retained this exclusion. Title V of the Agricultural Act of 1949 now provides that no workers may be made available under it for employment after December 31, 1955. The exclusion in section 210 (a) (1) of the Social Security Act would be inoperative when title V of the Agricultural Act of 1949 ceases to have any effect.

Redesignation of paragraphs of section 210 (a)

As indicated above, paragraph (5) of section 101 (a) of the bill repeals paragraph (3) (exclusion of service not in the course of the employer's business) of section 210 (a) of the Social Security Act. This paragraph of the bill would also make the necessary technical change of redesignating paragraphs (4) through (14) of that section and any references thereto contained in the Social Security Act to the redesignated paragraphs. This paragraph of the bill does not redesignate paragraphs (15), (16), and (17) of section 210 (a) of the Social Security Act since they are dealt with by later provisions of the bill.

Exclusion of agricultural labor from State coverage agreements

Under section 218 (c) (5) of the Social Security Act, an agreement with a State for covering State and local employees under old-age and survivors insurance may, at the option of the State, exclude agricultural labor or service performed by a student, but only in the case of "service which is excluded from employment by any provision of section 210 (a) other than paragraph (8) of such section." Since, under the bill, agricultural labor (other than contract labor under title V of the Agricultural Act of 1949 and work in connection with the production or harvesting of crude gum (oleoresin)) would no longer be excluded from employment and there would be substituted in the definition of "wages" the \$50 cash wage requirement, a conforming change is necessary in section 218 (c) (5). Paragraph (6) of section 101 (a) of the bill, which is the same as section 101 (a) (6) of the House bill, would make this conforming change-

AMERICAN CITIZENS EMPLOYED BY AMERICAN EMPLOYERS ON FOREIGN-FLAG VESSELS

Under section 210 (a) (5) of the Social Security Act (redesignated by the bill as sec. 210 (a) (4)), individuals employed on and in connection with foreign-flag vessels and individuals employed on and in connection with foreign-flag aircraft are excluded from employment covered by old-age and survivors insurance both with respect to services performed on and in connection with the vessel or aircraft outside the United States and (except in the case of an individual who performs no part of such services outside the United States) with respect to services performed in this country. Section 101 (b) of the bill, which is the same as in the House-passed bill, would amend this section of the act so as to make the exclusion apply only if the individual is not an American citizen or the employer is not an American employer. Consequently, if the individual is an American citizen and the employer is an American employer the services of such individual on foreign-flag vessels or foreign-flag aircraft will be covered whether performed here or abroad. This change would have the effect of treating services performed by these individuals the same as other services performed by American citizens as employees for American employers, which are now covered whether performed here or abroad.

CERTAIN FEDERAL EMPLOYEES

Section 101 (c) of the bill as passed by the House extended coverage to most service, now excluded, performed by employees of Federal instrumentalities who are not covered by a retirement system established by a law of the United States or by an instrumentality of the United States, including service performed by temporary employees in the field service of the Post Office Department, by temporary census-taking employees of the Bureau of the Census, civilian employees of Coast Guard exchanges and other Coast Guard activities, Federal employees who are paid on a contract or fee basis and certain other groups. It also extended coverage to service performed by two groups of employees who are under other Federal retirement systems: employees of Federal home loan banks and individuals covered under the retirement system of the Tennessee Valley Authority. These

provisions of the bill as passed by the House have been deleted by your committee. Therefore, all of these employees, excluded from coverage under present law, would continue to be excluded.

MINISTERS

Section 101 (c) (1) of the bill amends paragraph (2) of section 211 (c) of the Social Security Act to permit the performance of service as an employee 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, to be regarded as a trade or business for purposes of covering income derived from such service as "self-employment income" under title II of the Social Security Act. Such service, as well as almost all other service performed as an employee, is excluded under present law from the definition of "trade or business" for purposes of self-employment coverage.

Paragraph (2) of section 101 (c) of the bill further amends section 211 (c) of the Social Security Act by adding a provision that the exclusion in the present law from the definition of "trade or business" of the performance of service by a minister in the exercise of his ministry or by a member of a religious order in the exercise of duties required by the order shall not be effective (except for a member of a religious order who has taken a vow of poverty as a member of such order) during the period for which there is in effect a certificate, filed by the minister or member of a religious order, electing to have the performance of such services covered as a trade or business. (The conditions covering the filing of such certificates are contained in the Internal Revenue Code and are explained in the portion of this analysis applying to amendments in section 201 (c) of the bill.) The effect of these amendments is to permit both employed and self-employed ministers and members of religious orders (other than those who have taken a vow of poverty) to elect voluntarily to be covered under old-age and survivors insurance as self-employed.

These provisions replace the provisions in the House-approved bill which would permit ministers and members of religious orders employed by nonprofit organizations to be covered by the organizations and those which would cover self-employed ministers and members of religious orders, and those employed by any employer other than a nonprofit organization, on a compulsory basis.

FISHING AND RELATED SERVICE

Section 210 (a) (15) of the Social Security Act now excludes, from employment covered by old-age and survivors insurance, services performed by employees in fishing and similar activities (except when performed in connection with commercial salmon or halibut fishing or on a vessel of more than 10 net tons). Section 101 (d) of the bill would repeal this exclusion and renumber the succeeding paragraphs of section 210 (a) accordingly.

HOMEWORKERS

Section 210 (k) (3) (C) of the Social Security Act now includes as an employee, for purposes of employment covered by old-age and survivors insurance, any individual performing services for remunera-

tion for any person as a homemaker, according to specifications and on materials furnished by such person, which materials are to be returned to him or his designee, but only if the performance of such services is subject to State licensing laws. (Under section 209(j), which would not be changed by the bill, the remuneration for homework in any quarter is not counted unless the employee received \$50 or more in cash in such quarter from the same employer for such work.) Section 101 (e) of the bill, which is the same as section 101 (f) of the House passed bill, would amend section 210 (k) (3) (C) of the act so as to eliminate the requirement that the services be subject to State licensing laws in order to constitute covered employment.

This amendment would not include, however, as employees, homeworkers who are not subject to supervision or control by any person with respect to their home work activities, and who buy raw material and make any article and sell such article to any person, even though it is made according to specifications provided by some single purchaser.

COAL ROYALTIES

Section 101 (f) of the committee-approved bill, which is the same as section 101 (g) (3) of the House bill, would amend the present section 211 (a) (4) of the Social Security Act so as to exclude from "net earnings from self-employment" the gain or loss derived from coal royalties under certain conditions. This is a technical amendment needed to bring this definition in title II of the Social Security Act into line with the definition of the term in the Internal Revenue Code. Section 325 (d) of the Revenue Act of 1951 amended section 481 (a) (4) of the Internal Revenue Code of 1939 (relating to the old-age and survivors insurance tax on self-employment income) but failed to amend the corresponding provision in the present section 211 (a) (4) of the Social Security Act.

FARM OPERATORS AND SELF-EMPLOYED PROFESSIONALS

Section 101 (g) of the House bill would have extended coverage to self-employed farm operators with annual net earnings of \$400 or more from self-employment. It would also have extended coverage to all professional self-employed, except physicians, on the same basis as nonprofessional self-employed are now covered. The committee-approved bill deletes this provision of the House bill, thereby continuing the present exclusion of these groups.

This section of the House bill also provided that rentals paid in crop shares should not be included in determining "net earnings from self-employment." With the deletion of coverage of farm operators, this provision becomes unnecessary and is deleted in the committee-approved bill.

EMPLOYEES COVERED BY STATE OR LOCAL RETIREMENT SYSTEMS

Section 101 (g) of the bill amends section 218 of the Social Security Act to permit service performed in positions covered by a State or local retirement system to be included, under prescribed conditions, under an agreement between a State and the Secretary of Health, Education, and Welfare covering State and local government employees for old-age and survivors insurance purposes.

Paragraph (1) (A) of subsection (g) amends the heading of section 218 (d) (which now reads "Exclusion of Positions Covered by Retirement Systems") by striking out "Exclusion of". It also redesignates the present subsection (d) as paragraph (1) of subsection (d), and amends the new paragraph (1) by making an exception to the general provision, contained in the paragraph, which prohibits old-age and survivors insurance coverage, under any agreement, of employees in positions covered by State or local retirement systems on the date when the agreement is made applicable to their coverage group. As a result of this exception, the prohibition will not apply to employees in positions (other than a policeman's or fireman's position) which were covered by a retirement system on the date an agreement was made applicable to the coverage group which included employees in such positions if, on that date (or, in any given case, on such later date as the employee first occupies such a position) the individual in the position is ineligible for membership in the system.

Subparagraph (B) of subsection (g) (1) would add to the prohibition against coverage of employees under a retirement system on the date their coverage group is covered a prohibition against old-age and survivors insurance coverage of employees in positions covered by retirement systems on the date of the enactment of the new paragraph (2) of the subsection. This change, taken in conjunction with the new provisions added by the bill (as described below), would have the general effect of providing that individuals in positions subject to a State or local retirement system either on the date of the enactment of the bill or on the date the agreement is made applicable to their coverage group could be covered under the agreement only if the members of the system vote in favor of coverage.

This prohibition of coverage of service in positions covered by retirement systems on the date specified would not apply, however, to service in policemen's and firemen's positions; individuals in such positions could still be brought under an agreement if the positions were no longer under a retirement system on the date when the agreement was made applicable to the coverage group which included employees in such positions, even if the positions were under a retirement system on the date of the enactment of the new provisions. Similarly, the prohibition does not apply to service in positions which, though covered by a retirement system on the enactment date, were, by reason of action taken prior to the enactment date by the appropriate governmental unit, no longer covered by a retirement system when the coverage group which included employees in such positions was brought under an agreement.

In the bill as passed by the House, subparagraphs (A) and (B) were both part of one paragraph with a single effective date (January 1, 1955) applicable to both parts. The material in subparagraph (B) has been separated from the rest of the material in paragraph (1), without any substantive change being made, in order to make its provisions effective immediately, as was undoubtedly intended in the House bill.

Paragraph (2) of subsection (g) of the bill would add five new paragraphs to section 218 (d).

The new paragraph (2) of section 218 (d) contains a statement that it is the policy of the Congress, in enacting the new provisions permitting the coverage under old-age and survivors insurance of em-

ployees under a State or local retirement system, that the protection afforded employees in positions covered under a retirement system on the date a coverage agreement is made applicable to service in such positions, or receiving periodic benefits under the retirement system at that time, will not be impaired as a result of their coverage under old-age and survivors insurance or as a result of legislative enactment in anticipation of such coverage.

The new paragraph (3) permits coverage under an agreement of service performed by employees in positions covered by a retirement system (other than policeman's and fireman's positions and certain other classes of positions which can be excluded at the option of the State (for example, part-time and elective positions, agricultural labor, and student services)) if the governor of the State certifies 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 the retirement system should be included under an agreement;

B. An opportunity to vote in the referendum was given (and was limited) to eligible employees;

C. Not less than 90 ("Ninety" in the House bill) days' notice of the referendum was given to all such employees;

D. The referendum was conducted under the supervision of the governor or an agency or individual designated by him.

E. A majority of the eligible employees voted in favor of including service in such positions under an agreement under section 218.

(The House-approved bill required that a majority of the eligible employees vote in the referendum and that two-thirds or more of the employees who vote in the referendum vote in favor of coverage.)

The bill provides that an employee would be deemed an "eligible employee" for purposes of the referendum if, at the time the referendum was held, he was in a position covered by the retirement system and was a member of the system, and if he was in such a position at the time when notice of the referendum was given. He would not be an eligible employee, however, if at the time of the referendum he was in a position already covered under the agreement, or if he was in a policeman's or fireman's position, or if he was in a position excluded by the State from coverage under the agreement when it was made applicable to the retirement system involved. In short, the State would have to decide before holding the referendum which of the optional groups it proposed to exclude and then exclude occupants of those positions from participation in the referendum. Any occupants of positions in such groups which were not excluded by the State from the agreement would have to be given the opportunity to participate in the referendum if such referendum is to be valid for purposes of the new provisions of section 218 (d).

No referendum would be valid for the purposes of paragraph (3) unless held within the 2-year period which ends on the date of execution of the agreement (or modification thereof) which extends coverage to the retirement system involved; nor would any referendum be valid if held less than 1 year after the last previous referendum with respect to the same retirement system ("less than 1 year after any prior referendum" in the House bill—this is a purely drafting change).

The new paragraph (4) of section 218 (d) of the Social Security Act establishes, for purposes of the existing section 218 (c), a separate

coverage group consisting of all three of the following categories of employees:

A. All employees in positions covered by the same retirement system on the date when the agreement under section 218 with the State was made applicable to such system in accordance with the conditions in paragraph (3). The employees in this category are those to whose services an agreement cannot be made applicable under existing law because the services are performed in positions covered by a retirement system.

B. All employees in positions which were covered by that retirement system at any time after the date when the agreement was made applicable to the system. The employees in this category are those in positions which are brought under the retirement system after the agreement is made applicable to the system.

C. All employees in positions which were covered by the same retirement system at any time prior to the date when the agreement was made applicable to the system, and to which the old-age and survivors insurance system was not extended because of the existing provisions of section 218 (d) (which, under the bill, are contained in section 218 (d) (1)). The employees in this category are those in positions which were covered by the retirement system at the time the agreement was made applicable to the coverage group of which they were members, but which were later removed from coverage under the retirement system. The category includes employees in covered positions who are not themselves eligible for membership in the retirement system. These employees are excluded from coverage under present law; under the bill they could be covered, or, if the State so desired, they could be excluded from coverage when other employees who are not members of the retirement system are brought in.

Subparagraph (A) of the new paragraph (5) provides that the new provisions permitting extension of old-age and survivors insurance coverage to positions covered by retirement systems after a referendum are not applicable to any policeman's or fireman's position covered by a retirement system. By reason of the provisions of existing law which continue to be applicable to such policeman's or fireman's positions, services in such positions cannot be covered under an agreement if the positions are covered under a State or local retirement system at the time when the coverage group which includes employees performing services in such positions is brought under the agreement.

Subparagraph (B) of the new paragraph (5) provides that, 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 section 218 (c) and to which the agreement does not already apply, except those specified in paragraph (3) (C) of section 218 (c), may be excluded from the agreement at the time it is made applicable to the retirement system. Under this paragraph, the State may exclude emergency services and services in any classes of elective, part-time, or fee-basis positions, and also agricultural labor and student services which, if the services involved were performed for an employer other than a State or political subdivision, would be excluded from the program. Each such class so excluded would constitute a separate retirement system in the event that the agreement was later modified to bring that class in. The services

referred to in paragraph (3) (C) of section 218 (c), which could not be excluded under this paragraph when the agreement is made applicable to the retirement system, are services performed by individuals in positions covered by the system who are ineligible for membership in the system. Employees in these positions not already included under the agreement would have to be brought under it at the time it is made applicable to the retirement system covering those positions.

The new paragraph (6) provides that a retirement system which covers positions of employees of the State and positions of employees of one or more political subdivisions thereof, or covers positions of employees of two or more political subdivisions of the State, may be deemed, at the option of the State, to constitute 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. The members of each such group deemed to be a separate retirement system would vote in a separate referendum and would be covered or excluded as a single group. The House-approved bill contained a similar provision which allowed the State two alternatives with respect to a statewide system: The system could be treated either as a single system or as a separate system for each governmental unit concerned. Under these alternatives a State, in order to permit separate treatment of any one governmental unit, or any one type of governmental unit, under a statewide retirement system, would be required to hold a separate referendum for each unit, no matter how small the units or how numerous. It would not be possible, for example, to group participating governmental units according to size, geographical location, or type of personnel covered by the retirement system. The committee-approved bill would give the State greater latitude in deciding how the members of a retirement system should be grouped for purposes of the referendum and subsequent coverage.

The new paragraph (6) also provides that if a retirement system covers positions of employees of one or more institutions of higher learning there shall be deemed to be a separate retirement system for the employees of each such institution of higher learning. (The term "institutions of higher learning" is defined to include junior colleges and teachers' colleges.) This provision takes into account the fact that employees of such institutions are, in many instances, covered by a retirement system which also covers elementary and secondary schoolteachers. Your committee believes that an institution of higher learning is a sufficiently distinct unit to warrant special consideration and is generally a sufficiently composite unit to minimize any danger that covering the institution's employees as a separate group would subject the old-age and survivors insurance program to adverse selection of risks. The House-approved bill makes no specific provision for employees of institutions of higher learning and would not, in general, enable these employees to act independently to secure old-age and survivors insurance coverage.

Paragraph (3) of section 101 (g) of the committee-approved bill amends section 218 (c) (3) of the Social Security Act, which provides that an agreement shall, at the request of the State, exclude certain specifically designated positions. The amendment adds another such

optional exclusion. This new provision permits a State to exclude from coverage under an agreement all services performed by individuals as members of any coverage group who are in positions covered by a retirement system on the date when the group is brought under the agreement if these individuals are not eligible to become members of the system on that date (or on any later date when they first occupy the positions) and if they have not already been included under the agreement by means of a referendum. This optional exclusion does not apply, however, in the event that the coverage group brought under the agreement consists of the retirement system covering the positions of these ineligible employees; under paragraph (5) (B) of the new section 218 (d) they would have to be brought under the agreement. This paragraph is the same as paragraph (3) of section 101 (h) of the House bill.

Paragraph (4) of section 101 (g) of the bill amends section 218 (c) (4) of the Social Security Act, which provides that services in positions excluded at the option of the State under section 218 (c) (3) may later be brought under coverage. The amendment would add a new sentence providing that individuals in positions covered by a retirement system but ineligible for membership in the system when their coverage group is brought under an agreement may be brought under the agreement at any later time—either without a referendum, if they are still ineligible for membership at the time, or after a favorable referendum, if they have since become members of the retirement system. This paragraph is the same as paragraph (4) of section 101 (h) of the House bill.

Paragraph (5) of section 101 (g) amends section 218 (c) of the Social Security Act by adding to it a new paragraph (7). The new paragraph provides that, in order to bring under an agreement individuals in positions covered by a retirement system but not eligible for membership in the system, the State must make a choice. It must either agree that all such ineligible individuals in a single coverage group who later become eligible for membership in the retirement system will continue to be included under the agreement for old-age and survivors insurance, or it must agree that all such individuals in the group who later become eligible will cease to be included under the agreement. If, however, the agreement had been made applicable to the retirement system in the meantime, all such individuals would have to remain under the agreement when they became eligible for membership in the system. This paragraph is the same as paragraph (5) of section 101 (h) of the House bill.

Paragraph (6) of section 101 (g) of the bill (which is the same as par. (6) of sec. 101 (h) of the House bill) amends section 218 (f) of the Social Security Act, which relates to the effective dates of agreements and modifications thereof. Under the existing language agreements or modifications executed prior to January 1, 1954, could be made effective retroactively to January 1, 1951, thus enabling the States to negotiate agreements in the early days of the provisions relating to coverage of State and local employees without unduly penalizing the employees under the eligibility and benefit-computation provisions of old-age and survivors insurance because of unavoidable delay in this process. In the case of agreements or modifications executed after December 31, 1953, the coverage provided thereby may be made retroactive only to the beginning of the calendar year in which the

agreement or modification is consummated. This provision would be modified by the bill to permit agreements or modifications entered into during 1955, 1956, and 1957 to be made retroactive to January 1, 1955. This will give the States 3 years within which to enact any legislation necessary to enable them to enter into agreements or modifications of agreements designed to take advantage of the new provisions of section 218 (d) of the Social Security Act which have been added by the bill.

An agreement or modification retroactive to a date prior to its execution, either under existing law or by reason of the provisions of section 101 (g) of the bill, may not be made applicable with respect to service in the retroactive period performed by any individual who is not a member of a coverage group to which the agreement or modification applies on the date of the execution of the agreement or modification. Thus, service performed by individuals who die, retire, or otherwise leave the employ of the State or political subdivision prior to the date of execution of an agreement or modification would not be covered for retroactive periods.

Paragraph (7) of section 101 (g) of the bill (the same as par. (7) of sec. 101 (h) of the House bill) amends section 218 (m) of the act (relating to coverage of employees under the Wisconsin retirement fund) by changing the reference to "subsection (d)" to "paragraph (1) of subsection (d)."

Paragraph (8) of section 101 (g) (the same as par. (8) of sec. 101 (h) of the House bill) adds to section 218 of the act a new subsection (n), which provides that an agreement may, prior to January 1, 1958, be modified so as to apply to services performed by employees, as members of any coverage group to which the agreement already applies, in positions which were covered by a retirement system on the date the agreement was made applicable to the coverage group but which, by reason of action taken prior to the date of enactment of the bill, are no longer covered by a retirement system on the date when the agreement is made applicable to such services. The employees referred to are those who, after their coverage group was included under an agreement, had their retirement system dissolved or their positions removed from the coverage of a retirement system by reason of action taken by the State or political subdivision thereof prior to the date of enactment of the bill. A referendum would not be required for covering these employees.

The amendments to section 218 of the Social Security Act made by section 101 (g) of the bill would become effective January 1, 1955, except that made by paragraph (1) (B), which would be effective with enactment of the bill. Paragraph (1) (B) would make it impossible for retirement system members (except a person in a policeman's or fireman's position) to be covered without a referendum by dissolving the retirement system.

CIVILIAN EMPLOYEES OF STATE NATIONAL GUARD UNITS AND CERTAIN STATE INSPECTORS

Paragraph (1) of section 101 (h) of the bill amends paragraph (5) of section 218 (b) of the Social Security Act (which defines "coverage group") by adding a new provision. This provision would establish as a separate coverage group civilian employees of State National

Guard units who are employed pursuant to section 90 of the National Defense Act of June 3, 1916 (32 U. S. C., sec. 42), and paid from funds allotted to such units by the Department of Defense. These employees would also be deemed to be employees of the State. The Department of Defense does not regard these employees as Federal employees and has made provision for the payment of the employer's share of the old-age and survivors insurance taxes where the State is willing to cover the employees under its agreement. This amendment would be effective as of January 1, 1951.

Paragraph (2) of section 101 (h) further amends paragraph (5) of section 218 (b) of the Social Security Act by adding a provision which permits the State to deem certain inspectors of agricultural products to be State employees and establishes these persons as a separate coverage group. The inspectors specified in the provision are those 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 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. It is desirable to facilitate coverage of these employees because they generally work in several different States during the course of the year. Some States, however, do not wish to cover State employees generally and, under present law, cannot cover the inspectors without covering other State employees. This amendment would permit a State to cover inspectors of agricultural products even though other State employees were not covered. This amendment would be effective January 1, 1955.

Paragraph (3) of section 101 (h) provides that, notwithstanding section 218 (f) of the Social Security Act, any agreement or modification covering the services performed by members of the coverage group which consists of the civilian employees of State National Guard units referred to in the amendment made by paragraph (1) may have an effective date as early as December 31, 1950, provided the modification or agreement is agreed to prior to January 1, 1956.

Paragraphs (1) and (3) of section 101 (h) of the bill are the same as paragraphs (1) and (2) of section 101 (i) of the House-approved bill. That bill contained no provision comparable to paragraph (2) of section 101 (h) of the committee-approved bill.

CERTAIN EMPLOYEES OF THE STATE OF UTAH

Section 101 (i) of the bill adds a new subsection (o) to section 218 of the Social Security Act. The new subsection (o) would establish as separate coverage groups, and would permit coverage of, the employees of each of the following groups of educational employees in the State of Utah: 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.

The employees of each one of the aforementioned institutions, organizations, or units would constitute a separate coverage group for purposes of section 218. The State could, therefore, as is true with

other coverage groups under the existing law, cover any one or more of these coverage groups under its agreement. However, if Utah wished to cover any of the employees in a particular one of these groups, then, as is also true under existing law for other coverage groups, all of them (other than part-time and similar optionally excludable classes) would have to be covered.

This amendment would be effective as of January 1, 1951. Any of these groups, if a modification of an agreement to cover them is agreed to prior to January 1, 1955, could be covered retroactively to January 1, 1951, the beginning date of coverage for the majority of the other educational employees in the State.

The employees listed cannot be brought under the Utah old-age and survivors insurance agreement under present law, even though their retirement system was dissolved to make the employees eligible for old-age and survivors insurance coverage, because they were in positions covered by a retirement system on the date the agreement was made applicable to the coverage group of State employees. They now have only the protection of a supplemental State retirement system established after other educational employees had been brought under old-age and survivors insurance. The new section 218 (o) would enable the State to afford these groups of State educational employees the same combination of old-age and survivors insurance and a supplemental retirement system as is afforded other educational employees in the State. The House-approved bill contains no comparable provision.

PRESUMED WORK DEDUCTIONS IN CASE OF CERTAIN RETROACTIVE STATE AGREEMENTS

Section 101 (j) (1) of the bill establishes a presumption that work deductions have been made from the benefits of certain State and local employees whose services prior to 1955 were covered retroactively by a State under an agreement entered into under section 218 of the Social Security Act. Under the law and regulations applicable to services performed before 1955, any employees performing services covered retroactively, who were, at the time of the performance of the services, entitled to benefits under old-age and survivors insurance do not suffer deductions under section 203 (b) (1) or (2) of the Social Security Act, even though the remuneration for such services exceeds the amount permitted under such section. In some cases this prevents an employee whose services are thus covered retroactively from qualifying for a recomputation of his benefit amount since under present law a recomputation is authorized only if the primary beneficiary has had deductions from benefits on account of services performed during 12 months out of a period of 36 months.

This section of the bill establishes a presumption that such deductions have been made if they would have been imposed under section 203 (b) of the Social Security Act had the agreement been entered into on its effective date. Such a presumption would be made, however, only for purposes of determining whether any person is entitled to a recomputation of the primary insurance amount of the individual who performed the services covered retroactively by the State agreement. A retired worker to whom this provision is applicable, or in the case of his death, his survivors entitled to monthly benefits,

would be entitled to a recomputation of his primary insurance amount under the existing section 215 (f) (2) (A) or section 215 (f) (4) (A), as the case may be, if the conditions in the applicable section are met and if, in the case of a retired worker, the individual files an application for recomputation under section 215 (f) (2) (A) after August 1954 and prior to January 1956 or, in the case of survivors of a retired worker who died prior to January 1956, if any person entitled to survivor's monthly benefits files a specific application for a recomputation under section 215 (f) (4) (A).

Paragraph (2) of section 101 (j) of the bill provides that for purposes of a recomputation made by reason of paragraph (1) of the section, the primary insurance amount of the individual who performed the services referred to in such paragraph would be computed under subsection (a) (2) of section 215 of the Social Security Act, as amended by the bill (but, for such purposes, without application of subsection (d) (4) of section 215), and as though he became entitled to old-age insurance benefits in whichever of the following months yields the highest primary insurance amount:

(A) the month following the last month for which deductions are deemed, under paragraph (1) of section 101 (j), to have been made; or

(B) the first month after the month determined under subparagraph (A) (and prior to September 1954) in which his benefits under section 202 (a) of the Social Security Act were no longer subject to deductions under section 203 (b) of the act; or

(C) the first month after the last month (and prior to September 1954) in which his benefits under section 202 (a) of the Social Security Act were subject to deductions under section 203 (b) of the act; or

(D) the month in which the individual filed his application for recomputation referred to in paragraph (1) of section 101 (j) or, if he died without filing such an application and prior to January 1, 1956, the month in which he died, and in any such case (but, if the individual is deceased, only if death occurred after August 1954) the amendments made by subsections (b) (1), (e) (1), and (e) (3) (B) of section 102 of the Social Security Act would be applicable.

The recomputation would be effective for and after the month in which the application referred to in paragraph (1) of section 101 (j) is filed. The provisions of the section would not be applicable in the case of any individual if his primary insurance amount has been recomputed under section 215 (f) (2) of the Social Security Act prior to September 1954.

Paragraph (3) of section 101 (j) of the bill provides that if any recomputation is made under section 215 (f) of the Social Security Act by reason of deductions which are presumed under paragraph (1) of section 101 (j) of the bill to have been imposed with respect to benefits based on the wages and self-employment income of any individual, the total of benefits based on such wages and self-employment income for the months for which such deductions were presumed to have been imposed is to be recovered, under paragraph (2) of the subsection, by making deductions, in addition to any others required by section 203 of the Social Security Act, from any increase in benefits based on such wages and self-employment income and resulting from such recomputation.

Section 101 (j) of the committee-approved bill is substantially the same as section 101 (j) of the House-approved bill. Your committee has included additional dates to be used as the presumed date as of which the individual became entitled to old-age insurance benefits, in order to provide more equitable results in the recomputation of benefit amounts under this provision. Other minor changes were made to clarify the method of recomputation and the application of the provisions to survivors of workers with respect to whom the deductions are presumed but who died before 1956.

SERVICE BY AMERICAN CITIZENS FOR FOREIGN SUBSIDIARY OF DOMESTIC CORPORATION

Section 101 (k) of the committee-approved bill, which is the same as that in the House-approved bill (except for changes in references to the Internal Revenue Code necessitated by the revisions in that code made by H. R. 8300) amends the introductory language of section 210 (a) of the Social Security Act to include in the definition of "employment" service performed outside of the United States by a citizen of the United States as an employee of a foreign subsidiary (as defined in the new section 3121 (l) of the Internal Revenue Code of 1954) of a domestic corporation (as determined in accordance with the provisions of sec. 7701 of the Internal Revenue Code of 1954) during any period for which there is in effect an agreement with respect to such subsidiary between the domestic corporation and the Secretary of the Treasury entered into under such section 3121 (l) of the code.

EFFECTIVE DATES

Section 101 (l) provides effective dates for the amendments made by section 101 of the bill. The exclusion of coal royalties from "net earnings from self-employment" under section 211 (a) of the Social Security Act (sec. 101 (f) of the bill) would be effective for taxable years beginning after 1950. The extension of coverage to ministers (sec. 101 (c) of the bill) would be effective, except for purposes of section 203 of the Social Security Act, for taxable years ending after 1954. The provisions relating to the coverage of agricultural labor and service not in the course of the employer's trade or business (sec. 101 (a) (2), (3), (4), (5), and (6) of the bill) would be effective with respect to remuneration paid after 1954 (in the case of the amendments to the definition of "wages") and with respect to service for which the remuneration is paid after 1954 (in the case of the amendments to the definition of "employment"). The provisions relating to coverage of domestic service (sec. 101 (a) (1) of the bill) would be effective with respect to remuneration paid after 1954. The amendments made by the rest of section 101 of the bill (other than subsecs. (g), (h), and (i), relating to employees covered by State or local retirement systems, and subsec. (k), relating to coverage of service performed for foreign subsidiaries of domestic corporations by employees who are United States citizens), would be effective with respect to services performed after 1954.

In the case of the amendments made by section 101 (c) (extending coverage to ministers), a special provision is included for purposes of section 203 of the Social Security Act in order to avoid work deductions retroactive before 1955 where an individual is on a fiscal-year basis.

For such purposes, the extension of coverage to ministers will be effective only for net earnings from self-employment derived after 1954 (in the House bill "self-employment income" was incorrectly used in this provision).

Aside from the change from "self-employment income" to "net earnings from self-employment," the differences in this section from the bill as passed by the House are due to the changes in the coverage provisions already described above.

INCREASE IN BENEFIT AMOUNTS

Section 102 of the bill amends section 215 of the Social Security Act (relating to the computation of the primary insurance amount) to provide increases in benefit amounts, both for individuals already on the benefit rolls and those who will come on the rolls in the future.

Throughout this section of the bill, as well as in succeeding sections, the amendments have generally been made effective for months after August 1954. In the bill as passed by the House the amendments were generally effective for months after the month following enactment of the bill.

Primary insurance amount

Paragraph (1) of section 215 (a) of the act, as amended by the bill, sets forth a new benefit formula to be used in computation of the primary insurance amount of individuals who (1) have acquired at least six quarters of coverage after 1950 and either do not become eligible for old-age insurance benefits until after August 1954 or die after that month and prior to becoming eligible for old-age insurance benefits, or (2) acquire at least six quarters of coverage after June 30, 1953. The new benefit formula would be used if it resulted in a higher primary insurance amount than would result for such individual if his benefit amount were computed under the new conversion table provided in section 215 (c) as amended by the bill.

The benefit formula provided by the bill would be 55 percent of the first \$110 of average monthly wage plus 20 percent of the next \$240 of such wage. Under present law, the formula is 55 percent of the first \$100 of average monthly wage plus 15 percent of the next \$200.

Paragraph (2) of section 215 (a) as amended by the bill provides that any other individual shall have his primary insurance amount computed through the conversion table in section 215 (c) as amended by the bill.

Average monthly wage

Section 102 (b) of the bill amends section 215 (b) of the Social Security Act to provide standard end-of-the-year starting and beginning-of-the-year closing dates, applicable to both wage earners and self-employed individuals, for computation of the average monthly wage, and to provide for the exclusion of up to 5 years in which earnings were lowest (or nonexistent) from the average monthly wage computation.

Paragraph (1) of the subsection amends paragraphs (1), (2), and (3) of subsection 215 (b) of the act (relating to computation of the average monthly wage).

The amended paragraph (1) of section 215 (b) eliminates the distinction, in present law, between the "wage closing date" and the "self-

employment income closing date," and the provision that the individual's "divisor closing date" shall be the later of his "wage closing date" or "self-employment income closing date." An individual's average monthly wage, under the amended paragraph, would be the quotient obtained by dividing the total of his wages and self-employment income after his "starting date" and prior to his "closing date" by the number of months elapsing between those dates. Excluded from this computation would be the months in any year after an individual's starting date, but prior to the year in which he attained age 22, in which he did not have at least 2 quarters of coverage. Under present law, the months in any quarter prior to the quarter of attainment of age 22 which is not a quarter of coverage are excluded from the computation. As in present law, the minimum divisor used for the computation (including a computation made after the application of paragraph (4) of section 215 (b) when it is applicable) would be 18.

Paragraph (2) of section 215 (b) as amended by the bill provides that an individual's "starting date" shall be December 31, 1950, or, if later, the last day of the year in which the individual attains age 21, whichever results in the higher primary insurance amount.

Paragraph (3) of section 215 (b) as amended by the bill provides that an individual's "closing date" shall be whichever of the following results in the higher primary insurance amount: (1) the first day of the year in which he died or became entitled to old-age insurance benefits, whichever first occurred; or (2) the first day of the year in which he first became eligible for old-age insurance benefits (i. e., was both fully insured and attained retirement age). In those cases where adequate evidence of earnings in the year of death or entitlement is available to the Secretary at the time of benefit computation, an alternative computation using as the closing date the first day of the year following the year of death or entitlement may be made. Where the alternative closing date would increase the individual's primary insurance amount, the higher amount would be paid at that time.

Evidence would be considered to be available when it can be readily obtained as, for example, where the individual brings such evidence with him or can obtain it with reasonable promptness or such evidence can be readily obtained from the employer. If the earnings in the year of death or entitlement are not used in the initial computation of the benefit, provision is made in section 215 (f) (3) of the act as amended by the bill, whereby the individual (or his survivor in the event of his death) can have the benefits recomputed upon application after the year of death or entitlement. In such a recomputation the closing date becomes the first day of the year after the year of death or entitlement so that earnings in such year of death or entitlement may be used in the benefit computation. They will be used, however, only if they produce a higher benefit amount.

In the provisions amended by paragraph (2) of the bill, two technical changes have been made. First, your committee has made it clear that the minimum divisor of 18 used in computing the average monthly wage applies after the dropout of the 5 or fewer years in any case in which the provisions for a dropout of these years of low earnings are applicable. Second, the House-passed bill provided that the starting and closing dates used in the computation should be those yielding the higher "average monthly wage." Your committee has changed this to "primary insurance amount" to avoid the requirement

of using the closing date which produces a higher average monthly wage even though the use of an alternative date would produce a higher primary insurance amount and, therefore, higher benefits.

Paragraph (2) of section 102 (b) of the bill deletes paragraph (4) of section 215 (b) of present law and replaces it with a new paragraph which directs the Secretary to determine, and to exclude from the computation of an individual's average monthly wage, the four or fewer full calendar years which, if the months thereof elapsing after the individual's starting date and prior to his closing date, and the wages and self-employment income for such years, were excluded from the computation, would produce the highest primary insurance amount. In the case of any individual who has at least 20 quarters of coverage, the maximum number of years to be dropped would be 5, instead of 4.

A technical change has been made in the amendment made by this paragraph. As passed by the House of Representatives, this amendment provided that an individual could drop 5 years from the computation of his average monthly wage only if he had at least 20 quarters of coverage prior to the closing date used in the computation of his benefit amount. The change made by your committee will avoid anomalous results in cases where an individual had more than 20 quarters of coverage but could drop only 4 years because fewer than 20 of those quarters occurred before the closing date used in the computation of his benefit.

Determinations made by use of the conversion table

Section 102 (c) of the bill amends section 215 (c) of present law to provide a new conversion table to be used to increase the benefits of individuals already on the rolls and to compute the primary insurance amount of certain individuals who come on the rolls after the enactment of the bill. Your committee concurs in the provisions adopted by the House in this section.

Paragraph (1) of the amended section sets forth the new conversion table, as follows:

"I "If the primary insurance benefit (as determined under subsection (d)) is—	II Or the primary insurance amount (as determined under subsection (d)) is—	III The amount referred to in paragraphs (1) (B) and (2) of subsection (a) shall be—	IV And the average monthly wage for purposes of computing maximum benefits shall be—
\$10.....	\$25.00	\$30.00	\$55.00
\$11.....	27.00	32.00	58.00
\$12.....	29.00	34.00	62.00
\$13.....	31.00	36.00	65.00
\$14.....	33.00	38.00	69.00
\$15.....	35.00	40.00	73.00
\$16.....	36.70	41.70	76.00
\$17.....	38.20	43.20	79.00
\$18.....	39.50	44.50	81.00
\$19.....	40.70	45.70	83.00
\$20.....	42.00	47.00	85.00
\$21.....	43.50	48.50	88.00
\$22.....	45.30	50.30	91.00
\$23.....	47.50	52.50	95.00
\$24.....	50.10	55.10	100.00
\$25.....	52.40	57.40	104.00
\$26.....	54.40	59.40	108.00
\$27.....	56.30	61.30	114.00
\$28.....	58.00	63.00	123.00
\$29.....	59.40	64.40	130.00
\$30.....	60.80	66.30	139.00
\$31.....	62.00	67.90	147.00
\$32.....	63.30	69.50	155.00
\$33.....	64.40	71.10	163.00
\$34.....	65.50	72.50	170.00
\$35.....	66.60	73.90	177.00
\$36.....	67.80	75.50	185.00
\$37.....	68.90	77.10	193.00
\$38.....	70.00	78.50	200.00
\$39.....	71.00	79.90	207.00
\$40.....	72.00	81.10	213.00
\$41.....	73.10	82.70	221.00
\$42.....	74.10	83.90	227.00
\$43.....	75.10	85.30	234.00
\$44.....	76.10	86.70	241.00
\$45.....	77.10	88.50	250.00
\$46.....	77.10	88.50	250.00
	77.20	88.50	250.00
	77.30	88.50	250.00
	77.40	88.50	250.00
	77.50	88.50	250.00
	78.00	89.10	253.00
	79.00	90.50	260.00
	80.10	91.90	267.00
	81.00	93.10	273.00
	82.00	94.50	280.00
	83.10	95.90	287.00
	84.00	97.10	293.00
	85.00	98.50	300.00"

Column I of the table contains amounts of primary insurance benefits computed on the basis of average earnings from January 1, 1937, and under the benefit formula provided in the Social Security Act before the 1950 amendments. Column II contains primary insurance amounts computed under the present act, either through the conversion table in the act, or through the benefit formula provided therein in cases where average earnings after 1950 are used in the computation. Column III sets forth the new primary insurance amounts to which the amounts on corresponding lines in columns I and II are to be increased. Column IV sets forth the average monthly wage to be used in setting the maximum amount of benefits payable to the family.

The table is designed to provide an increase of at least \$5 in primary insurance amounts. The amounts in column III of the table for which there is in column I a corresponding primary insurance benefit were computed by applying the new benefit formula in the bill to the amounts of average monthly wage in column III of the conversion table in present law, and further increasing any of the resultant primary insurance amounts so that they were at least \$5 more than the primary insurance amounts in the present conversion table corresponding to such average monthly wage. The table is so constructed that at average monthly wage levels of \$130 or more, benefit amounts for individuals having the same average monthly wage will be identical, regardless of whether the benefit is computed through the conversion table or the new formula. Where the individual's average monthly wage, even after a dropout of low years, is less than \$130, the conversion table may give a more favorable result. The amounts in column II for which there are corresponding amounts of primary insurance benefits in column I are derived by applying to such primary insurance benefits the conversion table in present law. The amounts in column II for which there are no corresponding primary insurance benefits (i. e., amounts above \$77.10) are derived from actual average monthly wages on the basis of earnings after 1950 under the formula in section 215 (a) (2) of present law.

The amounts in column IV are amounts of average monthly wage which would yield the primary insurance amount on the corresponding line in column III by applying the revised benefit formula in section 215 (a) (1) (A) of the act as amended by the bill. Such amounts in column IV will determine the maximum amount of the benefits payable on the basis of an individual's wages and self-employment income under section 203 (a) of the act, as amended by the bill.

Paragraph (2) sets forth the methods to be used for computation of the new primary insurance amount for amounts that fall between the amounts on any two consecutive lines of column I or II of the table. Subparagraph (A) of the paragraph provides that when the primary insurance benefit falls between the amounts on any two consecutive lines in column I of the table, the new primary insurance amount is to be determined by applying the new benefit formula to the average monthly wage which would be determined for the individual under the applicable provisions of present law relating to the determination of benefits under the conversion table where the old primary insurance benefit falls between the amounts on two consecutive lines of the existing table. The primary insurance amount thus obtained, if not already a multiple of 10 cents, would be rounded upward to the next higher multiple of 10 cents and would then be increased, if necessary, to the extent that it is less than \$5 greater than the primary insurance amount that would be derived from the individual's primary insurance benefit under the provisions of present law.

Subparagraph (B) of the paragraph provides that when an individual's primary insurance amount (computed under the benefit formula in present law) falls between any two consecutive lines in column II of the table, the new primary insurance amount shall be computed as in subparagraph (A) in those cases where the primary insurance amount under present law can be derived from a primary insurance benefit in accordance with the applicable provisions in present law. Where it cannot be so derived, or where the primary insurance amount

derived under present law is more than \$77.10, the new primary insurance amount would be derived by applying the new benefit formula in the bill to the average monthly wage from which the present primary insurance amount was determined. The resultant amount would be rounded to the next higher multiple of 10 cents if it is not already a multiple of 10 cents and would then be increased to the extent, if any, that it is less than \$5 greater than the primary insurance amount computed under present law.

Subparagraph (C) of paragraph (2) provides that in cases where the individual's primary insurance amount can be computed under the provisions of both subparagraph (A) and subparagraph (B), the subparagraph that yields the larger primary insurance amount shall be used.

Section 215 (c) (3) of the Social Security Act is repeated in the bill. It is designed to facilitate the mechanical processing of the increases provided by the bill by providing for an assumed primary insurance benefit 1 or 2 cents more or less than the actual primary insurance benefit from which a benefit under section 202 has been computed.

Section 215 (c) (4) of the Social Security Act as amended by the bill provides that, for purposes of section 203 (a) (setting the maximum monthly amount of benefits payable on a single wage record), the average monthly wage of an individual whose primary insurance amount is determined under paragraph (2) of the amended subsection (providing a method for computing the new primary insurance amount for persons whose primary insurance benefits or present-law primary insurance amounts fall between the amounts on any two consecutive lines in column I or II of the conversion table) shall be a sum equal to the average monthly wage which would result in such new primary insurance amount if the new benefit formula provided in the amended section 215 (a) (1) (A) were applied to such average monthly wage. However, if such average monthly wage is not already a multiple of \$1, in lieu of being rounded to the next lower multiple of \$1 as it is under existing law, it would be rounded to the nearest multiple of \$1 (or to the next higher multiple of \$1 if it was a multiple of \$0.50).

Primary insurance benefit and primary insurance amount for purposes of conversion table

Section 102 (d) of the bill amends section 215 (d) of present law to add provisions for computation of a primary insurance amount for purposes of the conversion table to the present provisions for computation of a primary insurance benefit for such purposes.

Paragraph (1) changes the heading of section 215 (d) to read "Primary Insurance Benefit and Primary Insurance Amount for Purposes of Conversion Table."

Paragraph (2) changes the introductory sentence of subsection (d) of section 215 to provide that primary insurance amounts required by the conversion table procedures would be computed under the provisions of the subsection.

Paragraph (3) amends paragraph (4) of section 215 (d) of the Social Security Act to provide that a primary insurance benefit would not be computed in the case of any individual who attained age 22 after 1950 and with respect to whom not less than 6 of the quarters elapsing after 1950 are quarters of coverage. Such an individual is not eligible for a primary insurance benefit computation under present

law. He could still have a primary insurance amount, based on earnings after 1950, computed for purposes of the conversion table.

Paragraph (4) of section 102 (d) of the bill adds a new paragraph (6) to section 215 (d) of the Social Security Act, to provide that an individual's primary insurance amount for purposes of the conversion table shall be computed under the provisions of present law, except that the provisions of the bill relating to the new standard starting and closing dates for computation of average monthly wage, to increase in earnings counted after 1954, and to elimination of periods of disability from the computation, would be applicable. The provisions for dropping up to 5 lowest years, however, would not be applicable to computations made under this paragraph, although they would be applicable to computations of primary insurance benefits for purposes of the conversion table.

Exclusion of self-employment income in taxable year ending in or after first month of entitlement

Section 102 (e) (1) of the bill amends section 215 (e) of the act (relating to wages and self-employment income not to be counted in the computation of the average monthly wage) by adding a new paragraph (3) to provide that if an individual's closing date is the first day of the year in which he became entitled to old-age insurance benefits, and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he becomes entitled to old-age insurance benefits, his self-employment income in such taxable year may not be counted, except as provided in section 215 (f) (3) (C) of the act as amended by the bill (relating to a special recomputation for such individuals after the close of the taxable year).

Recomputation of benefits

Paragraph (2) of section 102 (e) amends section 215 (f) (2) of the act (relating to recomputation of benefits to take account of earnings after entitlement). Under section 215 (f) (2) (A) of present law, one of the requirements for an individual to qualify for such a recomputation is that his benefits must have been suspended, on account of earnings in excess of the amount permitted by the retirement test, in 12 months out of a 36-month period. Because of the liberalizations in the retirement test made by the bill, benefit suspensions would no longer serve as a suitable test for determining eligibility for a recomputation to take into account additional earnings after entitlement.

Subparagraph (A) of the amended section 215 (f) (2) would provide that an old-age insurance beneficiary could have his benefit recomputed upon an application for a recomputation of his benefits filed after 1954 if (1) he had at least 6 quarters of coverage after 1950 and before the quarter in which he filed application; (2) he had covered earnings of more than \$1,200 in a calendar year occurring after 1953 (not taking into account any calendar year prior to the calendar year in which the last previous computation of his primary insurance amount was effective) and after the year in which he became entitled to old-age insurance benefits or filed an effective application for a recomputation under section 102 (e) (5) (B) or 102 (f) (2) (B) of the bill (relating, respectively, to the work recomputation under present law to take into account earnings after entitlement and to the dropout

recomputation, i. e., dropping of up to 5 years of lowest earnings or no earnings, whichever of these 3 events is the latest; and (3) he filed the application for recomputation under the subparagraph no earlier than 6 months after the end of the calendar year referred to in clause (2) above. The increased benefits resulting from an effective recomputation would be payable retroactively for up to 12 months prior to the month in which the application was filed, but in no case for any month prior to the month following the calendar year referred to in clause (2), above.

This provision differs from that in the House bill in that the amount of annual earnings required before an individual can qualify for a work recomputation is increased from "not less than \$1,000" to "more than \$1,200", in conformity with the change made by your committee in the retirement test, described below. Your committee has also changed the provision as passed by the House to make it clear that an individual is eligible for only one work recomputation on the basis of earnings in a single year.

Subparagraph (B) provides that a recomputation under subparagraph (A) shall be made as though the individual first became entitled to old-age insurance benefits in the month in which he filed the application for such recomputation (i. e., with the use of all applicable closing and starting dates and benefit formulas), but only if the provisions of subsection (b) (4) (relating to the dropout of years of lowest or no earnings) were not applicable to the last previous computation of his primary insurance amount. If the dropout provisions were applicable to such last previous computation, the recomputation under subparagraph (A) would be made only under the new benefit formula provided in the new section 215 (a) (1) (A) of the act as amended by the bill, with the average monthly wage based on a closing date of the first day of the year in which the application was filed.

Under the provision as passed by the House, the first work recomputation to which an individual became entitled after the effective date would have permitted the use of all applicable starting and closing dates and benefit formulas, even though the "dropout" provisions had been applicable to his last previous benefit computation. A complete reopening of the benefit computation provisions in such cases imposes an unnecessary administrative burden, since no real purpose is served by applying all applicable starting and closing dates and benefit formulas after the "dropout" provisions have already been applied. In such cases, if the individual's earnings will increase his benefit amount, such increase can be effectuated through the use of the benefit formula in the new section 215 (a) (1) (A).

Paragraph (3) (A) of section 102 (e) of the bill amends section 215 (f) (3) of the act (relating to recomputation of benefits) to provide that an individual's primary insurance amount shall be recomputed to take into account earnings in the year (1) in which he became entitled to old-age insurance benefits if he became entitled to such benefits after August 1954, or (2) had a recomputation of his benefit under section 102 (e) (5) or 102 (f) (2) (B) of the bill (relating, respectively, to certain work recomputations and the dropout recomputation, or (3) whose primary insurance amount was recomputed under the provisions of the first sentence of paragraph (2) (B) of the new section 215 (f) (relating to work recomputations for individuals who

have earnings of more than \$1,200 in a year), but only if application for such recomputation was filed after the year in which he became entitled to old-age-insurance benefits, or in which he filed an effective application for the last recomputation of the type referred to above. The closing date for the recomputation provided by the new paragraph (3) (A) of section 215 (f) of the act would be the first day of the year following the year in which he became entitled to old-age-insurance benefits or filed his application for the last previous recomputation referred to above, whichever is the later. Any increase in benefit amount resulting from the recomputation would be payable retroactively to the first month for which the last previous computation of his benefit amount was effective, but in no case for more than 24 months prior to the month in which the application for this recomputation is filed.

The new paragraph (3) (B) of section 215 (f) of the act provides for a recomputation for survivors in the case of an individual who dies after August 1954, who, at the time of his death, was not entitled to an old-age insurance benefit, or who became entitled to an old-age insurance benefit after August 1954, or whose primary insurance amount was recomputed under the provisions for work or "dropout" recomputation, and whose last previous benefit computation or recomputation was made on the basis of a closing date of the first day of the year of death, entitlement, first eligibility, or application for the recomputation, whichever is applicable. His primary insurance amount would be recomputed on the filing of an application by a survivor entitled to monthly benefits or a lump-sum death payment on the basis of his wage record. The closing date for the recomputation would be the first day of the year following the year in which the individual died, or, if he was entitled to old-age insurance benefits, the year in which he filed his application for the last previous computation or recomputation of his primary insurance amount, or died, whichever first occurred. Any increase in monthly survivors' benefits resulting from the recomputation would be payable retroactively to the month in which the survivor first became entitled to such benefits but in no event for more than 24 months prior to the month the application for recomputation was filed.

The recomputation for survivors in the bill as passed by the House was limited to those cases where the individual himself would have been eligible to file an application for the recomputation in the month in which he died. This would have barred a recomputation in those cases where the individual died in the year in which he became entitled to old-age insurance benefits or filed an application for a recomputation. To avoid this anomaly, the provision was changed to make it clear that in such cases the survivors would be entitled to a recomputation.

Paragraph (3) (B) of section 102 (e) of the bill further amends section 215 (f) (3) to provide (in a new subparagraph (C)) that if an individual's closing date is the first day of the year in which he became entitled to old-age insurance benefits, and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he became entitled to old-age insurance benefits, a recomputation of the individual's primary insurance amount shall be made, after the close of the taxable year, to include in the calculation so much of the self-

employment income for such taxable year as is allocated to calendar quarters prior to the closing date. No application would be required for a recomputation under this subparagraph. The recomputed amount would be effective for and after the first month in which the individual became entitled to old-age insurance benefits.

Paragraph (4) of section 103 (e) of the bill amends paragraph (4) of section 215 (f) of the act (relating to the recomputation of the primary insurance amount of a deceased individual) to provide for recomputation of the primary insurance amount on the death after 1954 of an old-age insurance beneficiary, if any person is entitled to monthly survivors benefits or to a lump-sum death payment on the basis of his wages and self-employment income. The recomputation would be made only if the decedent (1) would have been entitled to a recomputation under subparagraph (A) of the section 215 (f) (2), as amended by this bill (relating to a work recomputation for individuals who have earnings of more than \$1,200 in a year), had he filed an application therefor in the month in which he died (without regard to the provision in such subparagraph (A) which requires that the application be filed after the sixth month following the year in which the earnings of \$1,200 were derived), or (2) he was paid compensation for services covered under the Railroad Retirement Act which is treated as remuneration for employment under the Social Security Act. If the recomputation is permitted by clause (1), above, the recomputation would be made as though the individual had filed an application for a work recomputation under section 215 (f) (2) (A) in the month in which he died, and would include, in addition, any railroad compensation paid prior to the applicable closing date used in the computation. If recomputation is permitted by clause (2), above, the closing date for the recomputation would be the same as that used in the last previous computation of his primary insurance amount, and would include, in addition, only railroad compensation paid prior to such closing date. If the recomputation is permitted by both clauses (1) and (2), the method giving the higher primary insurance amount would be used.

Paragraph (5) (A) of subsection (e) of section 102 of the bill provides that where an individual would have been entitled, on the filing of an application before September 1954, to a recomputation of his primary insurance amount on account of deductions from benefits or attainment of age 75 and acquisition of 6 quarters of coverage after 1950 under subparagraph (A) or (B) of section 215 (f) (2) of present law (except for the provision that such recomputation must result in a higher primary insurance amount to be effective), his primary insurance amount shall be recomputed on application by him or by a survivor filing application for monthly benefits or a lump-sum death payment on his record. In such recomputation the primary insurance amount would be determined only under the provisions of the bill relating to the conversion table through the use of the benefit formula in section 215 (a) (1) of the present law which provides for a computation on the basis of earnings after 1950. The recomputation would take into account only such earnings as would be counted, for purposes of computing the average monthly wage, as though the month of filing application for the recomputation (or, if the individual died without filing such application, the month of death) were the month in which he became entitled to old-age insurance benefits. The recomputation would be effective, in the case of old-age insurance

benefits, for and after the month in which the application for recomputation is filed, and in the case of monthly survivors' benefits, for and after the month in which the survivor became entitled to monthly benefits.

Paragraph (5) (B) of this subsection provides that an individual who is entitled on the basis of an application filed after August 1954 to a work or age 75 recomputation under subparagraph (A) or (B) of section 215 (f) (2) of present law, or who dies after August 1954 leaving any survivors entitled to a survivor's recomputation under section 215 (f) (4) of present law, and who either acquired his sixth quarter of coverage after 1950 and prior to September 1954, or first qualified for the recomputation after August 1954 (i. e., had the 12th deduction under section 203 (b) (1) or (2) of the present law or attained age 75 after that month), his primary insurance amount shall be recomputed on application by him, or in the event of his death after the effective date if a survivor is entitled to a recomputation under section 215 (f) (4) of present law. The computation of the primary insurance amount in such cases would be made under all the applicable provisions of section 215 of the law as amended by this bill, except that the closing date would be determined as though he had become entitled to benefits in the month in which he filed his application for recomputation or in the month of death. In the case of monthly benefits, the recomputation would be effective for and after the month in which the application was filed, or, if the individual died, for and after the month in which the person filing the application for survivor's benefits became entitled to such benefits.

Subparagraph (C) of paragraph (5) of section 102 (e) of the bill provides that an individual, or in case of his death, his survivors entitled to a lump-sum death payment or to monthly benefits on the basis of his wage record, shall be entitled to a work (or age 75) recomputation of his primary insurance amount under section 215 (f) (2) or section 215 (f) (4) of present law, only if (1) he had not less than 6 quarters of coverage after 1950 and prior to January 1, 1955, and (2) either the 12th qualifying deduction occurred prior to January 1, 1955, or he attained the age of 75 prior to 1955, and (3) he meets the other conditions for entitlement to such a recomputation. The subparagraph also provides that if the individual's primary insurance amount has been recomputed previously under either subparagraph (A) or (B) of section 102 (e) (5) of the bill, it shall not be recomputed again under either of these subparagraphs.

Subparagraphs (A), (B), and (C) of section 102 (e) (5) of the bill differ slightly from the House-passed bill. They have been changed to make it clear that if the old-age beneficiary dies without filing the application which would have entitled him to a recomputation thereunder, any of his survivors entitled to monthly benefits or a lump-sum payment on his record may file an application and secure the recomputation.

Special July 1, 1956 closing date

Paragraph (6) of section 102 (e) of the bill provides special starting and closing dates in the case of an individual who dies or becomes entitled to old-age insurance benefits in 1956, provided such individual had not less than 6 quarters of coverage after 1954 and prior to the quarter following the quarter in which he died or became entitled

to old-age insurance benefits, whichever first occurred. In such cases, the individual's starting date would be December 31, 1954, and his closing date would be July 1, 1956. The primary insurance amount in these cases would be computed only through the new benefit formula established by the bill. The special starting and closing dates would be used only if they would result in a higher primary insurance amount.

The determination of an individual's closing date in accordance with the above provision would be considered as a determination of his closing date under section 215 (b) (3) (A) of the act as amended by this bill (relating to the closing date of the 1st day of the year of death or entitlement to old-age insurance benefits), and the recomputation provided in section 215 (f) (3) (C) (relating to self-employment income in a taxable year which begins prior to an individual's closing date and ends after the last day of the month preceding the month in which he became entitled to benefits), would be made using the closing date of July 1, 1956, if it would result in a higher primary insurance amount.

In any computation based on the July 1, 1956 closing date, the total of wages and self-employment income after December 31, 1955, which may be used in such computation would be reduced to \$2,100, if it is in excess of that amount.

The provisions of this paragraph differ from those in the bill as passed by the House, which would permit the use of the July 1, 1956, closing date in all cases of death or entitlement in 1956, so long as the individual had at least 6 quarters of coverage after 1954 and through the quarter of death or entitlement, regardless of which starting date or benefit formula was used. Your committee believes that this provision was intended to take care of those individuals newly covered in 1955, who would otherwise be disadvantaged by the use of the minimum divisor of 18 in the computation of their average monthly wage. To open this special provision, as does the House bill, to all types of benefit computations, would unnecessarily complicate the administration of the program.

Maximum family benefits

Paragraph (7) of section 103 (e) of the bill amends section 203 (a) of the Social Security Act to provide new maximum limitations on the total monthly amount of benefits payable on the basis of the wages and self-employment income of an insured individual. Whenever such total of monthly benefits is more than \$50 and exceeds the larger of 80 percent of the insured individual's average monthly wage or $1\frac{1}{2}$ times his primary insurance amount, such total of benefits would, after any deductions made under section 203 of the act, be reduced to the larger of 80 percent of the insured individual's average monthly wage or $1\frac{1}{2}$ times his primary insurance amount, but in no case to less than \$50. If any of the individuals entitled to such benefits would (but for the provisions of section 202 (k) (2) (A) of the act limiting the benefit payments of a child to the benefit payable on the record yielding the largest primary insurance amount) be entitled to benefits on the basis of the wages and self-employment income of more than one insured individual, the benefits could not be reduced to less than 80 percent of the sum of the average monthly wages of all such insured individuals. If, after reduction as provided above, the total family benefits payable exceeded \$200 a month the total for the month

would be reduced to that amount. Whenever a reduction in family benefits is made under this subsection, each benefit, except the old-age insurance benefit, would be proportionately decreased.

Lag recomputation preserved for certain cases

Paragraph (8) of section 102 (e) of the bill provides that in the case of an individual who became entitled (without the application of the retroactive provisions of section 202 (j) (1) of the Social Security Act) to old-age insurance benefits, or died, prior to the day following the month after the month of enactment, the provisions of section 215 (f) (3) of the existing law (regarding recomputation of benefits on application filed 6 months after the month of entitlement or death) would be applicable as though the bill had not been enacted.

Effective date

Section 102 (f) of the bill sets forth the effective date of the provisions of section 102 (a), (b), (c), (d), and (e) of the bill.

Subsection (f) (1) provides that the amendments made by sections 102 (a), (c), (d), and (e) (7) of the bill shall apply, notwithstanding the restrictions on recomputation of benefits in section 215 (f) (1) of the act, in the case of lump-sum death payments with respect to deaths after, and in the case of monthly benefits for months after, the effective date of the bill (the last day of the month following the month in which the bill is enacted).

Under the provisions of subsection (f) (2) (A), the amendment made by subsection (b) (2) (providing for a dropout of up to 5 years of lowest earnings in computing benefits) becomes applicable in the case of monthly benefits for months after August 1954 and the lump-sum death payment in the case of death after August 1954 based on the earnings of an individual only in the following cases:

(1) He first becomes eligible for old-age insurance benefits (i. e., attains age 65 and is fully insured) after August 1954; or

(2) He dies after the effective date without becoming eligible for old-age insurance benefits; or

(3) He is or has been entitled to have a recomputation of his primary insurance amount under section 215 (f) (2) of the act as amended by the bill (relating to work recomputations to take account of earnings after entitlement to old-age insurance benefits) or under subsection (e) (5) (B) of section 102 of the bill (relating to work recomputations of benefits under the present provisions of law in certain cases where application for the recomputation is filed after August 1954; or

(4) He acquires 6 quarters of coverage after June 1953; or

(5) He files an application for a disability determination which is accepted as an application under the provisions of section 216 (i) of the act as amended by the bill; or

(6) He dies after August 1954 and his survivors are entitled (or would be entitled except for the requirement that the recomputation result in a higher primary insurance amount) to a recomputation of his primary insurance amount under section 215 (f) (4) (A) of the act as amended by the bill.

Subsection (f) (2) (B) provides that the primary insurance amount of an individual who was entitled to old-age insurance benefits or who was 65 or over and fully insured in August 1954 and who has 6 quarters of coverage after June 1953 shall be recomputed upon his application, or if he dies without applying, upon the application of any

person entitled on his record to monthly survivors benefits. This recomputation is to be made under section 215 of the act, but without regard to the recomputation provisions in subsection (f) thereof (other than paragraph 3 (C), relating to special recomputations for certain individuals who become entitled to old-age insurance benefits prior to the close of their taxable years), except that in computing his average monthly wage his closing dates shall be the same as if he became entitled to old-age insurance benefits in the month in which he filed his application for such recomputation or in which he died. This recomputation is made effective for and after the 12th month before the month in which the application was filed, but in no case before the 1st month of the quarter in which the individual acquired his 6th quarter of coverage after June 30, 1953, or if he has died, beginning with the 1st month for which the survivor who filed the application was entitled to monthly survivors benefits. It would not be effective unless it increased the primary insurance amount or if there had been a previous recomputation under the subparagraph.

Under this subparagraph as passed by the House, the recomputation, in the case of old-age insurance benefits, was made effective with the month in which the application was filed. The change made by your committee avoids a situation in which individuals on the rolls in September 1954 would have to be notified that they must file applications for the recomputation in October or face the loss of increased benefits for 1 or more months.

Subsection (f) (3) provides that the amendments made by subsections (b) (1), (e) (1), and (e) (3) (B) of section 102 of the bill (relating to computation of the average monthly wage) shall be applicable only in the case of monthly benefits based on the wages and self-employment income of an individual who does not become entitled to old-age insurance benefits until after August 1954, or who dies after the effective date without becoming entitled to such benefits, or who files an application after August 1954 and is entitled to certain work recomputations or a dropout recomputation.

Subsection (f) (4) provides that the amendments made by section 102 (e) (2) of the bill (relating to work recomputations) shall be applicable only in the case of applications for such recomputations filed after 1954. It also provides that the amendment made by section 102 (e) (4) (relating to survivors recomputations) shall be applicable only in the case of deaths after 1954.

Subsection (f) (5) provides that the amendments made by section 102 (e) (3) (A) of the bill (relating to recomputation of benefits to take account of earnings in the year of entitlement) shall be applicable only in the case of applications for recomputation filed, or deaths occurring, after August 1954.

Subsection (f) (6) provides that no increase in benefits by reason of the amendments to the Social Security Act made by section 102 of the bill, other than a recomputation under subsection (e), or by reason of the dropout recomputation provided in subparagraph (B) of subsection (f) (2) of the bill shall be regarded as a recomputation for purposes of section 215 (f) of the act.

Section 102 (g) of the bill amends section 2 (c) (2) (B) of the Social Security Act amendments of 1952 (designed to facilitate the computation of benefit increases under that act for dependents and survivors on the benefit rolls), to provide that that section shall become inap-

plicable for months after August 1954. This section of the 1952 law would be made unnecessary by the amendments in this bill.

Saving provisions

Section 102 (h) of the bill contains saving provisions to prevent the reduction of benefits in certain cases.

Subsection (h) (1) provides that where an old-age insurance beneficiary and one or more dependents are receiving benefits for August 1954 on the basis of his wages and self-employment income and the total family benefits would otherwise be reduced by reason of the maximum limitation on total family benefits in section 203 (a) of the Social Security Act, as amended by the bill, the family shall be guaranteed the largest of the following total amounts: (a) The maximum amount permitted by such section 203 (a); or (b) the maximum amount permitted under present law plus the increase provided by the bill for the old-age insurance beneficiary; or (c) the amount being paid to the family under the saving provisions of the Social Security Act amendments of 1952 plus the increase provided by the bill for the old-age insurance beneficiary. Thus, even though the increase made in the retired worker's old-age insurance benefit resulted in a total family benefit in excess of the maximum allowable under the law, the benefits paid to his dependents would not be reduced for months subsequent to August 1954.

Subsection (h) (2) provides that where two or more individuals are receiving survivors benefits for August 1954 on the basis of a deceased individual's wages and self-employment income, and the total of their benefits would otherwise be reduced, under the provisions of section 203 (a) of the Social Security Act, as amended by the bill, to either 80 percent of the deceased individual's average monthly wage or $1\frac{1}{2}$ times the individual's primary insurance amount, the average monthly wage shall be the larger of his average monthly wage as determined under the bill, or the average monthly wage as determined under present law, plus \$7. The provisions of this subsection will permit the total of survivors benefits, in cases of reduction as described above, to be raised by about \$5.

Minimum survivor's or dependent's benefit

Section 102 (i) of the bill amends section 202 of the Social Security Act to add a new subsection (m). The new subsection would provide that in any case in which the benefit of any individual for any month under section 202 (other than subsection (a)) is, prior to reduction under section 202 (k) (3), less than \$30, and no other individual is entitled (without the application of section 202 (j) (1), making applications retroactive for up to 12 months) to a benefit under section 202 for such month, such benefit for such month shall, prior to reduction under section 202 (k) (3), be increased to \$30.

Your committee has eliminated a provision in this subsection, as passed by the House, which would have limited the amount of the lump-sum death payment in any case to a maximum of \$255.

AMENDMENTS RELATING TO DEDUCTIONS FROM BENEFITS

*Deductions on account of work by beneficiary*¹

Section 103 (a) of the bill amends section 203 (b) of the Social Security Act (relating to deductions from benefits) to put into effect an annual retirement test for beneficiaries whether they have wage or self-employment earnings, or both, and to add a provision for making deductions on account of noncovered remunerative activity outside the United States, and to provide that deductions because of these provisions shall be made from an individual's benefits only for months in which he is under the age of 72, rather than age 75 as in present law.

Paragraph (1) of section 103 (a) strikes out paragraphs (1) and (2) of section 203 (b) (relating to deductions from benefits on account of wages and net earnings from self-employment, respectively) and replaces them with a new paragraph (1) to provide for deductions for any month in which an individual is under age 72 and is charged with any earnings under the provisions of subsection (e) of section 203 as revised by the bill.

Paragraph (2) of section 103 (a) of the bill inserts a new paragraph (2) in section 203 (b) of the law to provide that deductions from benefits shall be made for any month in which an individual is under age 72 and on 7 or more calendar days of which he engaged in noncovered remunerative activity outside the United States (defined in a new section 203 (k) of the act).

This section of the bill differs from that passed by the House in that the deductions because of work apply only to months during which the beneficiary is under age 72, rather than age 75.

Deductions from dependents' benefits on account of work by primary beneficiary

Section 103 (b) of the bill amends section 203 (c) of the act (relating to deductions from dependents' benefits because of work by an old-age insurance beneficiary) by striking out paragraphs (1) and (2) and replacing them with paragraphs that provide that deductions shall be made from the benefits of a wife, husband, or child for any month in which the old-age beneficiary on whose record of earnings the wife's, husband's, or child's benefit was payable:

(1) was under the age of 72, and for which month he was charged with any earnings for work deduction purposes under the provisions of section 203 (e) as amended by the bill; or

(2) was under the age of 72 and on 7 or more different calendar days of which he engaged in noncovered remunerative activity outside the United States.

Your committee has also changed this section from the House bill so that the deductions apply to months in which the working beneficiary is under age 72, rather than age 75.

Charging of earnings treated as event occurring in month

Section 103 (c) of the bill amends section 203 (d) of the Social Security Act to provide that the charging of earnings (rather than net earnings from self-employment only, as in present law) shall be

¹ It should be noted for purposes of this analysis of the amendments made by section 103 of the bill that the deductions from an individual's benefits because of an event occurring in any month (including the charging of earnings to such month) are, both under the existing law and the amendments, equal to his benefits for such month.

treated as an event occurring in the month to which such earnings are charged.

Months to which earnings are charged

Section 103 (d) of the bill amends section 203 (e) of the law to provide a method for charging earnings to particular months of the year for purposes of determining the deductions required under the provisions of sections 203 (b) and 203 (c) of the act as amended by the bill.

Paragraph (1) of section 103 (d) of the bill changes the heading of section 203 (e) of the law to read "Months to Which Earnings Are Charged."

Paragraph (2) of such section 103 (d) amends paragraphs (1) and (2) of section 203 (e) of the law to provide that:

(1) If an individual's earnings for a taxable year of 12 months are not more than \$1,200, or if his earnings for a taxable year of less than 12 months are not more than the product of \$100 times the number of months in such year, no month in the year shall be charged with any earnings.

(2) If an individual's earnings for a taxable year exceed the amounts stated in the preceding paragraph, the first \$80 of excess earnings would be charged to the last month of the taxable year and the balance, if any, of such excess would be charged at the rate of \$80 per month to each preceding month of the taxable year until the entire balance has been applied. However, no part of the excess earnings would be charged to any month (1) for which the individual whose earnings are involved was not entitled to a benefit; (2) in which his benefit was suspended because of noncovered remunerative activity outside the United States; (3) in which the beneficiary, if a wife or widow under retirement age or a former wife divorced, had her benefit suspended because of failure to have a child beneficiary in her care; (4) in which the individual was age 72 or over; or (5) in which the individual did not engage in self-employment and did not render services for wages (without regard to the \$4,200 limitation in section 209 (a)) of more than \$80.

Your committee's provision differs from the House bill by raising the exempt amount of the test from \$1,000 for a full calendar year of 12 months to \$1,200, with an equivalent increase for taxable years of less than 12 months. This section is also amended to reflect the deletion of section 103 (i) of the House bill, which provided for the deduction, under certain circumstances, from the benefits of dependents and survivors who reside abroad, and the change of the age above which earnings are not charged (because deductions are not imposed) from 75 to 72.

Section 103 (d) (3) amends paragraph (3) (B) of section 203 (e) of the law to provide, in addition to the present authority given the Secretary to presume that an individual has engaged in self-employment in a month, authority to presume (for purposes of charging earnings to calendar months) that an individual rendered services for wages of more than \$80 in any month. In the case of self-employment such presumption will apply until it is shown to the satisfaction of the Secretary that the individual rendered no substantial services in such month with respect to any trade or business the net income or loss from which is includible in computing his net earnings or net loss for

the taxable year as provided in paragraph (4) of section 203 (e), as amended. The presumption with respect to the rendering of services in a month for wages (without regard to the \$4,200 limitation in section 209 (a)) of more than \$80 will apply 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.

The amended paragraph continues the authority of the Secretary to prescribe by regulations the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

Paragraph (4) of section 103 (d) adds new paragraphs (4) and (5) to section 203 (e) of the act.

Subparagraph (A) of the new paragraph (4) defines an individual's earnings for a taxable year as the sum of his wages for services rendered in such year and his net earnings from self-employment for such year, minus any net loss from self-employment for such year.

Subparagraph (B) of the new paragraph (4) provides that in determining the amount of an individual's net loss from self-employment, for purposes of charging earnings to months under section 203 (e), the provisions of section 211 (which define net earnings for coverage purposes) shall apply; and net loss from self-employment is defined as any excess of deductions over income resulting from a computation under the provisions of section 211.

Subparagraph (C) of the new paragraph (4) provides that an individual's wages, for purposes of charging earnings to months under section 203 (e), shall be computed without regard to the \$4,200 limitations on the amount of remuneration imposed in section 209 (a) of the act.

The new paragraph (5) provides that, for purposes of charging deductions, wages (determined as provided in sec. 203 (e) (4) (C) of the act as amended) which, according to reports received by the Secretary, are paid to an individual during a taxable year shall be presumed to have been paid for services performed in that year, unless it is shown to the satisfaction of the Secretary that they were paid for services performed in another taxable year. The paragraph also provides that if such reports show the individual's wages for a calendar year, his taxable year will be presumed to be a calendar year until the contrary is shown to the satisfaction of the Secretary.

Your committee has changed these provisions of the House bill so that the earnings defined for purposes of charging deductions are those arising from covered employment and self-employment only. Under the House bill earnings derived from noncovered employment within the United States and net earnings from self-employment from certain noncovered trades and businesses would have been included for purposes of deductions.

Penalty for failure to report certain events

Section 103 (e) of the bill amends section 203 (f) of the Social Security Act to provide that any individual who is receiving benefits (whether for himself or on behalf of another individual) subject to deduction because of the occurrence of an event other than earnings in excess of the permitted amount, who fails to report such event to the Secretary prior to the receipt and acceptance of a benefit for the second month following the month in which the event occurred, shall suffer

a penalty of an additional deduction of 1 month's benefit for each month for which deductions are required because of the occurrence of the deduction event, and in an amount equal to the deduction imposed because of the occurrence of the event. For the first failure to report, however, only 1 penalty deduction is to be imposed, even though the failure to report is with respect to more than 1 month.

This provision is the same as that in the House bill except for a minor amendment to reflect the deletion of section 103 (i) of that bill (which provided for deductions, under certain circumstances, from the benefits of dependents and survivors who reside abroad).

Report of earnings to Secretary

Section 103 (f) (1) of the bill changes the heading of section 203 (g) of the act to read: "Report of Earnings to Secretary".

Section 103 (f) (2) of the bill amends section 203 (g) (1) of the act to provide that if an individual entitled to any monthly benefit in a taxable year has earnings (or wages) in the taxable year in excess of the product of \$100 times the number of months in such year, he (or the individual who is in receipt of benefits on his behalf) must make a report to the Secretary of his earnings (or wages) for such taxable year. As under the present provision for reports of net earnings from self-employment, the report must be filed on or before the 15th day of the 3d month following the close of the taxable year, and must contain such information and be made in such manner as the Secretary may by regulation require. Except for the change in the exempt amount of earnings for a taxable year this provision is the same as in the House bill.

Section 103 (f) (3) further amends section 203 (g) (1) to provide that the report required under the section need not be made for any taxable year beginning with or after the month in which the individual attained the age of 72, rather than the age of 75 as in the House bill and present law.

Section 103 (f) (4) amends section 203 (g) (2) to provide a schedule of penalty deductions for failure to make required reports within the time prescribed by paragraph (1) of section 203 (g) if any deduction is imposed because of earnings in such year. For the first failure to file a timely report for a taxable year with respect to which a deduction is imposed, the penalty would be an additional deduction equal to the individual's benefit (or benefits) for the last month (for which he was entitled to a benefit) of the year for which the report was required. For the second such failure, the penalty would be an additional deduction equal to twice the benefit (or benefits) for the last month of such year, and for the third and subsequent failures, to three times such benefits. In no case would the number of additional deductions with respect to a failure to report earnings for a taxable year exceed the number of months in that year for which the individual received and accepted monthly benefits and for which deductions are imposed by reason of his earnings. The amended paragraph also provides that in determining whether a failure to report earnings is the first or subsequent failure for any individual, the Secretary shall disregard all taxable years ending prior to the imposition of the first penalty deduction imposed under the amended paragraph, except the latest such year. Thus, even though the failure to file timely returns had persisted over a period of years, only one

additional deduction would be imposed, and that for the latest such year.

Section 103 (f) (5) of the bill amends paragraph (3) of section 203 (g) of the act (dealing with reporting of net earnings from self-employment) to make the provisions of such paragraph (3) applicable to earnings from both employment and self-employment (as defined in sec. 203 (e) (4) of the act as amended), rather than to net earnings from self-employment only, and to relate the paragraph to the provisions under which deductions are made because of earnings. A new sentence is added at the end of such paragraph (3) to provide that if, after the close of a taxable year, an individual fails to comply with a request of the Secretary for a report of his earnings for the taxable year or for any other information with respect to such earnings, the failure to comply would in itself constitute justification for a determination that the individual's benefits are subject to deduction because of earnings for each month in such taxable year, or for such months thereof as the Secretary may specify.

Section 103 (f) (6) amends section 203 (j) to provide that an individual shall, for purposes of this section, be considered as 72 years of age during the entire month in which he attains that age. The heading of this section is also changed to reflect this change of age.

Your committee added this provision as part of its amendments reducing the age, above which the retirement test does not operate, from 75 to 72.

Noncovered remunerative activity outside the United States

Section 103 (g) of the bill adds a new subsection (k) to section 203 of the Social Security Act. The new subsection provides that an individual shall be considered to be engaged in noncovered remunerative activity outside the United States if he performs services as an employee outside the United States that are not covered employment as defined in section 210 of the Social Security Act, or if he carries on a trade or business outside the United States, the net income or loss of which cannot be included in computing his net earnings from self-employment for a taxable year, and would not be excluded from net earnings from self-employment, if carried on in the United States, by any of the numbered paragraphs of section 211 (a). The term "United States," when used with respect to a trade or business, would exclude Puerto Rico and the Virgin Islands in the case of an alien who is not a resident of the United States (including Puerto Rico and the Virgin Islands).

For purposes of this section, the term "trade or business" would have the same meaning as in section 162 of the 1954 Internal Revenue Code. Here, as in other provisions of the Social Security Act amended by the bill, the references to the code have been changed to the 1954 Code already agreed to by the House and Senate conferees.

Good cause for failure to make reports required

Section 103 (h) of the bill adds a new subsection (1) to section 203 to provide that the failure of an individual to make any report within the time required by subsection (f) or (g) of section 203 as amended by the bill would not be regarded as a failure to file if it is shown to the satisfaction of the Secretary that the individual had good cause for failing to make the report. The Secretary would have authority

to determine by regulation what constitutes "good cause" in such situations.

Section 103 (i) provides effective dates for the various amendments made by the bill in section 203 of the Social Security Act.

Paragraph (1) of section 103 (i) provides that the amendments made with respect to deductions from an individual's benefits because of his own earnings shall be applicable in the case of monthly benefits for months in any taxable year (of the entitled individual) beginning after December 1954. With respect to dependents from whose benefits deductions are made because of earnings by the insured individual, the amended provisions would be applicable in the case of months in any taxable year (of such insured individual) beginning after December 1954. With respect to failure to file timely reports of the events causing deductions other than the charging of earnings, the new provisions would be applicable in the case of monthly benefits for months after December 1954. The remaining amendments made by section 103 of the bill (other than subsec. (h), which would become effective on enactment of the bill) would be applicable, with respect to old-age insurance benefits, in the case of monthly benefits for months in any taxable year (of the individual) beginning after December 1954, and with respect to secondary benefits, in the case of monthly benefits for months in any taxable year (of the insured individual on whose earnings those benefits are based) beginning after December 1954.

Paragraph (2) of section 103 (i) provides that, after enactment of the bill, no additional (penalty) deductions would be imposed under the provisions of present law for failure to file a report of an event which would give rise to deductions because of work under present law, and no deductions for such reasons imposed prior to enactment would be collected after enactment. Taxable years beginning prior to January 1955 would be disregarded in determining whether a failure to file a timely report occurred under section 203 (g) (2) as amended by the bill.

Paragraph (3) of section 103 (i) provides that for those months after 1954 for which subsections (b) (1), (b) (2), (c), (e), and (j) of the present section 203 of the Social Security Act are still in effect, they shall be amended by substituting age "72" for age "75".

Your committee has added paragraph (3) to the corresponding section of the House bill and has amended paragraph (1) to remove the reference to the deleted section 103 (i) of the House bill.

INCREASE IN EARNINGS COUNTED

Section 104 of the bill amends the Social Security Act so as to increase from \$3,600 to \$4,200 a year the maximum amount of earnings that may be counted in the computation of benefits under the old-age and survivors insurance program.

Section 104 (a) of the bill amends section 209 (a) of the act (relating to the definition of "wages") to provide that, for years after 1950 and prior to 1955, the term "wages" would exclude any remuneration in excess of \$3,600 paid to an individual with respect to employment in any calendar year, and for years after 1954 would exclude any remuneration in excess of \$4,200 paid to an individual with respect to employment during a calendar year.

Section 104 (b) of the bill amends section 211 (b) (1) of the act (relating to the definition of "self-employment income") to exclude from self-employment income, for taxable years ending after 1954, any amount in excess of \$4,200 minus the amount of the wages paid to an individual during the taxable year.

Section 104 (c) amends clauses (ii) and (iii) of section 213 (a) (2) (B) of the act (relating to the definition of "quarter of coverage") to provide that for calendar years after 1954, an individual shall be credited with a quarter of coverage for each quarter of the year if his wages for that year equal \$4,200. He would also be credited with a quarter of coverage for each quarter of a taxable year ending after 1954 in which the sum of his wages and self-employment income equal \$4,200. The crediting of quarters of coverage under those amended provisions would remain subject to the limitations in the law, such as that providing that no quarter occurring after the quarter in which an individual dies shall be a quarter of coverage, and the prohibition against counting a quarter as a quarter of coverage prior to the beginning of such quarter.

Section 104 (d) amends section 215 (e) (1) of the act to provide that earnings up to \$4,200, in any calendar year after 1954, shall be used in the computation of an individual's average monthly wage.

RETROACTIVE APPLICATIONS FOR BENEFITS

Section 105 (a) of the bill amends section 202 (j) (1) of the Social Security Act to increase from 6 to 12 the number of months for which benefits may be paid retroactively to individuals who fail to file their applications as soon as they are otherwise eligible.

Section 105 (b) of the bill provides that the liberalized provisions with regard to retroactivity of benefit payments are to become effective only in the case of applications for monthly benefits filed after August 1954. However, no individual would be entitled to a retroactive benefit payment by reason of the amendment, for any month prior to February 1954.

PRESERVATION OF INSURANCE RIGHTS OF INDIVIDUALS WITH EXTENDED TOTAL DISABILITY

Under existing law entitlement to benefits depends upon insured status, and the amount of benefits depends, in general, upon average monthly wage. If an individual becomes disabled he may lose his insured status. If he does not lose his insured status, his average monthly wage will in nearly all cases be reduced.

Section 106 of the bill would protect certain individuals from having their insured status and their average monthly wage adversely affected while they are under an extended total disability.

Quarter of coverage

Section 106 (a) amends section 213 (a) (2) of the Social Security Act, which defines "quarter of coverage."

Paragraph (1) of this subsection amends subparagraph (A) of section 213 (a) (2) of the Social Security Act by redefining "quarter of coverage," in the case of quarters occurring before 1951, to exclude any quarter any part of which was included in a period of disability, other than the initial quarter of such period. In addition, any quarter

any part of which was included in a period of disability (other than the first quarter of such period) could not be counted as a quarter of coverage in a calendar year in which wages of \$3,000 or more were paid. Existing law, as applied to calendar years before 1951, provides that each quarter of such year following the first quarter of coverage shall be deemed a quarter of coverage, except any quarter in such year in which the individual died or became entitled to a primary insurance benefit and any quarter following such quarter in which he died or became entitled.

Paragraph (2) amends subparagraph (B) (i) of section 213 (a) (2) of the Social Security Act by redefining "quarter of coverage," for quarters occurring after 1950, to exclude any quarter any part of which was included in a period of disability, other than the first and last quarters of such period. Since an individual's period of disability will not necessarily consist of full calendar quarters, a substantial amount of wages may have been paid to him in the early part of the calendar quarter in which his period of disability began or in the latter part of the calendar quarter in which his period of disability ended. This provision, while generally preventing the crediting of quarters of coverage for calendar quarters in a period of disability, recognizes that the first and last calendar quarters in such a period might help the individual, e. g., in meeting the insured status requirements.

Insured status

Section 106 (b) of the bill excludes from the elapsed period under section 214 (a) (2) (A) of the act (relating to fully insured status) and from the elapsed period under section 214 (b) of the act (relating to currently insured status) any quarter any part of which was included in a period of disability, unless such quarter was a quarter of coverage.

Average monthly wage

Section 106 (c) amends section 215 (b) (1) of the act (defining average monthly wage) and section 215 (e) of the act (relating to certain wages and self-employment income not to be counted in computing the average monthly wage) to exclude from the divisor (the elapsed months) any month in any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage, and to exclude from the dividend (total of wages and self-employment income): (1) The wages paid in any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage, and (2) any self-employment income for any taxable year all of which was included in a period of disability.

In order to extend this protection to individuals whose benefits are computed in the future through the conversion table under section 215 (c) of the law and to those individuals who are now on the rolls and whose benefits were computed through the conversion table, section 106 (c) also amends section 215 (d) of the act so as to exclude, wherever necessary, in the computation of the primary insurance benefit of such individuals, any quarter prior to 1951 which was included in a period of disability unless it was a quarter of coverage, and to exclude from such computation any wages paid in any quarter so excluded.

Definition of disability and period of disability

Section 106 (d) of the bill amends section 216 of the act (relating to certain definitions) by adding new subsection (i) defining the terms "disability" and "period of disability."

Paragraph (1) of the new subsection (i) defines "disability" as 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 to be of long-continued and indefinite duration.

"Blindness" also constitutes "disability." "Blindness" is defined as central visual acuity of 5/200 or less in the better eye with a correcting lens; an eye in which the visual field is reduced to 5° or less concentric contraction is considered as having a central visual acuity of 5/200 or less. A medical finding of blindness, as defined, would alone be sufficient proof that an individual is under a "disability." Individuals with a visual handicap which does not meet this definition may, nevertheless, meet the general definition of disability if they are found unable to engage in any substantial gainful activity by reason of visual impairment which can be expected to be permanent.

The paragraph also requires an individual filing an application for a disability determination to submit such proof of the existence of his disability as may be required.

Paragraph (1) of the new section 216 (i) of the act also provides that nothing in title II shall be construed as authorizing the Secretary of Health, Education, and Welfare or any other officer or employee of the United States to interfere in any way with the practice of medicine or with relationships between practitioners of medicine and their patients, or to exercise any supervision or control over the administration or operation of any hospital.

Paragraph (2) of the new subsection (i) of the act defines a "period of disability" as being a continuous period of not less than six full calendar months during which an individual is under a disability. To qualify for a period of disability an individual must, while he is under a "disability," file an application for a disability determination and meet the requirements as to quarters of coverage contained in paragraph (3). While there will be cases in which regulations will permit the application to be filed on behalf of the disabled individual by someone else, because his impairment is of such a nature that he is unable to file it himself, the application cannot be filed on his behalf after his death. The paragraph further provides that a period of disability cannot begin after the individual attains retirement age (age 65).

A period of disability would start on the day the disability actually began, or on the first day of the 1-year period which ends with the day before the day on which the individual files his application, whichever occurs later, provided the individual satisfies the quarters of coverage requirements of paragraph (3) on such day. However, if the individual does not satisfy the quarters of coverage requirements of paragraph (3) on such day, his period of disability would begin on the first day of the first quarter thereafter in which he satisfies such requirements. A period of disability would end at the close of the month in which either the disability ceased or the individual attained retirement age. An application for a disability determination would remain effective for 3 months after its filing; if the individual has

not in that time met the remaining conditions of eligibility, a new application would be required. The earliest date on which an application can be filed is January 1, 1955.

Paragraph (3) of subsection (i) provides that in order for a period of disability to begin with respect to any quarter, the individual must have not less than six quarters of coverage (as defined in sec. 213 (a) (2)) during the 13-quarter period which ends with such quarter; and 20 quarters of coverage during the 40-quarter period which ends with such quarter, not counting as part of the 13-quarter period or the 40-quarter period any quarter any part of which was included in a prior period of disability unless such quarter was a quarter of coverage.

Retroactivity

Paragraph (4) of section 216 (i) provides that, for applications filed after December 1954 and before July 1957, with respect to a disability which began before July 1956 and continued without interruption until the application was filed, an individual's period of disability shall begin on the day the disability began but only if he met on such day the requirements as to quarters of coverage set forth in paragraph (3). If he did not meet such requirements on such day, then such period shall begin on the first day of the first quarter thereafter in which he met such requirements. The provisions of this paragraph apply, however, only if the individual does not die prior to July 1, 1955.

Under this paragraph, a period of disability could begin as early as the fourth quarter of 1941, the earliest day the individual could have acquired 20 quarters of coverage (as required by paragraph (3)).

Wage credits for military service

Subsection (e) of section 106 of the bill amends section 217 of the act (relating to wage credits provided for service in the Armed Forces) to provide that such wage credits may be used for purposes of determining an individual's eligibility for a period of disability whether or not they can be used for purposes of determining entitlement to and the amount of old-age and survivors insurance benefits. There is a prohibition against the use of military service wage credits for benefit purposes in cases in which the wage credits are used as a basis for another Federal nonveterans benefit.

Because of the deletion by your committee of the section in the House-passed bill dealing with deductions from benefits of certain dependents and survivors residing outside the United States, a purely drafting change was necessary, and has been made, in the amendment made by paragraph (3) of section 106 (e) of the bill.

Use of railroad compensation for disability purposes

Subsection (f) of section 106 amends section 5 (k) of the Railroad Retirement Act of 1937, as amended (relating to the crediting of railroad industry service under the Social Security Act in certain cases) so that railroad compensation can also be used for purposes of determining an individual's eligibility for a period of disability.

Saving provision, disability determinations, and referral for rehabilitation services

Section 106 (g) of the bill amends title II of the Social Security Act by the addition of three new sections after section 219.

The new section 220 contains a saving provision which makes the disability provisions inapplicable if their application would result

in the denial of monthly benefits or a lump-sum death payment otherwise payable, or would result in a reduction of any such benefit or payment. Under this section the provisions relating to periods of disability would not apply in the case of any monthly benefit or lump-sum death payment if such benefit or payment would be greater without the application of the provisions. Thus, for example, section 220 permits a blind individual who, subsequent to establishing a period of disability, receives wages or derives self-employment income to include the amount thereof in his benefit computation (with the months and quarters in the period being counted as elapsed months and quarters), if this would produce a higher benefit than if he was credited with a period of disability. He could not, however, include some periods of disability and not others. The choice is on an all or none basis.

The new section 221 sets forth the conditions under which disability determinations shall be made for individuals qualified under the amendments made by this bill.

Subsection (a) provides that determinations of whether or not an individual is under a disability and of the day such disability began and determinations of the day such disability ceases shall, except as provided in subsection (g), be made by State agencies pursuant to agreements with the Secretary of Health, Education, and Welfare. These determinations would be considered as determinations of the Secretary, except as provided in subsections (c) and (d).

Subsection (b) of the new section 221 provides that the Secretary shall enter into agreements with States for the making of disability determinations by the vocational rehabilitation agencies or any other appropriate State agencies of such States. An agreement may cover all persons in the State or only certain classes of individuals in the State, as may be designated in the agreement at the State's request.

Subsection (c) gives the Secretary the authority to review, on his own motion, any determination made by a State agency that a disability exists, and authorizes the Secretary, as a result of such review, to make a finding that no disability exists or that the disability began later than determined by the State agency, or that the disability ceased earlier than determined by the State agency.

Subsection (d) of the new section 221 gives any individual, dissatisfied with a determination by a State or the Secretary, the right to a hearing by the Secretary and to judicial review of the final decision of the Secretary after such hearing, to the same extent as provided in section 205 (b) and section 205 (g) of present law.

Subsection (e) authorizes the Secretary to certify for payment from the trust fund the cost to the State of carrying out the terms of an agreement under this section. These payments may be made in advance or by way of reimbursement, and prior to audit or settlement by the General Accounting Office.

Subsection (f) requires that all money paid to a State under this section be used solely for the purposes for which it is paid and that any money not used for such purposes shall be returned for deposit in the trust fund.

Subsection (g) of the new section 221 authorizes the Secretary to make disability determinations for individuals in any State which has no agreement under subsection (b), for any classes of persons not included in an agreement with the State, and for persons outside the United States.

The new section 222 of the Social Security Act declares it to be the policy of the Congress that disabled individuals applying for determinations of disability be promptly referred to State vocational rehabilitation agencies for necessary rehabilitation services, so that the maximum number of disabled persons may be restored to productive activity.

Effective date

Section 106 (h) provides that the foregoing disability provisions will take effect with respect to monthly benefits payable for months after June 1955, and with respect to lump-sum death payments in the case of deaths after June 1955. Increases resulting from recalculation of benefits to exclude periods of disability will be excepted from the limitations placed on benefit recomputations by section 215 (f) of the law.

Aside from a few technical changes noted under subsection (g), above, the provisions of section 106 are identical with those passed by the House.

DELETION OF EARNINGS DURING UNLAWFUL RESIDENCE IN THE UNITED STATES; TERMINATION OF BENEFITS ON DEPORTATION

In the bill as passed by the House, section 107 provided for deleting from an individual's record all wages and self-employment income derived during any period he was unlawfully in the United States. Section 108 of the House-passed bill provided for termination of benefits based on the wages and self-employment income of individuals deported for unlawful entry, conviction of a crime, or subversive activity. These two sections have been deleted by your committee.

INSURED STATUS

Section 107 of the bill as reported amends the definition of fully insured individual (sec. 214 (a) of the Social Security Act) by redesignating paragraph (3) as paragraph (4) and inserting a new paragraph (3) to provide an alternative basis for meeting the fully insured status test, applicable to individuals who are living on January 1, 1955. Any such individual with respect to whom all the quarters elapsing after 1954 and prior to the later of (1) July 1, 1956, or (2) the quarter in which he attained retirement age or died, whichever first occurred, are quarters of coverage, would be fully insured. The amendment would permit individuals newly covered on January 1, 1955, who are steadily employed and have at least six quarters of coverage after 1954 to become fully insured at death or attainment of age 65 even though they cannot meet the requirement in present law that an individual must have quarters of coverage equal to at least half the number of quarters elapsing after 1950 and prior to the quarter of death or attainment of age 65. The provision will be operative only with respect to deaths or attainment of age 65 prior to October 1, 1958, since any individual who has a quarter of coverage for each quarter elapsing after 1954 and prior to the quarter of death or attainment of age 65, if such quarter occurs after September 1958, would meet the requirements of present law.

In view of the change made by your committee in the provisions for coverage of agricultural workers, we have deleted from this section

of the bill as passed by the House a provision for crediting quarters of coverage for such workers on the basis of reports of their annual earnings.

BENEFITS IN CERTAIN CASES OF DEATHS BEFORE SEPTEMBER 1950

Section 108 (a) of the bill provides that any individual who died prior to September 1, 1950, and was not fully insured under the provisions of the Social Security Act in effect at that time, and who had not less than six quarters of coverage, shall be deemed to be fully insured at the time of death (except for purposes of determining the entitlement of a former wife divorced to mother's insurance benefits). Thus, dependent widowers would not qualify for benefits under this amendment since dependent widower's benefits are payable only in the case of deaths occurring after August 1950.

The primary insurance amount of such an individual would be computed only through the conversion table in the bill, using the benefit formula in the act prior to September 1950 and the conversion table contained in this bill. If the individual had been currently insured at the time of his death, and any other person had been entitled to a monthly benefit or lump-sum death payment on the basis of his wages, the primary insurance benefit for the purposes of this section would be computed under the act as in effect prior to September 1950 (i. e., the primary insurance benefit originally computed for him would be used—this provision was inserted by your committee). In all other cases, the benefit would be computed under the provisions of section 215 (d) (4) of present law, except that the individual's closing date would be the first day of the quarter in which he died.

The requirement that proof of support by a deceased individual must be filed within 2 years of the date of his death would be waived, in cases to which the amendments made by section 108 are applicable, if such proof is filed before September 1956.

Subsection (b) of section 108 of the bill provides that the provisions of subsection (a) shall be applicable only in the case of monthly benefits under section 202 of the act for months after August 1954, on the basis of applications filed after that month.

ELIMINATION OF REQUIREMENT OF FILING APPLICATION IN CERTAIN CASES

Section 109 of the bill amends several subsections of section 202 of the Social Security Act to eliminate the requirement of filing an application in the case of certain types of benefits in specified situations.

Subsection (a) of the section amends subsection (e) (1) (C) of section 202 of the act to provide that applications for widow's insurance benefits would not be required if the widow was entitled to a wife's insurance benefit for the month preceding the wage earners' death (this is existing law) or a mother's insurance benefit in the month prior to the month in which she attained retirement age.

Subsection (b) amends subsection (g) (1) (D) of section 202 to provide that applications for mother's insurance benefits would not be required if the widow was entitled to a wife's insurance benefit for the month preceding the month in which the insured individual died.

Subsection (c) amends subsection (i) of section 202 to provide that an application for a lump-sum death payment would not be required from an individual who was entitled to wife's or husband's insurance benefits for the month preceding the month in which the insured individual died.

TECHNICAL AMENDMENTS

Subsection (a) of section 110 of the bill amends section 204 (a) of the Social Security Act (dealing with adjustment of overpayments and underpayments) to insert the words "self-employment income" in one line of the subsection, thereby correcting an omission in the wording of the subsection.

Subsection (b) of section 110 amends section 208 of the Social Security Act to make it clear that the penalty provisions of that section extend to cases of false statements or representations as to the amount of net earnings from self-employment derived or the period during which derived.

REPEAL OF REQUIREMENT OF CERTAIN DEDUCTIONS

Section 113 (a) of the bill repeals section 203 (i) of the act, which requires deductions from monthly benefits of the amount of a lump sum paid under section 204 of the 1935 Social Security Act; such deductions would be discontinued effective with benefits for any month after August 1954.

Section 111 (b) of the bill amends section 907 of the Social Security Act Amendments of 1939, effective with benefits for any month after August 1954, to discontinue deductions from monthly benefits for unpaid taxes on wages for services performed in 1939 after the attainment of age 65.

PROOF OF SUPPORT BY HUSBAND OR WIDOWER IN CERTAIN CASES

Section 112 (a) of the bill provides that, for the purpose of determining the entitlement of the husband of an insured woman to husband's insurance benefits under section 202 (c) of the Social Security Act, he shall be deemed to meet the dependency requirements of paragraph (1) (D) of the section if (1) he was receiving at least one-half of his support (as determined in accordance with regulations prescribed by the Secretary) from his wife on the first day of the first month in which she was both entitled to old-age insurance benefits and such benefits were not subject to deductions under paragraph (1) or (2) of section 203 (b) of such act (as in effect either before or after the enactment of the bill) by reason of earnings in excess of the amount permitted by the retirement test in such section; (2) he filed proof of such support within 2 years after the first month, mentioned in item (1), above; and (3) his wife was (without the application of the retroactive provisions of section 202 (j) (1) of such act) entitled to a primary insurance benefit under such act for August 1950.

Subsection (b) of section 112 provides that, for the purpose of determining the entitlement of the widower of an insured woman to widower's insurance benefits under section 202 (f) of the Social Security Act, he shall be deemed to meet the dependency requirements of paragraph (1) (E) (ii) of such section if (1) he was receiving at least

one-half of his support from his wife, and she was a currently insured individual, on the first day of the first month in which she was both entitled to old-age insurance benefits and such benefits were not subject to deductions under paragraph (1) or (2) of section 203 (b) of such act (as in effect either before or after the enactment of the bill) by reason of earnings in excess of the amount permitted by the retirement test; (2) he has filed proof of such support within 2 years after the first month mentioned in item (1), above, and (3) his wife was entitled (without the application of the retroactive provisions of section 202 (j) (1) of such act) to a primary insurance benefit for August 1950.

Subsection (c) of section 112 provides that, for purposes of determining the entitlement of a widower under subsection (b) (1) of the section, and for purposes of determining the entitlement of a husband under section 202 (c) (1) of the Social Security Act in cases to which subsection (a) of section 114 of the bill is applicable, the wife of an individual shall be deemed to be a currently insured individual if she had not less than 6 quarters of coverage during the 13-quarter period ending with the calendar quarter in which occurs the first month in which she was both entitled to an old-age insurance benefit and such benefit was not subject to deductions under paragraph (1) or (2) of section 203 (b) of the Social Security Act (as in effect before or after the enactment of the bill) because of earnings in excess of the amount permitted by the retirement test.

Subsection (d) of the section provides that the section shall apply only with respect to husband's insurance benefits under section 202 (c) of the Social Security Act, and widower's insurance benefits under section 202 (f) of such Act, for months after August 1954, and only with respect to benefits based on applications filed after such month.

DEFINITION

Section 113 of the bill defines "Secretary," as used in the provisions of the Social Security Act amended by the bill, to mean the Secretary of Health, Education, and Welfare.

COVERED EMPLOYMENT NOT COUNTED UNDER OTHER FEDERAL RETIREMENT SYSTEMS

Section 114 of the bill provides that service for the Federal Government which is covered by old-age and survivors insurance shall not be credited toward benefits (other than a benefit under title II of the Social Security Act or a benefit under the Railroad Retirement Act of 1937, as amended) under any retirement system established by the United States or any instrumentality thereof. This provision would be applicable to any service performed after 1954 by an individual as an officer or employee of the United States or any instrumentality thereof.

This provision applies only to Federal service which constitutes employment as defined in section 210 (a) of the Social Security Act. Thus it would not prevent the crediting of military service under another retirement system even though, under section 217 of that act, \$160 is credited for old-age and survivors insurance purposes for each month of such service.

TITLE II—AMENDMENTS TO INTERNAL REVENUE CODE OF 1954
AND INTERNAL REVENUE CODE OF 1939

GENERAL STATEMENT

Title II of the House bill contains amendments to the Internal Revenue Code of 1939. Under your committee's bill, title II, with one exception, consists of amendments to the Internal Revenue Code of 1954 (H. R. 8300, 83d Cong., 2d sess.). A considerable number of the changes made by your committee in the House bill consist merely of redesignating references to sections of the Internal Revenue Code of 1939 to the corresponding sections of the Internal Revenue Code of 1954, and conforming the provisions of the bill to the style of the 1954 Code. All references in this portion of your committee's report to the "Internal Revenue Code" or the "code" are to the Internal Revenue Code of 1954.

AMENDMENTS TO DEFINITIONS TO SELF-EMPLOYMENT INCOME AND
RELATED DEFINITIONS

Section 201 of the bill, as does section 201 of the House bill, contains amendments to the provisions relating to the tax on self-employment income. The House bill would extend the application of the self-employment tax, on a compulsory basis, to self-employed farmers, to self-employed ministers of a church and members of a religious order, and to self-employed lawyers, dentists, osteopaths, veterinarians, chiropractors, naturopaths, optometrists, Christian Science practitioners, architects, certified public accountants, accountants registered or licensed as accountants under State or municipal law, full-time practicing public accountants, funeral directors, and professional engineers. Services performed by these individuals in such capacity are excluded from the self-employment tax under existing law. Your committee has deleted these provisions of the House bill and certain additional provisions dealing exclusively with such extension of coverage. Your committee's bill, does, however, contain amendments to the code to extend coverage, on a voluntary basis, to 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 (other than a member of a religious order who has taken a vow of poverty as a member of such order). This extension of coverage on a voluntary basis is applicable to ministers and members of religious orders whether they perform service of the type to which these provisions are applicable as employees or as self-employed individuals.

Subsection (a) of this section, which corresponds to section 201 (b) (1) of the House bill, amends section 1402 (b) of the code by increasing the limitation on self-employment income subject to the self-employment tax for taxable years ending after 1954 from \$3,600 to \$4,200.

Subsection (b) of this section, which corresponds to section 201 (b) (2) of the House bill, amends section 1402 (b) of the code to include as "wages," for purposes of computing "self-employment income," remuneration of United States citizens employed by a foreign subsidiary of a domestic corporation which has entered into an agreement pursuant to section 3121 (l) of the code, added by section 208 of the

bill, for the purpose of having the insurance system established by title II of the Social Security Act extended to service performed by such citizens.

Subsection (c) (1) of this section amends section 1402 (c) (2) of the code by removing from the definition of "trade or business" the exclusion, presently contained in such section, of 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, when the performance of such service is rendered by an individual as an employee. The effect of this provision is to make paragraph (4) of section 1402 (c) applicable to all service performed by a minister or by a member of a religious order, in his capacity as such, irrespective of whether the individual in the performance of such service is an employee or a self-employed individual. (Section 1402 (c) (4) of existing law excludes from the term "trade or business" the performance of services 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.)

Subsection (c) (2) of this section amends section 1402 (c) of the code so as to make the provisions of paragraph (4) of such section inapplicable 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 a minister or a member of a religious order during the period for which a certificate filed by such individual under section 1402 (e), as added by the bill, is in effect.

Subsection (c) (3) of this section would add a new subsection (e) (not contained in the House bill) to section 1402 of the code, which is made necessary by reason of your committee's action extending coverage to ministers and members of a religious order on a voluntary basis. This subsection provides that any individual who is a duly ordained, commissioned, or licensed minister of a church or a member of a religious order (other than a member of a religious order who has taken a vow of poverty as a member of such order) may file a certificate certifying that he elects to have the insurance system established by title II of the Social Security Act extended to service performed by him in the exercise of his ministry or as a member of a religious order. Such an election may be made only by filing a certificate in such form and manner, and with such official, as may be prescribed by regulations of the Secretary of the Treasury or his delegate.

The certificate must be filed on or before the due date of the return (determined with regard to any extension of time granted for filing such return) for the individual's second taxable year (whether or not consecutive) ending after 1954 for which he has net earnings from self-employment (computed without regard to paragraph (4) of section 1402 (c), relating to the definition of trade or business for purposes of the self-employment tax) of \$400 or more, some part of which was derived from the performance by the individual of service in the exercise of his ministry or as a member of a religious order. Thus, a minister who performs service in the exercise of his ministry during 1955 and 1956 and who would have "net earnings from self-employment" for each of such years of \$400 or more if the performance of such service were not excluded from the definition of trade or business would not be permitted to file a certificate after the due date for filing his income-tax

return for the taxable year 1956. In determining the period during which a certificate may be filed, there shall not be included any taxable year for which a minister or a member of a religious order (1) has no income from the performance of service in the exercise of his ministry or as a member of a religious order, or (2) has income from the performance of such service which would not constitute "net earnings from self-employment" if such service were included within the term "trade or business."

A certificate filed by a minister or a member of a religious order shall be effective for the first taxable year with respect to which it is filed and for all succeeding taxable years. A certificate may be made effective with respect to a particular taxable year only if it is filed on or before the due date for filing the income-tax return for such taxable year. Thus, if an individual files his income-tax return on a calendar-year basis and the due date for his return for the calendar year 1955 is April 15, 1956, a certificate to be effective for the calendar year 1955 must be filed on or before April 15, 1956. If such individual files a certificate after April 15, 1956, and before the due date of his income-tax return for the calendar year 1956, the first taxable year for which the certificate may be effective is the calendar year 1956. An election to have the insurance system established by title II of the Social Security Act extended to service of the type here involved which is exercised by the filing of a certificate may not thereafter be revoked.

Section 201 (d) provides that the amendments made by section 201 are applicable only with respect to taxable years ending after 1954.

REFUND OF CERTAIN TAXES DEDUCTED FROM WAGES

Section 202 of the bill corresponds to section 202 of the House bill.

Section 202 (a) (1) of the bill amends section 6413 (c) (1) of the Internal Revenue Code, relating to special refunds of employee tax paid on aggregate wages in excess of \$3,600 received by an employee from more than 1 employer during a calendar year, so as to conform the special-refund provisions to the increase made by the bill in the limitation on wages from \$3,600 to \$4,200.

Section 1401 (d) (3) of the Internal Revenue Code of 1939 presently provides that no special refund shall be made unless (A) the employee makes a claim, establishing his right thereto, after the calendar year in which he received the wages with respect to which refund of tax is claimed; and (B) such claim is made within 2 years after the calendar year in which such wages were received. Section 202 (a) (2) amends such section 1401 (d) (3) so as to provide an exception to this provision in the case of an employee of a State or any political subdivision thereof whose services are covered, for purposes of title II of the Social Security Act, by reason of an agreement (or modification) pursuant to section 218 of the Social Security Act which is effective as of a date more than 2 years prior to the date such agreement (or modification) was agreed to. It would allow a special refund to be made in the case of such employees, if claim for such refund is made within 2 years after the calendar year in which such agreement (or modification) was agreed to by the State and the Secretary of Health, Education, and Welfare. The amendment is made to the Internal Revenue Code of 1939, rather than to the Internal Revenue Code of 1954, since the

statutory period with respect to the allowance of credit or refund of such amounts is prescribed by the 1939 code.

Section 202 (b) (1), which corresponds to section 202 (b) (1) of the House bill, merely makes a change in the heading of section 6413 of the code.

Paragraph (2) of section 202 (b) of the bill amends section 6413 (c) (2) (A) of the code, relating to special rules applicable to special refunds in the case of Federal employees, so as to conform the provisions thereof to the increase made by the bill in the limitation on wages from \$3,600 to \$4,200.

Paragraph (3) of section 202 (b) of the bill, which corresponds to section 202 (b) (3) of the House bill, amends section 6413 (c) (2) of the code by adding at the end thereof a new subparagraph (C), relating to special refunds in the case of citizens of the United States performing services outside the United States for a foreign subsidiary corporation of a domestic corporation which has entered into an agreement under section 3121 (1) of the code (added by sec. 208 of the bill) for the purpose of obtaining coverage under title II of the Social Security Act for such employees. (For a discussion of the circumstances and conditions under which a domestic corporation may enter into such an agreement, see in this report the explanation of sec. 208 of the bill.) Such new subparagraph (C) would make the special-refund provisions in section 6413 (c) of the code applicable to amounts deducted in any calendar year after the calendar year 1954 from the remuneration of employees whose services are covered under title II of the Social Security Act by reason of such an agreement. For purposes of special refunds in the case of amounts paid pursuant to any such agreement the term "employer" includes a domestic corporation; the term "wages" includes remuneration for services covered by such an agreement; and the term "tax" or "tax imposed by section 3101" includes an amount equivalent to the employee tax which would be imposed if the services covered by the agreement constituted employment as defined in section 3121 of the code.

Subsection (c) of section 202 of the bill, which corresponds to section 202 (c) of the House bill, amends section 3122 of the code so as to conform such section to the increase made by the bill in the limitation on wages from \$3,600 to \$4,200.

Subsection (d) of section 202 provides that the amendments made by subsections (a) (1), (b), and (c), relating to the increase in the limitation on wages from \$3,600 to \$4,200, shall be applicable only with respect to remuneration paid after 1954, and that the amendment to the 1939 Code made by subsection (a) (2) shall be effective as if it had been enacted as a part of section 1401 (d) (3) of the Internal Revenue Code of 1939 as added by section 203 (c) of the Social Security Act Amendments of 1950.

COLLECTION AND PAYMENT OF TAXES WITH RESPECT TO COAST GUARD EXCHANGES

Section 203 (a) of the House bill would amend section 1420 (e) of the Internal Revenue Code of 1939, which relates to the collection and payment of the employee and employer taxes imposed with respect to certain services performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the

United States. This provision of the House bill was made necessary by section 205 (d) of the House bill which would amend the definition of employment contained in section 1426 (b) of the Internal Revenue Code of 1939 so as to remove the exclusion from employment of services performed by certain civilian employees in Coast Guard exchanges and other Coast Guard activities. Since your committee's bill does not extend coverage to services performed by these civilian employees in Coast Guard exchanges and other Coast Guard activities, section 203 (a) of the House bill is unnecessary and has been deleted.

AMENDMENTS TO DEFINITION OF WAGES

Section 203, which corresponds to section 204 of the House bill, amends section 3121 (a) of the Internal Revenue Code which defines the term "wages" for purposes of the Federal Insurance Contributions Act.

Subsection (a) of this section of the bill amends section 3121 (a) (1) of the code, relating to the \$3,600 limitation on remuneration which constitutes wages. Section 3121 (a) (1) provides that the term "wages" does not include that part of the remuneration paid within any calendar year by an employer to an employee which exceeds the first \$3,600 of such remuneration (exclusive of remuneration excepted from wages by the succeeding paragraphs of sec. 3121 (a)) paid within such calendar year by such employer to such employee for employment. The amendment would increase the amount of the limitation from \$3,600 to \$4,200 but otherwise would make no change in the provisions of section 3121 (a) (1).

Subsection (b) (1) of this section of the bill, which corresponds to section 204 (b) (1) of the House bill, amends subparagraph (B) of section 3121 (a) (7) of the code, which relates to cash remuneration for domestic service. Section 3121 (a) (7) (B) now provides for the exclusion from wages of cash remuneration paid in a calendar quarter for domestic service in a private home of the employer unless such remuneration paid in such calendar quarter for such service is \$50 or more and the employee is regularly employed by the employer in the calendar quarter in which the payment is made. The employee is "regularly employed" by an employer during a calendar quarter if he performed domestic service in a private home of the employer on at least 24 days in that calendar quarter or during the preceding calendar quarter. The amendment would eliminate the 24-day test, thus making coverage of domestic service dependent solely on receipt of \$50 in cash wages in a calendar quarter by an employee from an employer for such service.

As under existing law, domestic service does not include service described in section 3121 (g) (5) of the code (service performed on a farm operated for profit).

Paragraph (2) of subsection (b) of this section, which corresponds to section 204 (b) (2) of the House bill, amends section 3121 (a) (7) of the code by adding a new subparagraph (C). This new subparagraph relates to cash remuneration received for service not in the course of the employer's trade or business and should be considered together with the repeal of section 3121 (b) (3) of the code, which would be accomplished by section 204 (b) of the bill. Section 3121 (b) (3) of the code now excepts from employment service not in the course of

the employer's trade or business performed by an employee in a calendar quarter unless the cash remuneration paid by the employer to the employee for such service is \$50 or more and the employee is regularly employed by the employer during the calendar quarter to perform such service. The effect of the new subparagraph (C) of section 3121 (a) (7), together with the repeal of paragraph (3) of section 3121 (b), is to eliminate the 24-day test and to make coverage of service not in the course of the employer's trade or business depend solely on receipt of cash remuneration of \$50 or more in the calendar quarter.

The test relating to cash remuneration of \$50 or more also is changed slightly. Under existing law, the \$50 must be paid for service performed in a calendar quarter during which the employee is regularly employed by the employer to perform such service, and the time of payment is unimportant. Under the new section 3121 (a) (7) (C), the test is payment of \$50 in a calendar quarter for the service, and the time of performance of the service is unimportant.

The new subparagraph (C) of section 3121 (a) (7) incorporates the provision of section 3121 (b) (3) of the code that "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 3121 (g) (5) (service performed on a farm operated for profit).

Paragraph (3) of subsection (b) of this section of the bill amends section 3121 (a) (8) of the Internal Revenue Code by inserting a new subparagraph (B) and by designating the existing provisions of section 3121 (a) (8) as subparagraph (A). The new subparagraph (B) would exclude from wages cash remuneration paid by an employer to an employee in any calendar quarter for agricultural labor unless such remuneration is \$50 or more. This provision of your committee's bill differs from the corresponding provision of the House bill which would exclude from wages cash remuneration paid by an employer to an employee in any calendar year for agricultural labor unless such remuneration is \$200 or more. This amendment should be considered in connection with the amendment to paragraph (1) of section 3121 (b) of the code which would be effected by section 204 (a) of the bill.

Under the existing provisions of section 3121 (b) (1) of the Internal Revenue Code, agricultural labor performed by an employee for an employer in a calendar quarter is excepted from employment unless the cash remuneration paid by the employer to the employee for such labor is \$50 or more and the employee is regularly employed in that quarter by such employer to perform such agricultural labor. For purposes of section 3121 (a) (1), "an individual is deemed to be regularly employed by an employer during a calendar quarter * * * only if (i) such individual performs agricultural labor * * * for such employer on a full-time basis on 60 days * * * during the quarter, and (ii) the quarter was immediately preceded by a qualifying quarter. A qualifying quarter is defined as (I) any quarter during all of which the individual was continuously employed by the employer, or (II) any subsequent quarter meeting the test of clause (i) above if, after the last quarter during all of which the individual was continuously employed by the employer, each intervening quarter met the test of clause (i). An individual is also deemed to be regularly employed by an employer during a calendar quarter if he was regularly employed (upon application of clauses (i) and (ii)) by the employer during the

preceding calendar quarter." (H. Rept. No. 2771, 81st Cong., 2d sess. (conference report on H. R. 6000), p. 95.)

The principal effects of the amendments made by paragraph (3) of section 203 (b) and by section 204 (a) of the bill are to eliminate the present "regularly employed" concept as a requirement for coverage of agricultural labor under the Federal Insurance Contributions Act; and to make coverage depend solely on the payment of cash remuneration of \$50 or more in a calendar quarter by the same employer to the employee for such labor.

Section 3121 (b). (1) of the code excepts from employment service performed in connection with the ginning of cotton and service performed in connection with the production, harvesting, or processing of crude gum (oleoresin) from a living tree or the processing of such crude gum into gum spirits of turpentine and gum resin, if such processing is carried on by the original producer of the crude gum (the latter exception is expressed in the code in terms of service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act). The amendment to section 3121 (b) (1) of the code made by section 204 (a) of the bill would remove the specific exception from employment of services performed in connection with the ginning of cotton and would have the effect of covering such services under the Federal Insurance Contributions Act on the same basis as other agricultural labor.

AMENDMENTS TO DEFINITION OF EMPLOYMENT

Section 204 amends subsection (b) of section 3121 of the Internal Revenue Code, which defines "employment" for purposes of the Federal Insurance Contributions Act. This section differs in certain material respects from section 205 of the House bill, which also contains amendments to the definition of the term "employment".

Subsection (a) of this section of the bill amends paragraph (1) of section 3121 (b) of the code by eliminating from the definition of employment the existing exception of agricultural labor, except in the case of service performed (1) 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, and (2) by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended. Title V of such act now provides that no workers may be available under such title for employment after December 31, 1955. The exception under section 3121 (b) (1) of the code of service performed by foreign agricultural workers will, of course, be inoperative when title V of the Agricultural Act ceases to be effective. The corresponding provisions in the House bill excluded only services performed by foreign agricultural workers.

Subsection (b) of this section, which corresponds to section 265 (b) of the House bill, repeals paragraph (3) of section 3121 (b) of the code (which excepts from employment service not in the course of the employer's trade or business), and redesignates certain of the succeeding paragraphs of section 3121 (b).

Paragraph (5) of section 3121 (b) of the code excepts from employment any 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 the individual is employed on and in connection with such vessel or aircraft when outside the United States. Subsection (c) of section 204 of the bill, which corresponds to section 205 (c) of the House bill, amends section 3121 (b) (5) of the code (redesignated by the bill as section 3121 (b) (4)) so as to make the exception applicable only if the individual is not a citizen of the United States or the employer is not an American employer. Consequently, if the individual is a citizen of the United States and the employer is an American employer, services of the individual on foreign-flag vessels or foreign-flag aircraft will not be excepted from employment whether performed here or abroad. This change has the effect of treating services performed by these individuals the same as other services performed by citizens of the United States as employees of American employers, which now constitute employment whether performed here or abroad.

Section 205 (d) of the House bill contains amendments to section 1426 (b) (7) of the Internal Revenue Code of 1939. (The provisions of sec. 3121 (b) (7) of the Internal Revenue Code of 1954 correspond to the provisions of sec. 1426 (b) (7) of the 1939 code.) The term "employment," as it would be amended by these provisions of the House bill, would include services performed by most Federal employees not covered by retirement systems, including temporary employees in the field service of the Post Office Department, census-taking employees of the Bureau of the Census, civilian employees of Coast Guard post exchanges, and certain other groups, and also employees of Federal home-loan banks and the Tennessee Valley Authority, who have retirement systems. The House bill, in section 205 (e), contains amendments to section 1426 (b) (9) of the Internal Revenue Code of 1939, the principal effect of which would be to extend coverage, on a voluntary basis, to service performed by ministers and members of religious orders employed by certain nonprofit organizations if the organization elects to cover such individuals and if at least two-thirds of such individuals elected to be covered. Section 207 of the House bill would amend section 1426 (l) of the Internal Revenue Code of 1939 so as to prescribe the manner in which such an election could be made. Your committee's bill contains no provisions corresponding to those contained in subsections (d) and (e) of section 205 of the House bill and contains no provision for an election by a nonprofit organization for coverage of services performed by ministers and members of a religious order. (For a discussion of the provisions of the bill extending coverage, on a voluntary basis, to ministers and members of religious orders, see in this report the explanation of sec. 201 of the bill.)

Section 3121 (b) (15) of the Internal Revenue Code excepts from employment service performed by employees in fishing and similar activities unless performed in connection with commercial salmon or halibut fishing or, on a vessel of more than 10 net tons. Subsection (d) of this section of the bill, which corresponds to section 205 (f) of the House bill, eliminates this exception and renumbers the succeeding paragraphs of section 3121 (b).

Subsection (e) of this section provides that the amendments made by subsections (a) and (b) (relating to agricultural labor and service not in the course of the employer's trade or business) shall be appli-

cable only with respect to services (whenever performed) for which the remuneration is paid after 1954, and that the amendments made by subsections (c) and (d) (relating to service on foreign-flag vessels and aircraft and fishing and related service) shall be applicable only with respect to services performed after 1954.

AMENDMENT RELATING TO COLLECTION OF EMPLOYEE TAX

Section 205 of the bill, for which there is no corresponding provision in the House bill, amends section 3102 (a) of the code so as to provide that an employer who in any calendar quarter pays to an employee cash remuneration to which paragraph (7) (B) or (C), (8) (B), or (10) of section 3121 (a) of the code is applicable may deduct an amount equivalent to the employee tax imposed by section 3101 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. Section 3102 (a) now provides that the employee tax imposed by section 3101 shall be collected by the employer by deducting the amount of such tax from the wages as and when paid.

Paragraphs (7) (B) and (C), (8) (B), and (10) of section 3121 (a), as amended by the bill, except from the term "wages" remuneration paid in a calendar quarter to an employee by an employer for domestic service in a private home of the employer, service not in the course of the employer's trade or business, agricultural labor, and industrial homework, respectively, if the cash remuneration paid in the quarter for such service is less than \$50.

The amendment makes clear that an employer paying cash remuneration for any such service or labor may, at that time, deduct from such remuneration an amount equivalent to the employee tax imposed by section 3101 even though the employer cannot then ascertain whether the \$50 test will be met. Thus, an employer paying \$10 to an employee in a calendar quarter of 1955 for agricultural labor may deduct 20 cents from such payment even though the employer has made no prior payment of cash remuneration to the employee in that quarter for such labor. Of course, this provision of the bill shall not be construed as authorizing the employer to retain the amount so withheld if it is subsequently ascertained that the remuneration paid to the employee does not constitute wages.

AMENDMENT TO DEFINITION OF EMPLOYEE

Section 206, which corresponds to section 206 of the House bill, amends subsection (d) of section 3121 of the Internal Revenue Code, which defines the term "employee" for purposes of the Federal Insurance Contributions Act.

Section 3121 (d) (3) (C) of the code includes as an employee any individual who performs services for remuneration for any person as a homemaker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person and required to be returned to such person or a person designated by him, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed. Subsection (a) of

section 206 of the bill amends such section 3121 (d) (3) (C) so as to eliminate the requirement that the performance of the services be subject to State licensing requirements, effective with respect to services performed after 1954.

This amendment would not include, however, as employees, homeworkers who are not subject to supervision or control by any person with respect to their homework activities, and who buy raw material and make any article and sell such article to any person even though it is made according to specifications provided by some single purchaser.

WAIVER OF TAX EXEMPTION BY NONPROFIT ORGANIZATIONS WITH RESPECT TO MINISTERS IN THEIR EMPLOY

Under existing law services 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 are excepted from employment. Section 205 (e) of the House bill would extend coverage, on a voluntary basis, to ministers and members of religious orders employed by certain nonprofit organizations if the organization elects to cover such individuals and if at least two-thirds of such individuals elect to be covered. Section 207 of the House bill would amend section 1426 (1) of the Internal Revenue Code of 1939 so as to prescribe the manner in which such an election could be made. Your committee's bill retains the exception from employment contained in present law with respect to services performed by a minister or member of a religious order. Accordingly, section 207 of the House bill has been omitted in your committee's bill. (For provisions of your committee's bill relating to services performed by ministers and members of religious orders, see sec. 201 of the bill and the portion of this report discussing that section.)

CHANGES IN TAX SCHEDULES

Section 207 (a) of the bill, which corresponds to section 208 (a) of the House bill, amends section 1401 of the Internal Revenue Code relating to the rate of tax upon self-employment income. Under existing law the rate of tax upon self-employment income in the case of any taxable year beginning after December 31, 1969, is 4 $\frac{7}{8}$ percent. Under the bill the rates of tax for taxable years beginning after December 31, 1969, are as follows:

For taxable years—	<i>Percent</i>
Beginning after Dec. 31, 1969, and before Jan. 1, 1975.....	5 $\frac{1}{2}$
Beginning after Dec. 31, 1974.....	6

Subsections (b) and (c) of section 207, which correspond to subsections (b) and (c) of section 208 of the House bill, amend section 3101 and 3111, respectively, of the Internal Revenue Code, relating to the rates of the taxes under the Federal Insurance Contributions Act. Under existing law the rate of the employee tax and of the employer tax for the calendar year 1970 and subsequent calendar years is 3 $\frac{1}{4}$ percent. Under the bill the rates of each such tax for the calendar year 1970 and subsequent calendar years are as follows:

	<i>Percent</i>
For the calendar years 1970 to 1974, inclusive.....	3 $\frac{1}{2}$
For the calendar year 1975 and subsequent calendar years.....	4

FOREIGN SUBSIDIARIES OF DOMESTIC CORPORATION

Section 208 of your committee's bill amends section 3121 of the Internal Revenue Code by adding at the end thereof a new subsection (1) for the purpose of extending old-age and survivors insurance coverage to citizens of the United States performing service outside the United States in the employ of any one or more foreign subsidiaries of a domestic corporation. This section of the bill corresponds to section 209 of the House bill except that technical and clarifying amendments have been made by your committee.

Such subsection (1) provides that the Secretary or his delegate shall enter into an agreement, at the request of any domestic corporation, for the purpose of extending old-age and survivors insurance coverage to United States citizens performing service outside the United States in the employ of any one or more foreign subsidiaries of such domestic corporation. A foreign subsidiary is defined (in par. (8) of sec. 3121 (1)) as (1) a foreign corporation more than 50 percent of the voting stock of which is owned by the domestic corporation desiring to enter into the agreement, or (2) a foreign corporation more than 50 percent of the voting stock of which is owned by a foreign corporation described in clause (1). Such an agreement shall not be applicable to any service performed by, or remuneration paid to, an employee, if such service or remuneration would be excluded from the term "employment" or the term "wages", respectively, were the service performed in the United States. Any such agreement shall also be applicable in all respects in the case of any citizen of the United States who, on or after the effective date of the agreement, is employed by the foreign subsidiary or subsidiaries named in the agreement.

If at any time after such an agreement is entered into the domestic corporation desires to have the old-age and survivors insurance system extended to citizens of the United States performing service in the employ of one or more foreign subsidiaries other than the subsidiary or subsidiaries specified in the agreement, the agreement may be amended so as to extend such system to such citizens. Any agreement so amended shall be applicable in all respects in the case of service performed in the employ of any foreign subsidiary to which the amendment relates. Any such agreement shall require the domestic corporation to pay to the Secretary or his delegate amounts equivalent to the sum of the employee and employer taxes which would be imposed under sections 3101 and 3111 of the code (including interest, additional amounts, and penalties) with respect to remuneration which would be wages if the services covered by the agreement constituted employment. It shall also require the domestic corporation to comply with regulations, relating to payments and reports, prescribed by the Secretary or his delegate to carry out the purposes of such subsection.

Paragraph (2) of such section 3121 (1) provides that an agreement shall be made effective for the period beginning either with the first day of the calendar quarter in which the agreement is entered into or the first day of the succeeding calendar quarter. However, no agreement may be made effective prior to January 1, 1955. An amendment to an agreement executed after the first month following the first calendar quarter for which the agreement is in effect shall apply, in the case of services performed for the subsidiary or subsidiaries

specified in the amendment, only after the calendar quarter in which the amendment is executed.

Paragraph (3) of such section 3121 (1) provides that the domestic corporation may terminate such an agreement, with respect to any one or more of its foreign subsidiaries, effective at the end of a calendar quarter. However, the termination may be made only upon giving 2 years' advance notice in writing and only if at the time of the receipt of such notice the agreement has been in effect for a period of not less than 8 years. Any such notice of termination may be revoked by giving, prior to the close of the calendar quarter specified therein, a written notice of revocation. A notice of termination or revocation thereof shall be filed in such form and manner as may be prescribed by regulations. The period for which an agreement is effective with respect to any foreign subsidiary shall terminate automatically at the end of any calendar quarter in which at any time the foreign corporation ceases to be a foreign subsidiary as defined in this subsection.

Paragraph (4) of such section 3121 (1) directs the Secretary, upon a finding that any domestic corporation has failed to comply substantially with the terms of its agreement under such section 3121 (1), to give such corporation not less than 60 days' advance notice in writing that the period covered by its agreement will terminate at the end of a calendar quarter specified in such notice. Any such notice of termination, however, may be revoked by the Secretary as provided in such paragraph. No such notice of termination or revocation shall be given without the prior concurrence of the Secretary of Health, Education, and Welfare.

Pursuant to paragraph (5) of such section 3121 (1), if the agreement is terminated in its entirety by notice of termination, given either by the domestic corporation or the Secretary, the domestic corporation may not again enter into an agreement with respect to service performed for any foreign subsidiary; and if the agreement is terminated with respect to any foreign subsidiary the domestic corporation may not thereafter make such agreement applicable to that subsidiary.

Paragraph (6) of such section 3121 (1) provides that for purposes of section 201 of the Social Security Act, relating to appropriations to the Federal Old-Age and Survivors Insurance Trust Fund, remuneration paid for services of American citizens abroad covered by an agreement under section 3121 (1) between a domestic corporation and the Secretary, which would be wages if the services constituted employment and which is reported to the Secretary or his delegate pursuant to such agreement or regulations issued under section 3121 (1) shall be considered wages subject to the tax imposed by the Federal Insurance Contributions Act.

Paragraph (7) of such section 3121 (1) provides that adjustments of any overpayments or underpayments of amounts due under an agreement shall be made, without interest, in accordance with regulations prescribed by the Secretary. If an overpayment cannot be adjusted the amount thereof shall be repaid, but only if a claim therefor is filed with the Secretary within 2 years from the time such overpayment was made.

Paragraph (8), which defines a "foreign subsidiary of a domestic corporation," has already been discussed above.

Paragraph (9), not contained in the House bill, makes clear that each domestic corporation which enters into an agreement under this

subsection shall for purposes of such subsection and of section 6413 (c) (2) (C), relating to special refunds, be considered an employer in its capacity as a party to such agreement separate and distinct from its identity as a person employing individuals on its own account.

Paragraph (10) of such section 3121 (l) provides that the regulations of the Secretary under such section shall be designed to make the requirements imposed on domestic corporations with respect to service performed in the employ of foreign subsidiaries the same, insofar as practicable, as the requirements imposed on employers subject to the Federal Insurance Contributions Act.

DEDUCTIONS FROM GROSS INCOME FOR PAYMENTS WITH RESPECT TO EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS

Section 209 of the bill corresponds to section 210 of the House bill. Section 209 adds to the Internal Revenue Code a new section 176, which provides that amounts paid or incurred by a domestic corporation under the provisions of an agreement entered into as provided by section 3121 (l) may be deducted in computing taxable income, but only to the extent that the domestic corporation actually bore the burden of the payment. Amounts involved which were withheld from the wages of the employees of the foreign corporation or which were supplied by the foreign corporation may not give rise to a deduction for the domestic corporation which pays over such amounts to the Secretary. Any reimbursement of any amount which has been deducted by the domestic corporation under the provisions of this section must be included in the gross income of such corporation for the taxable year in which it is received.

TITLE III—PROVISIONS RELATING TO PUBLIC ASSISTANCE

TEMPORARY EXTENSION OF 1952 MATCHING FORMULA

The 1952 amendments to the Social Security Act included amendments increasing the proportion of public assistance expenditures made by the States to be borne from Federal funds. Such amendments were, however, made effective only for the period ending September 30, 1954. Section 301 of the bill would extend this period for two additional years, to September 30, 1956. The bill as passed by the House would have extended the period for 1 additional year, to September 30, 1955.

TEMPORARY EXTENSION OF SPECIAL PROVISIONS RELATING TO STATE PLANS FOR AID TO THE BLIND

Section 344 (b) of the Social Security Act Amendments of 1950 relieved certain States from the necessity for complying with the requirements of section 1002 (a) (8) of the Social Security Act as a condition to approval of their State aid-to-the-blind plans so as to make them eligible to receive Federal contributions toward the cost of assistance expenditures under the plans. This special provision was effective, however, only for the period ending June 30, 1955. Section 302 of the bill would extend this period for an additional 2 years to June 30, 1957.

TECHNICAL AMENDMENTS

When the public assistance provisions of the Social Security Act were amended in 1946 to change the Federal share of assistance expenditures from one-half of the total expenditures to a larger percentage of average expenditures below a certain amount, conforming changes were made in sections 3 (b), 403 (b) (1), and 1003 (b) (1) of the act. Through oversight these conforming changes were not repeated in the 1950 amendments to the Social Security Act. Section 303 of the bill would remedy this oversight. Except for one additional conforming change, this section of the bill as reported is the same as section 303 of the House-passed bill.

TITLE IV—MISCELLANEOUS PROVISIONS

This title amends the Railroad Retirement Act in several respects in order to preserve the existing relationship between the railroad retirement and old-age and survivors insurance systems. It also provides for redesignating cross references in other acts to provisions of the Social Security Act redesignated by the bill.

This title in the bill as reported by your committee differs from the House bill in several respects. First, the effective dates in the amendments to the Railroad Retirement Act have been changed to conform to those provided in the appropriate amendments to title II of the Social Security Act. Second, in the retirement test used under the Railroad Act for survivors, age 75 has been reduced to age 72 as the age above which deductions are not imposed, in order to conform to the change made in the retirement test in the Social Security Act. Third, since the Internal Revenue Code of 1954 contains its own provisions with respect to references in other laws to sections of the 1939 code, the part of section 402 of the bill relating to this matter has been deleted.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law shown in the left column, changes in existing law shown in the right column; except that with respect to changes in the Internal Revenue Code of 1954, provisions proposed to be omitted are enclosed in black brackets, new matter is printed in italics, and provisions in which no changes are proposed are shown in roman):

SOCIAL SECURITY ACT

SOCIAL SECURITY ACT, AS
AMENDED BY H. R. 9366, AS
REPORTED

AN ACT To provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, blind persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress Assembled,

TITLE I—GRANTS TO STATES
FOR OLD-AGE ASSISTANCE

* * * * *

PAYMENT TO STATES

SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$55—

(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$25 multiplied by the total number of such individuals who received old-age assistance for such month; plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of ad-

AN ACT To provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, blind persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes

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(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$25 multiplied by the total number of such individuals who received old-age assistance for such month; plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of

SOCIAL SECURITY ACT

administering the State plan or for old-age assistance, or both, and for no other purpose.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such clause, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Administrator may find necessary.

(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to old-age assistance furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.

AS AMENDED BY H. R. 9366

administering the State plan or for old-age assistance, or both, and for no other purpose.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Administrator may find necessary.

(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to old-age assistance furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.

SOCIAL SECURITY ACT

(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified increased by 5 per centum.

* * * * *

TITLE II—FEDERAL OLD-AGE AND SURVIVORS INSURANCE BENEFITS

* * * * *
 OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

Old-Age Insurance Benefits

SEC. 202. (a) Every individual who—
 (1) is a fully insured individual (as defined in section 214 (a)),
 (2) has attained retirement age (as defined in section 216 (a)), and
 (3) has filed application for old-age insurance benefits,

shall be entitled to an old-age insurance benefit for each month, beginning with the first month after August 1950 in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies. Such individual's old-age insurance benefit for any month shall be equal to his primary insurance amount (as defined in section 215 (a)) for such month.

* * * * *

Widow's Insurance Benefits

(e) (1) The widow (as defined in section 216 (c)) of an individual who died a fully insured individual after 1939, if such widow—

- (A) has not remarried,
- (B) has attained retirement age,
- (C) has filed application for widow's insurance benefits or was entitled, after attainment of retirement age, 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,

(D) was living with such individual at the time of his death, and

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(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified.

* * * * *

TITLE II—FEDERAL OLD-AGE AND SURVIVORS INSURANCE BENEFITS

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 OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

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* * * * *

Widow's Insurance Benefits

(e) (1) The widow (as defined in section 216 (c)) of an individual who died a fully insured individual after 1939, if such widow—

- (A) has not remarried,
- (B) has attained retirement age,
- (C) (i) has filed application for widow's insurance benefits or was entitled, after attainment of retirement age, 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, 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 retirement age,

(D) was living with such individual at the time of his death, and

SOCIAL SECURITY ACT

AS AMENDED BY H. R. 9366

(E) 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 her deceased husband, shall be entitled to a widow's insurance benefit for each month, beginning with the first month after August 1950 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: she remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of her deceased husband.

(2) Such widow's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of her deceased husband.

* * * * *

Mother's Insurance Benefits

(g) (1) The widow and every former wife divorced (as defined in section 216 (d)) of an individual who died a fully or currently insured individual after 1939, if such widow or former wife divorced—

- (A) has not remarried,
- (B) is not entitled to a widow's insurance benefit,
- (C) 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) has filed application for mother's insurance benefits,

(E) at the time of filing such application has in her care a child of such individual entitled to a child's insurance benefit, and

(F) (i) in the case of a widow, was living with such individual at the time of his death, or (ii) in the case of a former wife divorced, was receiving from such individual (pursuant to agreement or court order) at least one-half of her support at the time of his death, and the child referred to in clause (E) is her son, daughter, or legally adopted child and the benefits referred to in such clause are payable on the basis of such individual's

(E) 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 her deceased husband, shall be entitled to a widow's insurance benefit for each month, beginning with the first month after August 1950 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: she remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of her deceased husband.

(2) Such widow's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of her deceased husband.

* * * * *

Mother's Insurance Benefits

(g) (1) The widow and every former wife divorced (as defined in section 216 (d)) of an individual who died a fully or currently insured individual after 1939, if such widow or former wife divorced—

- (A) has not remarried,
- (B) is not entitled to a widow's insurance benefit,
- (C) 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) has filed application for mother'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,

(E) at the time of filing such application has in her care a child of such individual entitled to a child's insurance benefit, and

(F) (i) in the case of a widow, was living with such individual at the time of his death, or (ii) in the case of a former wife divorced, was receiving from such individual (pursuant to agreement or court order) at least one-half of her support at the time of his death, and the child referred to in clause (E) is her son, daughter, or legally adopted child and the benefits referred to in such clause are payable on the basis of such individual's

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wages and self-employment income, shall be entitled to a mother's insurance benefit for each month, beginning with the first month after August 1950 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: no child of such deceased individual is entitled to a child's insurance benefit, such widow or former wife divorced becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual, she becomes entitled to a widow's insurance benefit, she remarries, or she dies. Entitlement to such benefits shall also end, in the case of a former wife divorced, with the month immediately preceding the first month in which no son, daughter, or legally adopted child of such former wife divorced 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 insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of such deceased individual.

* * * * *

Lump-Sum Death Payments

(i) Upon the death, after August 1950, of an individual who died a fully or currently insured individual, an amount equal to three times such individual's primary insurance amount shall be paid in a lump sum to the person, if any, determined by the Administrator to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be paid to any persons or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of such insured individual. No payment shall be made to any person under this subsection unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual. In the case of any individual who died outside the forty-eight States and the District of Columbia after December 1953 and before July 1955, whose death occurred while he was in the active military or naval service of the United States, and who is returned to any of such States, the District of Columbia, Alaska, Hawaii,

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wages and self-employment income, shall be entitled to a mother's insurance benefit for each month, beginning with the first month after August 1950 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: no child of such deceased individual is entitled to a child's insurance benefit, such widow or former wife divorced becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual, she becomes entitled to a widow's insurance benefit, she remarries, or she dies. Entitlement to such benefits shall also end, in the case of a former wife divorced, with the month immediately preceding the first month in which no son, daughter, or legally adopted child of such former wife divorced 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 insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of such deceased individual.

* * * * *

Lump-Sum Death Payments

(i) Upon the death, after August 1950, of an individual who died a fully or currently insured individual, an amount equal to three times such individual's primary insurance amount shall be paid in a lump sum to the person, if any, determined by the Administrator to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of such insured individual. No payment shall be made to any person under this subsection unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual, or unless such person was entitled to wife's or husband's insurance benefits, on the basis of the wages and self-employment income of such insured individual, for the month preceding the month in which such individual died. In the case of any individual who died outside the forty-eight States

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Puerto Rico, or the Virgin Islands for interment or reinterment, the provisions of the preceding sentence shall not prevent payment to any person under the second sentence of this subsection if application for a lump-sum death payment with respect to such deceased individual is filed by or on behalf of such person (whether or not legally competent) prior to the expiration of two years after the date of such interment or reinterment.

and the District of Columbia after December 1953 and before July 1955, whose death occurred while he was in the active military or naval service of the United States, and who is returned to any of such States, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the Virgin Islands for interment or reinterment, the provisions of the preceding sentence shall not prevent payment to any person under the second sentence of this subsection if application for a lump-sum death payment with respect to such deceased individual if filed by or on behalf of such person whether or not legally competent) prior to the expiration of two years after the date of such interment or reinterment.

Application for Monthly Insurance Benefits

Application for Monthly Insurance Benefits

(j) (1) 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 sixth month immediately succeeding such month. Any benefit 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 Administrator has certified for payment for such prior month.

(j) (1) 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 immediately succeeding such month. Any benefit 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 Administrator has certified for payment for such prior month.

(2) No application for any benefit under this section for any month after August 1950 which is filed prior to three months before the first month for which the applicant becomes entitled to such benefit shall be accepted as an application for the purposes of this section; and any application filed within such three months' period shall be deemed to have been filed in such first month.

(2) No application for any benefit under this section for any month after August 1950 which is filed prior to three months before the first month for which the applicant becomes entitled to such benefit shall be accepted as an application for the purposes of this section; and any application filed within such three months' period shall be deemed to have been filed in such first month.

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Minimum Survivor's or Dependent's Benefit

(m) In any case in which the benefit of any individual for any month under this section (other than subsection (a)) is, prior to reduction under subsection (k) (3), less than \$30 and no other individual is (without the application of section 202 (j) (1)) entitled to a benefit under this section for such month on the basis of the same wages and self-employment income, such benefit for such month shall, prior to reduction under such subsection (k) (3), be increased to \$30.

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REDUCTION OF INSURANCE BENEFITS

REDUCTION OF INSURANCE BENEFITS

Maximum Benefits

Maximum Benefits

SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under section 202 for a month on the basis of the wages and self-employment income of an insured individual exceeds \$168.75, or is more than \$45 and exceeds 80 per centum of his average monthly wage (as determined under subsection (b) or (c) of section 215, whichever is applicable), such total of benefits shall, after any deductions under this section, be reduced to \$168.75 or to 80 per centum of his average monthly wage, whichever is the lesser, but in no case to less than \$45, except that 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, after any deductions under this section, be reduced to \$168.75 or to 80 per centum of the sum of the average monthly wages of all such insured individuals, whichever is the lesser, but in no case to less than \$45. Whenever a reduction is made under this subsection, each benefit, except the old-age insurance benefit, shall be proportionately decreased.

SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under section 202 for a month on the basis of the wages and self-employment income of an insured individual is more than \$50 and exceeds (1) 80 per centum of his average monthly wage, or (2) one and one-half times his primary insurance amount, whichever is the greater, such total of benefits shall, after any deductions under this section, be reduced to 80 per centum of his average monthly wage or to one and one-half times his primary insurance amount, whichever is the greater, but in no case to less than \$50; except that 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, after any deductions under this section, shall not be reduced to less than 80 per centum of the sum of the average monthly wages of all such insured individuals. In any case in which the total of the benefits referred to in the preceding sentence, after reduction (if any) thereunder, is more than \$200, such total shall, notwithstanding the provisions of such sentence, be reduced to \$200. Whenever a reduction is made under this subsection, each benefit, except the old-age insurance benefit, shall be proportionately decreased.

Deductions on Account of Work or Failure to Have Child in Care

Deductions on Account of Work or Failure to Have Child in Care

(b) Deductions, in such amounts and at such time or times as the Administrator 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 section 202 for any month—

(b) Deductions, in such amounts and at such time or times as the Administrator 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 section 202 for any month—

(1) in which such individual is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than \$75; or

(1) in which such individual is under the age of seventy-two and for which month he is charged with any earnings under the provisions of subsection (e) of this section; or

(2) in which such individual is under the age of seventy-five and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than \$75; or

(2) in which such individual is under the age of seventy-two and on seven or more different calendar days of which he engaged in non-covered remunerative activity outside the United States; or

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(3) in which such individual, if a wife under retirement age entitled to a wife's insurance benefit, did not have in her care (individually or jointly with her husband) a child of her husband entitled to a child's insurance benefit; or

(4) 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

(5) in which such individual, if a former wife divorced 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.

(3) in which such individual, if a wife under retirement age entitled to a wife's insurance benefit, did not have in her care (individually or jointly with her husband) a child of her husband entitled to a child's insurance benefit; or

(4) 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

(5) in which such individual, if a former wife divorced 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.

Deductions From Dependents' Benefits Because of Work by Old-Age Insurance Beneficiary

Deductions From Dependents' Benefits Because of Work by Old-Age Insurance Beneficiary

(c) Deductions shall be made from any wife's, husband's, or child's insurance benefit to which a wife, husband, or child is entitled, until the total of such deductions equals such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month—

(1) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than \$75; or

(2) in which the individual referred to in paragraph (1) is under the age of seventy-five and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than \$75.

(c) Deductions shall be made from any wife's, husband's, or child's insurance benefit to which a wife, husband, or child is entitled, until the total of such deductions equals such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month—

(1) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age of seventy-two and for which month he is charged with any earnings under the provisions of subsection (e) of this section;

(2) in which the individual referred to in paragraph (1) is under the age of seventy-two and on seven or more different calendar days of which he engaged in non-covered remunerative activity outside the United States.

Occurrence of More Than One Event

Occurrence of More Than One Event

(d) If more than one of the events specified in subsections (b) and (c) occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted. The charging of net earnings from self-

(d) If more than one of the events specified in subsections (b) and (c) occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted. The charging of earnings to any month shall

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employment to any month shall be treated as an event occurring in the month to which such net earnings are charged.

be treated as an event occurring in such month.

Months to Which Net Earnings From Self-Employment Are Charged

Months to Which Earnings Are Charged

(e) For the purposes of subsections (b) and (c)—

(1) If an individual's net earnings from self-employment for his taxable year are not more than the product of \$75 times the number of months in such year, no month in such year shall be charged with more than \$75 of net earnings from self-employment.

(2) If an individual's net earnings from self-employment for his taxable year are more than the product of \$75 times the number of months in such year, each month of such year shall be charged with \$75 of net earnings from self-employment, and the amount of such net earnings in excess of such product shall be further charged to months as follows: The first \$75 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of \$75 per month to each preceding month in such year until all of such balance has been applied, except that no part of such excess shall be charged to any month (A) for which such individual was not entitled to a benefit under this title, (B) in which an event described in paragraph (1), (3), (4), or (5) of subsection (b) occurred, (C) in which such individual was age seventy-five or over, or (D) in which such individual did not engage in self-employment.

(e) (1) If an individual's earnings for a taxable year of twelve months are not more than \$1,200, no month in such year shall be charged with any earnings. If an individual's earnings for a taxable year of less than twelve months are not more than \$100 times the number of months in such year, no month in such year shall be charged with any earnings.

(2) If an individual's earnings for a taxable year of twelve months are in excess of \$1,200, the amount of his earnings in excess of \$1,200 shall be charged to months as follows: The first \$80 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of \$80 per month to each preceding month in such year to which such charging is not prohibited by the last sentence of this paragraph, until all of such balance has been applied. If an individual's earnings for a taxable year of less than twelve months are more than the product of \$100 times the number of months in such year, the amount of such earnings in excess of such product shall be charged to months as follows: The first \$80 of such excess shall be charged to the last month of such taxable year, and the balance, if any, shall be charged at the rate of \$80 per month to each preceding month in such year to which such charging is not prohibited by the last sentence of this paragraph, until all of such balance has been applied. Notwithstanding the preceding provisions of this paragraph, no part of the excess referred to in such provisions shall be charged to any month (A) for which the individual whose earnings are involved was not entitled to a benefit under this title, (B) in which an event described in paragraph (2), (3), (4), or (5) of subsection (b) occurred, (C) in which such individual was age seventy-two or over, or (D) in which such individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (4) of this subsection) of more than \$80.

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(3) (A) As used in paragraph (2), the term "last month of such taxable year" means the latest month in such year to which the charging of the excess described in such paragraph is not prohibited by the application of clauses (A), (B), (C), and (D) thereof.

(B) For the purposes of clause (D) of paragraph (2), 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 Administrator 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 his net earnings from self-employment for any taxable year. The Administrator 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.

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(3) (A) As used in paragraph (2), the term "last month of such taxable year" means the latest month in such year to which the charging of the excess described in such paragraph is not prohibited by the application of clauses (A), (B), (C), and (D) thereof.

(B) For purposes of clause (D) of paragraph (2)—

(i) 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 (4) 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.

(ii) An individual will be presumed, with respect to any month, to have rendered services for wages (determined as provided in paragraph (4) of this subsection) of more than \$80 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.

(4) (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) In determining an individual's net loss from self-employment for purposes of subparagraph (A) of this paragraph and subparagraph (B) of paragraph (3), the provisions of section 211 shall be applicable; and any excess of deductions over income resulting from such a computation shall be his net loss from self-employment.

(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 section 209 (a).

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(5) For purposes of this subsection, wages (determined as provided in paragraph (4) (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 show 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.

Penalty for Failure To Report Certain Events

(f) Any individual in receipt of benefits subject to deduction under subsection (b) or (c) (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an event described in subsection (b) or (c) (2)), shall report such occurrence to the Administrator prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof, who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (b) or (c), except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month's benefit even though the failure to report is with respect to more than one month.

Report to Administrator of Net Earnings From Self-Employment

(g) (1) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has net earnings from self-employment in excess of the product of \$75 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 Administrator of his net earnings from self-employment for such taxable year. Such report shall be made on or before the fifteenth day of the third month following the close of such year, and shall

Penalty for Failure To Report Certain Events

(f) Any individual in receipt of benefits subject to deduction under subsection (b) or (c) (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an event specified in subsection (b) (1) or (c) (1)), who fails to report such occurrence to the Secretary prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred, shall suffer an additional deduction equal to that imposed under subsection (b) or (c), except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month's benefit even though the failure to report is with respect to more than one month.

Report of Earnings to Secretary

(g) (1) 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 (4) of subsection (e), in excess of the product of \$100 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 third month following the close of

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contain such information and be made in such manner as the Administrator may by regulations prescribe. Such report need not be made for any taxable year beginning with or after the month in which such individual attained the age of seventy-five.

(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, of his net earnings from self-employment for any taxable year and any deduction is imposed under subsection (b) (2) by reason of such net earnings--

(A) such individual shall suffer one additional deduction in an amount equal to his benefit or benefits for the last month in such taxable year for which he was entitled to a benefit under section 202; and

(B) if the failure to make such report continues after the close of the fourth calendar month following the close of such taxable year, such individual shall suffer an additional deduction in the same amount for each month during all or any part of which such failure continues after such fourth month;

except that the number of the additional deductions required by this paragraph shall not exceed the number of months in such taxable year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (2) by reason of such net earnings from self-employment. If more than one additional deduction would be imposed under this paragraph with respect to a failure by an individual to file a report required by paragraph (1) and such failure is the first for which any additional deduction is imposed under this paragraph, only one additional deduction shall be imposed with respect to such first failure.

(3) If the Administrator determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to benefits under section 202 for any taxable year will suffer deduc-

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such year, and shall contain such information and be made in such manner as the Administrator may by regulations prescribe. Such report need not be made for any taxable year beginning with or after the month in which such individual attained the age of seventy-two.

(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, for any taxable year and any deduction is imposed under subsection (b) (1) by reason of his earnings for such year, he shall suffer additional deductions as follows:

(A) if such failure is the first one with respect to which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

(B) if such failure is the second one for which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to two times his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

(C) if such failure is the third or a subsequent one for which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to three times his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

except that the number of the additional deductions required by this paragraph with respect to a failure to report earnings for a taxable year shall not exceed the number of months in such year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (1) by reason of his earnings. In determining whether a failure to report earnings is the first or a subsequent failure for any individual, all taxable years ending prior to the imposition of the first additional deduction under this paragraph, other than the latest one of such years, shall be disregarded.

(3) If the Administrator determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to benefits under section 202 for any taxable year will suffer deduc-

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tions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year, the Administrator may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Administrator may specify) of the benefits payable on the basis of such individual's wages and self-employment income; and such suspension shall remain in effect with respect to the benefits for any month until the Administrator has determined whether or not any deduction is imposed for such month under subsection (b). The Administrator is authorized, before the close of the taxable year of an individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Administrator may specify, a declaration of his estimated net earnings from self-employment for the taxable year and that he furnish to the Administrator such other information with respect to such net earnings as the Administrator may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year.

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tions imposed under subsection (b) (1) by reason of his earnings for such year, the Administrator may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Administrator may specify) of the benefits payable on the basis of such individual's wages and self-employment income; and such suspension shall remain in effect with respect to the benefits for any month until the Administrator has determined whether or not any deduction is imposed for such month under subsection (b). The Administrator is authorized, before the close of the taxable year of an individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Administrator may specify, a declaration of his estimated earnings for the taxable year and that he furnish to the Administrator such other information with respect to such earnings as the Administrator may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (b) (1) by reason of his earnings for such year. If, after the close of a taxable year of an individual entitled to benefits under section 202 for such year, the Secretary requests such individual to furnish a report of his earnings (as computed pursuant to paragraph (4) of subsection (e)) for such taxable year or any other information with respect to such earnings which the Secretary may specify, and the individual fails to comply with such request, such failure shall in itself constitute justification for a determination that such individual's benefits are subject to deductions under subsection (b) (1) for each month in such taxable year (or only for such months thereof as the Secretary may specify) by reason of his earnings for such year.

* * * * *

Deductions With Respect to Certain Lump-Sum Payments

(i) Deductions shall also be made from any old-age insurance benefit to which an individual is entitled, or from any other insurance benefit payable on the basis of such individual's wages and self-employment income, until such deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.

[(i) Repealed.]

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Attainment of Age Seventy-five

(j) For the purposes of this section, an individual shall be considered as seventy-five years of age during the entire month in which he attains such age.

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Attainment of Age Seventy-two

(j) For the purposes of this section, an individual shall be considered as seventy-two years of age during the entire month in which he attains such age.

Noncovered Remunerative Activity
Outside the United States

(k) An individual shall be considered to be engaged in noncovered remunerative activity outside the United States if he performs services outside the United States as an employee and such services do not constitute employment as defined in section 210, or if he carries on a trade or business outside the United States (other than the performance of service as an employee) the net income or loss of which (1) is not includible in computing his net earnings from self-employment for a taxable year and (2) would not be excluded from net earnings from self-employment, if carried on in the United States, by any of the numbered paragraphs of section 211 (a). When used in the preceding sentence with respect to a trade or business (other than the performance of service as an employee), the term "United States" does not include Puerto Rico or the Virgin Islands in the case of an alien who is not a resident of the United States (including Puerto Rico and the Virgin Islands); and the term "trade or business" shall have the same meaning as when used in section 162 of the Internal Revenue Code of 1954.

Good Cause for Failure To Make
Reports Required

(l) The failure of an individual to make any report required by subsection (f) or (g) within the time prescribed therein shall not be regarded as such a failure if it is shown to the satisfaction of the Secretary that he had good cause for failing to make such report within such time. The determination of what constitutes good cause for purposes of this subsection shall be made in accordance with regulations of the Secretary.

OVERPAYMENTS AND UNDERPAYMENTS

SEC. 204. (a) Whenever an error has been made with respect to payments to an individual under this title (including payments made prior to January 1, 1940), proper adjustments shall be made, under regulations prescribed by the Administrator, by increasing or decreasing subsequent payments to

OVERPAYMENTS AND UNDERPAYMENTS

SEC. 204. (a) Whenever an error has been made with respect to payments to an individual under this title (including payments made prior to January 1, 1940), proper adjustments shall be made, under regulations prescribed by the Administrator, by increasing or decreasing subsequent payments to

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which such individual is entitled. If such individual dies before such adjustment has been completed, adjustment shall be made by increasing or decreasing subsequent benefits payable with respect to the wages which were the basis of benefits of such deceased individual.

which such individual is entitled. If such individual dies before such adjustment has been completed, adjustment shall be made by increasing or decreasing subsequent benefits payable with respect to the wages and self-employment income which were the basis of benefits of such deceased individual.

* * * * *
EVIDENCE, PROCEDURE, AND CERTIFICATION FOR PAYMENT

* * * * *
EVIDENCE, PROCEDURE, AND CERTIFICATION FOR PAYMENT

SEC. 205. a) The Administrator 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.

SEC. 205. (a) The Administrator 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.

* * * * *
Crediting of Compensation Under the Railroad Retirement Act

* * * * *
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 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), then, notwithstanding section 210 (a) (10) 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 4 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 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.

(o) If there is no person who would be entitled, upon application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), then, notwithstanding section 210 (a) (9) 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 4 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 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.

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PENALTIES

PENALTIES

SEC. 208. Whoever, for the purpose of causing an increase in any payment authorized to be made under this title, or for the purpose of causing any payment to be made where no payment is authorized under this title, shall make or cause to be made any false statement or representation (including any false statement or representation in connection with any matter arising under subchapter E of chapter 1 or subchapter A or E of chapter 9 of the Internal Revenue Code) as to the amount of any wages paid or received or the period during which earned or paid, or whoever makes or causes to be made any false statement of a material fact in any application for any payment under this title, or whoever makes or causes to be made any false statement, representation, affidavit, or document in connection with such an application, shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than \$1,000 or imprisoned for not more than one year, or both.

SEC. 208. Whoever, for the purpose of causing an increase in any payment authorized to be made under this title, or for the purpose of causing any payment to be made where no payment is authorized under this title, shall make or cause to be made any false statement or representation (including any false statement or representation in connection with any matter arising under subchapter E of chapter 1 or subchapter A or E of chapter 9 of the Internal Revenue Code) as to the amount of any wages paid or received or the period during which earned or paid or as to the amount of net earnings from self-employment derived or the period during which derived, or whoever makes or causes to be made any false statement of a material fact in any application for any payment under this title, or whoever makes or causes to be made any false statement, representation, affidavit, or document in connection with such an application, shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than \$1,000 or imprisoned for not more than one year, or both.

DEFINITION OF WAGES

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—

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) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to \$3,600 with respect to employment has been paid to an individual during any calendar year, is paid to such individual during such calendar year;

(a) (1) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to \$3,600 with respect to employment has been paid to an individual during any calendar year prior to 1955, is paid to such individual during such calendar year;

* * * * *

(2) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to \$4,200 with respect to employment has been paid to an individual during any calendar year after 1954, is paid to such individual during such calendar year;

* * * * *

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(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 the quarter for such service is less than \$50 or the employee is not regularly employed by the employer in such quarter of payment. For the purposes of this paragraph, an employee shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during the quarter the employee performs for the employer for some portion of the day domestic service in a private home of the employer, or (B) the employee was regularly employed (as determined under clause (A)) by the employer in the performance of such service during the preceding calendar quarter. 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);

(h) Remuneration paid in any medium other than cash for agricultural labor;

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(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 to an employee for service not in the course of the employer's trade or business, 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 "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 quarter to an employee for agricultural labor, if the cash remuneration paid in such quarter by the employer to the employee for such labor is less than \$50;

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DEFINITION OF EMPLOYMENT

DEFINITION OF EMPLOYMENT

SEC. 210. For the purposes of this title—

SEC. 210. For the purposes of this title—

Employment

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 for an American employer (as defined in subsection (e)); except that, in the case of service performed after 1950, such term shall not include—

(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 (l) 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 (l) 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) (A) Agricultural labor (as defined in subsection (f) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor (other than service described in subparagraph (B)) is \$50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this subparagraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

(1) (A) Service performed 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;

(i) such individual performs agricultural labor (other than service described in subparagraph (B)) for such employer on a full-time basis on sixty days during such quarter, and

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(ii) the quarter was immediately preceded by a qualifying quarter.

For the purposes of the preceding sentence, the term "qualifying quarter" means (I) any quarter during all of which such individual was continuously employed by such employer, or (II) any subsequent quarter which meets the test of clause (i) if, after the last quarter during all of which such individual was continuously employed by such employer, each intervening quarter met the test of clause (i). Notwithstanding the preceding provisions of this subparagraph, an individual shall also be deemed to be regularly employed by an employer during a calendar quarter if such individual was regularly employed (upon application of clauses (i) and (ii)) by such employer during the preceding calendar quarter.

(B) Service performed 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;

(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.

(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) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is \$50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer

(B) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended;

(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;

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in the performance of such service during the preceding calendar quarter. 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 subsection (f) (5);

(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

(5) 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 the individual is employed on and in connection with such vessel or aircraft when outside the United States;

(6) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any provision of law which specifically refers to such section in granting such exemption;

(7) (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 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 on December 31, 1950, 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 national farm loan association, a production credit association, a Federal Reserve Bank, or a Federal Credit Union;

(3) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

(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 1410 of the Internal Revenue Code 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 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 on December 31, 1950, 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 national farm loan association, a production credit association, a Federal Reserve Bank, or a Federal Credit Union;

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(iii) service performed in the employ of a State, county, or community committee under the Production and Marketing Administration; or

(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;

(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 the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

(iv) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

(v) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

(vi) by any individual as an employee receiving nominal compensation of \$12 or less per annum;

(vii) in a hospital, home, or other institution of the United

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(iii) service performed in the employ of a State, county, or community committee under the Production and Marketing Administration; or

(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;

(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 the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

(iv) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

(v) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

(vi) by any individual as an employee receiving nominal compensation of \$12 or less per annum;

(vii) in a hospital, home, or other institution of the United

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States by a patient or inmate thereof;

(viii) by any individual as a consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

(ix) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

(x) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency;

(xi) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment;

(xii) as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States; or

(xiii) by an individual to whom the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system;

(8) Service (other than service included under an agreement under section 218 and other than service which, under subsection (1), constitutes covered transportation 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 by one or more States or political subdivisions;

(9) (A) 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;

(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under

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States by a patient or inmate thereof;

(viii) by any individual as a consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

(ix) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

(x) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency;

(xi) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment;

(xii) as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States; or

(xiii) by an individual to whom the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system;

(7) Service (other than service included under an agreement under section 218 and other than service which, under subsection (1), constitutes covered transportation 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 by one or more States or political subdivisions;

(8) (A) 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;

(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under

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section 101 (6) of the Internal Revenue Code, but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 1426 (l) of the Internal Revenue Code, is in effect if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section 1426 (l), or (ii) who became an employee of such organization after the calendar quarter in which the certificate was filed;

(10) Service performed by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

(11) (a) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if the remuneration for such service is less than \$50;

(B) Service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

(12) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a non-diplomatic representative);

(13) 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;

(14) 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 char-

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section 101 (6) of the Internal Revenue Code, but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 1426 (l) of the Internal Revenue Code, is in effect if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section 1426 (l), or (ii) who became an employee of such organization after the calendar quarter in which the certificate was filed;

(9) Service performed by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

(10) (a) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if the remuneration for such service is less than \$50;

(B) Service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

(11) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a non-diplomatic representative);

(12) 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) 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 char-

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tered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

(15) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

(16) (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; or

(17) 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).

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

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tered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

(14) (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; or

(15) 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).

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

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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 (10) of subsection (a).

* * * * *

Employee

- (k) The term "employee" means—
- (1) any officer of a corporation;
- or
- (2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee; or
 - (3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—
 - (A) as an agent-driver or commission-driver engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for his principal;
 - (B) as a full-time life insurance salesman;
 - (C) as a home worker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed; or
 - (D) as a traveling or city salesman, other than as an agent-driver or commission-

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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) of subsection (a).

* * * * *

Employee

- (k) The term "employee" means—
- (1) any officer of a corporation;
- or
- (2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee; or
 - (3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—
 - (A) as an agent-driver or commission-driver engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for his principal;
 - (B) as a full-time life insurance salesman;
 - (C) as a home worker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him; or
 - (D) as a traveling or city salesman, other than as an agent-driver or commission-

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driver, engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, his principal (except for side-line sales activities on behalf of some other person) of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments for merchandise for resale or supplies for use in their business operations;

driver, engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, his principal (except for side-line sales activities on behalf of some other person) of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments for merchandise for resale or supplies for use in their business operations;

if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term "employee" under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for transportation), or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.

if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term "employee" under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for transportation), or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.

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SELF-EMPLOYMENT

SELF-EMPLOYMENT

Sec. 211. For the purposes of this title—

Sec. 211. For the purposes of this title—

Net Earnings From Self-Employment

Net Earnings From Self-Employment

(a) The term "net earnings from self-employment" means the gross income, as computed under chapter 1 of the Internal Revenue Code, derived by an individual from any trade or business carried on by such individual, less the deductions allowed under such chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the ordinary net income or loss, as computed under section 183 of such code, 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 net income or loss—

(a) The term "net earnings from self-employment" means the gross income, as computed under chapter 1 of the Internal Revenue Code, derived by an individual from any trade or business carried on by such individual, less the deductions allowed under such chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the ordinary net income or loss, as computed under section 183 of such code, 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 net income or loss—

(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;

(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;

(2) There shall be excluded income derived from any trade or business in which, if the trade or

(2) There shall be excluded income derived from any trade or business in which, if the trade or

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business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f); and there shall be excluded all deductions attributable to such income;

(3) 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 25 (a) of the Internal Revenue Code) are received in the course of a trade or business as a dealer in stocks or securities;

(4) There shall be excluded any gain or loss (A) which is considered under chapter 1 of the Internal Revenue Code as gain or loss from the sale or exchange of a capital asset, (B) from the cutting or disposal of timber if section 117 (j) of such code is applicable 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;

(5) The deduction for net operating losses provided in section 23 (s) of such code shall not be allowed;

(6) (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;

(B) If any portion of a partner's distributive share of the ordinary

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business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f); and there shall be excluded all deductions attributable to such income;

(3) 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 25 (a) of the Internal Revenue Code) are received in the course of a trade or business as a dealer in stocks or securities;

(4) There shall be excluded any gain or loss (A) which is considered under chapter 1 of the Internal Revenue Code as gain or loss from the sale or exchange of a capital asset, (B) from the cutting of timber, or the disposal of timber or coal, if section 117 (j) of such code is applicable 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;

(5) The deduction for net operating losses provided in section 23 (s) of such code shall not be allowed;

(6) (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;

(B) If any portion of a partner's distributive share of the ordinary

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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;

(7) (A) In the case of any taxable year beginning before the effective date specified in section 219, the term "possession of the United States" when used in section 251 of the Internal Revenue Code with respect to citizens of the United States shall include Puerto Rico;

(B) In the case of any taxable year beginning on or after the effective date specified in section 219, 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 the provisions of section 116 (l) of such code.

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.

Self-Employment Income

(b) 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 beginning after 1950; except that such term shall not include—

(1) That part of the net earnings from self-employment which is in excess of: (A) \$3,600, minus (B) the amount of the wages paid to such individual during the taxable year; or

(2) The net earnings from self-employment, if such net earnings for the taxable year are less than \$400.

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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;

(7) (A) In the case of any taxable year beginning before the effective date specified in section 219, the term "possession of the United States" when used in section 251 of the Internal Revenue Code with respect to citizens of the United States shall include Puerto Rico;

(B) In the case of any taxable year beginning on or after the effective date specified in section 219, 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 the provisions of section 116 (l) of such code.

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.

Self-Employment Income

(b) 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 beginning after 1950; except that such term shall not include—

(1) That part of the net earnings from self-employment which is in excess of—

(A) For any taxable year ending prior to 1955, (i) \$3,600, minus (ii) the amount of the wages paid to such individual during the taxable year; and

(B) For any taxable year ending after 1954, (i) \$4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; or

(2) The net earnings from self-employment, if such net earnings for the taxable year are less than \$400.

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In the case of any taxable year beginning prior to the effective date specified in section 219, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States during such taxable year shall be considered, for the purposes of this subsection, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or (after the effective date specified in section 219) a resident of Puerto Rico shall not, for the purposes of this subsection, be considered to be a nonresident alien individual.

In the case of any taxable year beginning prior to the effective date specified in section 219, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States during such taxable year shall be considered, for the purposes of this subsection, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or (after the effective date specified in section 219) a resident of Puerto Rico shall not, for the purposes of this subsection, be considered to be a nonresident alien individual.

Trade or Business

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 23 of the Internal Revenue Code, except that such term shall not include—

(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 23 of the Internal Revenue Code, except that such term shall not include—

(1) The performance of the functions of a public office;

(1) The performance of the functions of a public office;

(2) The performance of service by an individual as an employee (other than service described in section 210 (a) (16) (B) performed by an individual who has attained the age of eighteen);

(2) The performance of service by an individual as an employee (other than service described in section 210 (a) (14) (B) performed by an individual who has attained the age of eighteen, and other than service described in paragraph (4) of this subsection);

(3) The performance of service by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

(3) The performance of service by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

(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; or

(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; or

(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant, accountant registered or licensed as an accountant under State or municipal law, full-time practicing public accountant, funeral director, or professional engineer; or the performance of such service by a partnership.

(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant, accountant registered or licensed as an accountant under State or municipal law, full-time practicing public accountant, funeral director, or professional engineer; or the performance of such service by a partnership.

* * * * *

The provisions of paragraph (4) shall not apply to service (other than service performed by a member of a religious

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order who has taken a vow of poverty as a member of such order) performed by an individual during the period for which a certificate filed by such individual under section 1402 (e) of the Internal Revenue Code of 1954 is in effect.

* * * * *

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) (A) The term "quarter of coverage" means, in the case of any quarter occurring prior to 1951, a quarter in which the individual has been paid \$50 or more in wages. In the case of any individual who has been paid, in a calendar year prior to 1951, \$3,000 or more in wages each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual died or became entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled.

(B) The term "quarter of coverage" means, in the case of a quarter occurring after 1950, a quarter in which the individual has been paid \$50 or more in wages 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;

(ii) if the wages paid to any individual in a calendar year equal or exceed \$3,600, 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 taxable year equals \$3,600, each quarter any part of which falls

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) (A) The term "quarter of coverage" means, in the case of any quarter occurring prior to 1951, a quarter in which the individual has been paid \$50 or more in wages, except that no quarter any part of which was included in a period of disability (as defined in section 216 (i)), other than the initial quarter of such period, shall be a quarter of coverage. In the case of any individual who has been paid, in a calendar year prior to 1951, \$3,000 or more in wages, each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual died or became entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled, and excepting any quarter any part of which was included in a period of disability, other than the initial quarter of such period.

(B) The term "quarter of coverage" means, in the case of a quarter occurring after 1950, a quarter in which the individual has been paid \$50 or more in wages 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 \$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, each

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in such year shall be a quarter of coverage; and

(iv) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter.

* * * * *

INSURED STATUS FOR PURPOSES OF OLD-AGE AND SURVIVORS INSURANCE BENEFITS

SEC. 214. For the purposes of this title—

Fully Insured Individual

(a) (1) In the case of any individual who died prior to September 1, 1950, the term "fully insured individual" means any individual who had not less than one quarter of coverage (whenever acquired) for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage.

(2) In the case of any individual who did not die prior to September 1, 1950, the term "fully insured individual" means any individual who had not less than—

(A) one quarter of coverage (whether acquired before or after such day) for each two of the quarters elapsing after 1950, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage; or

(B) forty quarters of coverage.

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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, each quarter any part of which falls in such year shall (subject to clause (i)) be a quarter of coverage;

(iv) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter.

* * * * *

INSURED STATUS FOR PURPOSES OF OLD-AGE AND SURVIVORS INSURANCE BENEFITS

SEC. 214. For the purposes of this title—

Fully Insured Individual

(a) (1) In the case of any individual who died prior to September 1, 1950, the term "fully insured individual" means any individual who had not less than one quarter of coverage (whenever acquired) for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage.

(2) In the case of any individual who did not die prior to September 1, 1950, the term "fully insured individual" means any individual who had not less than—

(A) one quarter of coverage (whether acquired before or after such day) for each two of the quarters elapsing after 1950, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage; or

(B) forty quarters of coverage,

not counting as an elapsed quarter for purposes of subparagraph (A) any quarter any part of which was included in a period of disability (as defined in

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section 216 (i) unless such quarter was a quarter of coverage.

(3) In the case of any individual who did not die prior to January 1, 1955, the term "fully insured individual" means any individual who meets the requirements of paragraph (2) and, in addition, any individual with respect to whom all of the quarters elapsing after 1954 and prior to (i) July 1, 1956, or (ii) if later, the quarter in which he attained retirement age or died, whichever first occurred, are quarters of coverage, but only if there are not fewer than six of such quarters so elapsing.

(3) When the number of elapsed quarters specified in paragraph (1) or (2) (A) is an odd number, for purposes of such paragraph such number shall be reduced by one.

(4) When the number of elapsed quarters specified in paragraph (1) or (2) (A) is an odd number, for purposes of such paragraph such number shall be reduced by one.

Currently Insured Individual

Currently Insured Individual

(b) The term "currently insured individual" means any individual who had not less than six quarters of coverage during the thirteen-quarter period ending with (1) the quarter in which he died, (2) the quarter in which he became entitled to old-age insurance benefits, or (3) the quarter in which he became entitled to primary insurance benefits under this title as in effect prior to the enactment of this section.

(b) The term "currently insured individual" means any individual who had not less than six quarters of coverage during the thirteen-quarter period ending with (1) the quarter in which he died, (2) the quarter in which he became entitled to old-age insurance benefits, or (3) the quarter in which he became entitled to primary insurance benefits under this title as in effect prior to the enactment of this section, not counting as part of such thirteen-quarter period any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage.

COMPUTATION OF PRIMARY INSURANCE AMOUNT

COMPUTATION OF PRIMARY INSURANCE AMOUNT

SEC. 215. For the purposes of this title—

SEC. 215. For the purposes of this title—

Primary Insurance Amount

Primary Insurance Amount

(a) (1) The primary insurance amount of an individual who attained age twenty-two after 1950 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage shall be 55 per centum of the first \$100 of his average monthly wage, plus 15 per centum of the next \$200 of such wage; except that, if his average monthly wage is less than \$48, his primary insurance amount shall be the amount appearing in column II of the following table on the line on which in column I appears his average monthly wage.

(a) (1) The primary insurance amount of any individual (i) who does not become eligible for benefits under section 202 (a) until after August 1954, or who dies after such month and without becoming eligible for benefits under such section 202 (a), and (ii) with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage, and the primary insurance amount of any individual with respect to whom not less than six of the quarters elapsing after June 30, 1953, are quarters of coverage, shall be whichever of the following amounts is the larger:

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I Average Monthly Wage	II Primary Insurance Amount
\$34 or less.....	\$25
\$35 through \$47.....	\$26

(2) The primary insurance amount of an individual who attained age twenty-two prior to 1951 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage shall be whichever of the following is the larger—

(A) the amount computed as provided in paragraph (1) of this subsection; or

(B) the amount determined under subsection (c).

(3) The primary insurance amount of any other individual shall be the amount determined under subsection (c).

Average Monthly Wage

(b) (1) An individual's "average monthly wage" shall be the quotient obtained by dividing the total of—

(A) his wages after his starting date (determined under paragraph (2)) and prior to his wage closing date (determined under paragraph (3)), and

(B) his self-employment income after such starting date and prior to his self-employment income closing date (determined under paragraph (3))

by the number of months elapsing after such starting date and prior to his divisor closing date (determined under paragraph (3)) excluding from such elapsed months any month in any quarter prior to the quarter in which he attained the age of twenty-two which was not a quarter of coverage, except that when the number of such elapsed months thus computed is less than eighteen, it shall be increased to eighteen.

(2) An individual's "starting date" shall be December 31, 1950, or, if later, the day preceding the quarter in which he attained the age of twenty-two, whichever results in the higher average monthly wage.

(3) (A) Except to the extent provided in paragraph (D), an individual's "wage closing date" shall be the first day of the second quarter preceding the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred.

(B) Except to the extent provided in paragraph (D), an individual's "self-

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(A) Fifty-five per centum of the first \$110 of his average monthly wage, plus 20 per centum of the next \$240; or

(B) The amount determined under subsection (c).

An individual shall, for the purposes of this paragraph, be deemed eligible for benefits under section 202 (a) for any month if he was or would have been upon filing application therefor in such month, entitled to such benefits for such month.

(2) The primary insurance amount of any other individual shall be the amount determined under subsection (c).

Average Monthly Wage

(b) (1) An individual's "average monthly wage" shall be the quotient obtained by dividing the total of his wages and self-employment income after his starting date (determined under paragraph (2)) and prior to his closing date (determined under paragraph (3)),

by the number of months elapsing after such starting date and prior to such closing date, excluding from such elapsed months any month in any year prior to the year in which he attained the age of twenty-two if less than two quarters of such prior year were quarters of coverage and any month in any quarter any part of which was included in a period of disability (as defined in section 216 (i)) unless such quarter was a quarter of coverage, except that when the number of such elapsed months thus computed (including a computation after the application of paragraph (4)) is less than eighteen, it shall be increased to eighteen.

(2) An individual's "starting date" shall be—

(A) December 31, 1950, or

(B) if later, the last day of the year in which he attains the age of twenty-one, whichever results in the higher primary insurance amount.

(3) An individual's "closing date" shall be whichever of the following results in the higher primary insurance amount:

(A) the first day of the year in which he died or became entitled to old-age insurance benefits, whichever first occurred; or

(B) the first day of the first year

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employment income closing date" shall be the day following the quarter in which ends his last taxable year (i) which ended before the month in which he died or became entitled to old-age insurance benefits, whichever first occurred, and (ii) during which he derived self-employment income.

(C) Except to the extent provided in paragraph (D), an individual's "divisor closing date" shall be the later of his wage closing date and his self-employment income closing date.

(D) In the case of an individual who died or became entitled to old-age insurance benefits after the first quarter in which he both was fully insured and had attained retirement age, the determination of his closing dates shall be made as though he became entitled to old-age insurance benefits in such first quarter, but only if it would result in a higher average monthly wage for such individual.

(4) Notwithstanding the preceding provisions of this subsection, in computing an individual's average monthly wage, there shall not be taken into account any self-employment income of such individual for taxable years ending in or after the month in which he died or became entitled to old-age insurance benefits, whichever first occurred.

in which he both was fully insured and had attained retirement age; except that if the Secretary determines, on the basis of the evidence available to him at the time of the computation of the individual's primary insurance amount with respect to which such closing date is applicable, that it would result in a higher primary insurance amount for such individual, his closing date shall be the first day of the year following the year referred to in subparagraph (A).

(4) In the case of any individual, the Secretary shall determine the four or fewer full calendar years after his starting date and prior to his closing date which, if the months of such years and his wages and self-employment income for such years were excluded in computing his average monthly wage, would produce the highest primary insurance amount. Such months and such wages and self-employment income shall be excluded for purposes of computing such individual's average monthly wage. The maximum number of calendar years determined under the first sentence of this paragraph shall be five instead of four in the case of any individual who has not less than twenty quarters of coverage.

Determinations Made by Use of the Conversion Table

(c) (1) The amount referred to in paragraph (3) and clause (B) of paragraph (2) of subsection (a) for an individual shall be the amount appearing in column II of the following table on the line on which in column I appears his primary insurance benefit (determined as provided in subsection (d)); and his average monthly wage shall, for purposes of section 203 (a), be the amount appearing on such line in column III.

Determinations Made by Use of the Conversion Table

(c) (1) Except as provided in paragraph (2) of this subsection, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for an individual shall be either the amount appearing in column III of the following table on the line on which in column I appears his primary insurance benefit (as determined under subsection (d)), or the amount appearing in column III of the following table on the line on which in column II appears his primary insurance amount (determined as provided in subsection (d)), whichever produces the higher amount; and his average monthly wage shall, for purposes of section 203 (a), be the amount appearing in column IV on the line on which, in column III, appears such higher amount.

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I	II	III	I	II	III	IV
If the primary insurance benefit (as determined under subsection (d)) is:	The primary insurance amount shall be:	And the average monthly wage for purpose of computing maximum benefits shall be:	If the primary insurance benefit (as determined under subsection (d)) is—	Or the primary insurance amount (as determined under subsection (d)) is—	The amount referred to in paragraphs (1) (B) and (2) of subsection (a) shall be—	And the average monthly wage for purposes of computing maximum benefits shall be—
\$10	\$25.00	\$45.00				
\$11	27.00	49.00				
\$12	29.00	53.00	\$10	\$25.00	\$30.00	\$55.00
\$13	31.00	56.00	\$11	27.00	32.00	58.00
\$14	33.00	60.00	\$12	29.00	34.00	62.00
\$15	35.00	64.00	\$13	31.00	36.00	65.00
\$16	36.70	67.00	\$14	33.00	38.00	69.00
\$17	38.20	69.00	\$15	35.00	40.00	73.00
\$18	39.50	72.00	\$16	36.70	41.70	76.00
\$19	40.70	74.00	\$17	38.20	43.20	79.00
\$20	42.00	76.00	\$18	39.50	44.50	81.00
\$21	43.50	79.00	\$19	40.70	45.70	83.00
\$22	45.30	82.00	\$20	42.00	47.00	85.00
\$23	47.50	86.00	\$21	43.50	48.50	88.00
\$24	50.10	91.00	\$22	45.30	50.30	91.00
\$25	52.40	95.00	\$23	47.50	52.50	95.00
\$26	54.40	99.00	\$24	50.10	55.10	100.00
\$27	56.30	109.00	\$25	52.40	57.40	104.00
\$28	58.00	120.00	\$26	54.40	59.40	108.00
\$29	59.40	129.00	\$27	56.30	61.30	114.00
\$30	60.80	139.00	\$28	58.00	63.00	123.00
\$31	62.00	147.00	\$29	59.40	64.40	130.00
\$32	63.30	155.00	\$30	60.80	66.30	139.00
\$33	64.40	163.00	\$31	62.00	67.90	147.00
\$34	65.50	170.00	\$32	63.30	69.50	155.00
\$35	66.60	177.00	\$33	64.40	71.10	163.00
\$36	67.80	185.00	\$34	65.50	72.50	170.00
\$37	68.90	193.00	\$35	66.60	73.90	177.00
\$38	70.00	200.00	\$36	67.80	75.50	185.00
\$39	71.00	207.00	\$37	68.90	77.10	193.00
\$40	72.00	213.00	\$38	70.00	78.50	200.00
\$41	73.10	221.00	\$39	71.00	79.90	207.00
\$42	74.10	227.00	\$40	72.00	81.10	213.00
\$43	75.10	234.00	\$41	73.10	82.70	221.00
\$44	76.10	241.00	\$42	74.10	83.90	227.00
\$45	77.10	250.00	\$43	75.10	85.30	234.00
\$46	77.10	250.00	\$44	76.10	86.70	241.00
			\$45	77.10	88.50	250.00
			\$46	77.10	88.50	250.00
				77.20	88.50	250.00
				77.30	88.50	250.00
				77.40	88.50	250.00
				77.50	88.50	250.00
				78.00	89.10	253.00
				79.00	90.50	260.00
				80.10	91.90	267.00
				81.00	93.10	273.00
				82.00	94.50	280.00
				83.10	95.90	287.00
				84.00	97.10	293.00
				85.00	98.50	300.00

(2) In case the primary insurance benefit of an individual (determined as provided in subsection (d)) falls between the amounts on any two consecutive lines in column I of the table, the amount referred to in paragraphs (2) (B) and (3) of subsection (a) for such individual shall be the amount determined with respect to such benefit (under the applicable regulations in effect on May 1, 1952), increased by 12½ per centum or \$5, whichever is the larger, and further increased, if it is not then a multiple of \$0.10, to the next higher multiple of \$0.10.

(2) (A) In case the primary insurance benefit (determined as provided in subsection (d)) of an individual falls between the amounts on any two consecutive lines in column I of the table, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the amount determined (i) by applying the formula in subsection (a) (1) to the average monthly wage which would be determined for such individual under paragraph (4) of this subsection as in effect prior to the enactment of the Social Security Amendments of 1954, (ii) by increasing the

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amount determined under clause (i), if it is not a multiple of \$0.10, to the next higher multiple of \$0.10, and (iii) by further increasing such amount to the extent, if any, it is less than \$5 greater than the primary insurance amount which would be determined for him by use of his primary insurance benefit under paragraph (2) of this subsection as in effect prior to the enactment of the Social Security Amendments of 1954.

(B) In case the primary insurance amount (determined under subsection (d)) of an individual falls between the amounts on any two consecutive lines in column II of the table, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the amount determined under subparagraph (A) of this paragraph for an individual whose primary insurance benefit would (under paragraph (2) of this subsection as in effect prior to the enactment of the Social Security Amendments of 1954) produce such primary insurance amount; except that, if there is no primary insurance benefit which would (under such paragraph (2)) produce such primary insurance amount or if such primary insurance amount is higher than \$77.10, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the amount determined (i) by applying the formula in subsection (a) (1) to the average monthly wage from which such primary insurance amount was determined, (ii) by increasing the amount determined under clause (i), if it is not a multiple of \$0.10, to the next higher multiple of \$0.10, and (iii) by further increasing such amount to the extent, if any, it is less than \$5 greater than such primary insurance amount.

(C) If the provisions of subparagraphs (A) and (B) of this paragraph are both applicable to an individual, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the larger of the amounts determined under such subparagraphs.

(3) For the purpose of facilitating the use of the conversion table in computing any insurance benefit under section 202, the Administrator is authorized to assume that the primary insurance benefit from which such benefit under section 202 is determined is one cent or two cents more or less than its actual amount.

(4) For purposes of section 203 (a), the average monthly wage of an individual whose primary insurance amount

(3) For the purpose of facilitating the use of the conversion table in computing any insurance benefit under section 202, the Secretary is authorized to assume that the primary insurance benefit from which such benefit under section 202 is determined is one cent or two cents more or less than its actual amount.

(4) For purposes of section 203 (a), the average monthly wage of an individual whose primary insurance amount

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is determined under paragraph (2) of this subsection shall be a sum equal to the average monthly wage which would result in such primary insurance amount upon application of the provisions of subsection (a) (1) of this section and without the application of subsection (e) (2) or (g) of this section; except that, if such sum is not a multiple of \$1, it shall be rounded to the nearest multiple of \$1.

Primary Insurance Benefit for Purposes of Conversion Table

(d) For the purposes of subsection (c), the primary insurance benefits of individuals shall be determined as follows:

(1) In the case of any individual who was entitled to a primary insurance benefit for August 1950, his primary insurance benefit shall, except as provided in paragraph (2), be the primary insurance benefit to which he was so entitled.

(2) In the case of any individual to whom paragraph (1) is applicable and who is a World War II veteran or in August 1950 rendered services for wages of \$15 or more, his primary insurance benefit shall be whichever of the following is larger: (A) the primary insurance benefit to which he was entitled for August 1950, or (B) his primary insurance benefit for August 1950 recomputed, under section 209 (q) of the Social Security Act as in effect prior to the enactment of this section, in the same manner as if such individual had filed application for and was entitled to a recomputation for August 1950, except that in making such recomputation section 217 (a) shall be applicable if such individual is a World War II veteran.

(3) In the case of any individual who died prior to September 1950, his primary insurance benefit shall be determined as provided in this title as in effect prior to the enactment of this section, except that section 217 (a) shall be applicable, in lieu of section 210 of this Act as in effect prior to the enactment of this section, but only if it results in a larger primary insurance benefit.

(4) In the case of any other individual, his primary insurance benefit shall be computed as provided in this title as in effect prior to the enactment of this section, except that—

(A) In the computation of such benefit, such individual's average

is determined under paragraph (2) of this subsection shall be a sum equal to the average monthly wage which would result in such primary insurance amount upon the application of the provisions of subsection (a) (1) (A) of this section and without the application of subsection (e) (2) or (g) of this section; except that, if such sum is not a multiple of \$1, it shall be rounded to the nearest multiple of \$1 (or to the next higher multiple of \$1 if it is a multiple of \$0.50).

Primary Insurance Benefit and Primary Insurance Amount for Purposes of Conversion Table

(d) For the purposes of subsection (c), the primary insurance benefits and the primary insurance amounts of individuals shall be determined as follows:

(1) In the case of any individual who was entitled to a primary insurance benefit for August 1950, his primary insurance benefit shall, except as provided in paragraph (2), be the primary insurance benefit to which he was so entitled.

(2) In the case of any individual to whom paragraph (1) is applicable and who is a World War II veteran or in August 1950 rendered services for wages of \$15 or more, his primary insurance benefit shall be whichever of the following is larger: (A) the primary insurance benefit to which he was entitled for August 1950, or (B) his primary insurance benefit for August 1950 recomputed, under section 209 (q) of the Social Security Act as in effect prior to the enactment of this section, in the same manner as if such individual had filed application for and was entitled to a recomputation for August 1950, except that in making such recomputation section 217 (a) shall be applicable if such individual is a World War II veteran.

(3) In the case of any individual who died prior to September 1950, his primary insurance benefit shall be determined as provided in this title as in effect prior to the enactment of this section, except that section 217 (a) shall be applicable, in lieu of section 210 of this Act as in effect prior to the enactment of this section, but only if it results in a larger primary insurance benefit.

(4) In the case of any other individual (except an individual who attained age twenty-two after 1950 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage), his primary insurance benefit shall be computed as

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monthly wage shall (in lieu of being determined under section 209 (f) of such title as in effect prior to the enactment of this section) be determined as provided in subsection (b) of this section, except that his starting date shall be December 31, 1936.

(B) For purposes of such computation, the date he became entitled to old-age insurance benefits shall be deemed to be the date he became entitled to primary insurance benefits.

(C) 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.

(D) The provisions of subsection (e) shall be applicable to such computation.

provided in this title as in effect prior to the enactment of this section, except that—

(A) In the computation of such benefit, such individual's average monthly wage shall (in lieu of being determined under section 209 (f) of such title as in effect prior to the enactment of this section) be determined as provided in subsection (b) of this section, except that his starting date shall be December 31, 1936.

(B) For purposes of such computation, the date he became entitled to old-age insurance benefits shall be deemed to be the date he became entitled to primary insurance benefits.

(C) 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.

(D) The provisions of subsection (e) shall be applicable to such computation.

(5) In the case of any individual to whom paragraph (1), (2), or (4) of this subsection is applicable, his primary insurance benefit shall be computed as provided therein except that, for purposes of paragraphs (1) and (2) and subparagraph (C) of paragraph (4), any quarter prior to 1951 any part of which was included in a period of disability shall be excluded from the elapsed quarters unless it was a quarter of coverage, and any wages paid in any such quarter shall not be counted.

(6) The primary insurance amount of any individual shall be computed as provided in this section as in effect prior to the enactment of this paragraph, except that the amendments made by sections 102 (b) (other than paragraph (2) thereof), 104, and 106 of the Social Security Amendments of 1954 (relating, respectively, to increase in benefit amounts, increase in earnings counted, and periods of disability) shall, to the extent provided by such sections, be applicable to such computation.

Certain Wages and Self-Employment Income Not To Be Counted

(e) For the purposes of subsections (b) and (d) (4)—

(1) in computing an individual's average monthly wage there shall not be counted, in the case of any calendar year after 1950, the excess over \$3,600 of (A) the wages paid

Certain Wages and Self-Employment Income Not To Be Counted

(e) For the purposes of subsections (b) and (d) (4)—

(1) in computing an individual's 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,

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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 computed under subsection (b) or for the purposes of subsection (d) (4) 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) (A) Upon application by an individual entitled to old-age insurance benefits, the Administrator shall recompute his primary insurance amount if application therefor is filed after the twelfth month for which deductions under paragraph (1) or (2) of section 203 (b) have been imposed (within a period of thirty-six months) with respect to such benefit, not taking into account any month prior to September 1950 or prior to the earliest month for which the last previous computation of his primary insurance amount was effective, and if not less than six of the quarters elapsing after 1950 and prior to the quarter in which he filed such application are quarters of coverage.

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and the excess over \$4,200 in the case of any calendar year after 1954, 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);

(2) if an individual's average monthly wage computed under subsection (b) or for the purposes of subsection (d) (4) is not a multiple of \$1, it shall be reduced to the next lower multiple of \$1;

(3) if an individual's closing date is determined under paragraph (3) (A) of subsection (b) and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he becomes entitled to old-age insurance benefits, there shall not be counted, in determining his average monthly wage, his self-employment income in such taxable year, except as provided in section 215 (f) (3) (C); and

(4) in computing an individual's average monthly wage, there shall not be taken into account (A) any wages paid such individual in any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage, or (B) any self-employment income of such individual for any taxable year all of which was included in a period of disability.

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) (A) Upon application filed after 1954 by an individual entitled to old-age insurance benefits, the Secretary shall recompute his primary insurance amount if—

(i) he has not less than six quarters of coverage in the period after 1950 and prior to the quarter in which such application is filed,

(ii) he has wages and self-employment income of more than \$1,200 in a calendar year which occurs after 1953 (not taking into account any year prior to the calendar year in which the last previous recomputation, if any, of his primary insurance amount was effective) and after the year in which he became

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(B) Upon application by an individual who, in or before the month of filing of such application, attained the age of 75 and who is entitled to old-age insurance benefits for which the primary insurance amount was computed under subsection (a) (3) of this section, the Administrator shall recompute his primary insurance amount if not less than six of the quarters elapsing after 1950 and prior to the quarter in which he filed application for such recomputation are quarters of coverage.

(C) A recomputation under subparagraphs (A) and (B) of this paragraph shall be made only as provided in subsection (a) (1) and shall take into account only such wages and self-employment income as would be taken into account under subsection (b) if the month in which application for recomputation is filed were deemed to be the month in which the individual became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the month in which such application for recomputation is filed.

(3) (A) Upon application by an individual entitled to old-age insurance benefits, filed at least six months after the month in which he became so entitled, the Administrator shall recompute his primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount except that his closing dates for purposes of subsection (b) shall be deemed to be the first day

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(without the application of section 202 (j) (1)) entitled to old-age insurance benefits or filed an application for recomputation (to which he is entitled) under section 102 (e) (5) (B) or 102 (f) (2) (B) of the Social Security Amendments of 1954 whichever of such events is the latest, and

(iii) he filed such application no earlier than six months after such calendar year referred to in clause (ii) in which he had such wages and self-employment income.

Such recomputation shall be effective for and after the twelfth month before the month in which he filed such application for recomputation but in no event earlier than the month following such calendar year referred to in clause (ii). For the purposes of this subparagraph an individual's self-employment income shall be allocated to calendar quarters in accordance with section 212.

(B) A recomputation pursuant to subparagraph (A) shall be made as provided in subsection (a) of this section and as though the individual first became entitled to old-age insurance benefits in the month in which he filed the application for such recomputation, but only if the provisions of subsection (b) (4) were not applicable to the last previous computation of his primary insurance amount. If the provisions of subsection (b) (4) were applicable to such previous computation, the recomputation under subparagraph (A) of this paragraph shall be made only as provided in subsection (a) (1) (other than subparagraph (B) thereof) and for such purposes his average monthly wage shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed the application for recomputation under subparagraph (A), except that, of the provisions of paragraph (3) of subsection (b), only the provisions of subparagraph (A) thereof shall be applicable.

(3) (A) Upon application by an individual—

(i) who became (without the application of section 202 (j) (1)) entitled to old-age insurance benefits under section 202 (a) after August, 1954, or

(ii) whose primary insurance amount was recomputed under section 102 (e) (5) or 102 (f) (2) (B) of the Social Security Amendments of 1954, or

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of the quarter in which he became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits.

(B) Upon application by a person entitled to monthly benefits on the basis of the wages and self-employment income of an individual who died after August 1950, the Administrator shall recompute such individual's primary insurance amount if such application is filed at least six months after the month in which such individual died or became entitled to old-age insurance benefits, whichever first occurred. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount except that his closing dates for purposes of subsection (b) shall be deemed to be the first day of the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred. Such recomputation shall be effective for and after the month in which such person who filed the application for recomputation became entitled to such monthly benefits. No recomputation under this paragraph 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 Administrator prior to the effective date of the recomputation.

(iii) whose primary insurance amount was recomputed as provided in the first sentence of paragraph (2) (B) of this subsection on the basis of an application filed after August 1954,

the Secretary shall recompute his primary insurance amount if such application is filed after the year in which he became entitled to old-age insurance benefits or in which he filed his application for the last recomputation (to which he was entitled) of his primary insurance amount under any provision of law referred to in clause (ii) or (iii) of this sentence, whichever is the later. Such recomputation under this subparagraph shall be made in the manner provided in the preceding subsections of this section for computation of his primary insurance amount, except that his closing date for purposes of subsection (b) shall be the first day of the year following the year in which he became entitled to old-age insurance benefits or in which he filed his application for the last recomputation (to

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which he was entitled) of his primary insurance amount under any provision of law referred to in clause (ii) or (iii) of the preceding sentence, whichever is the later. Such recomputation under this subparagraph shall be effective for and after the first month for which his last previous computation of his primary insurance amount was effective, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed.

(B) In the case of an individual who dies after August 1954—

(i) who, at the time of death, was not entitled to old-age insurance benefits under section 202 (a), or who became entitled to old-age insurance benefits under section 202 (a) after August 1954, or whose primary insurance amount was recomputed under paragraph (2) or (4) of this subsection, or section 102 (e) (5) or section 102 (f) (2) (B) of the Social Security Amendments of 1954, on the basis of an application filed after August 1954; and

(ii) with respect to whom the last previous computation or recomputation of his primary insurance amount was based upon a closing date determined under subparagraph (A) or (B) of subsection (b) (3) of this section, the Secretary shall recompute his primary insurance amount upon the filing of an application by a person entitled to monthly benefits or a lump-sum death payment on the basis of his wages and self-employment income. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount, except that his closing date for purposes of subsection (b) shall be the day following the year of death in case he died without becoming entitled to old-age insurance benefits, or, in case he was entitled to old-age insurance benefits, the day following the year in which was filed the application for the last previous computation of his primary insurance amount or in which the individual died, whichever first occurred. In the case of monthly benefits, such recomputation shall be effective for and after the month in which the person entitled to such monthly benefits became so entitled, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed.

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(C) If an individual's closing date is determined under paragraph (3) (A) of subsection (b) of this section and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he became entitled to old-age insurance benefits, the Secretary shall recompute his primary insurance amount after the close of such taxable year, taking into account only such self-employment income in such taxable year as is, pursuant to section 212, allocated to calendar quarters prior to such closing date. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits.

(4) Upon the death after August 1950 of an individual entitled to old-age insurance benefits, if any person is entitled to monthly benefits, or to a lump-sum death payment, on the basis of the wages and self-employment income of such individual, the Administrator shall recompute the decedent's primary insurance amount, but (except as provided in paragraph (3) (B)) only if—

(A) the decedent would have been entitled to a recomputation under paragraph (2) if he had filed application therefor in the month in which he died; or

(B) the decedent during his lifetime was paid compensation which is treated, under section 205 (o), as remuneration for employment.

If recomputation is permitted by subparagraph (A), the recomputation shall be made (if at all) as though he had filed application for a recomputation under paragraph (2) in the month in which he died, except that such recomputation shall include any compensation (described in section 205 (o)) paid to him prior to the divisor closing date which would have been applicable under such paragraph. If recomputation is permitted by subparagraph (B), the recomputation shall take into account only the wages and self-employment income which were taken into account in the last previous computation of his primary insurance amount and the compensation (described in section 205 (o)) paid to him prior to the divisor closing date applicable to such computation. If both of the preceding sentences are applicable to an individual, only the recomputation which results in the larger primary insurance amount shall be made.

(5) In the case of any individual who became entitled to old-age insurance benefits in 1952 or in a taxable year

(4) Upon the death after 1954 of an individual entitled to old-age insurance benefits, if any person is entitled to monthly benefits, or to a lump-sum death payment, on the basis of the wages and self-employment income of such individual, the Secretary shall recompute the decedent's primary insurance amount, but only if—

(A) the decedent would have been entitled to a recomputation under paragraph (2) (A) (without the application of clause (iii) thereof) if he had filed application therefor in the month in which he died; or

(B) the decedent during his lifetime was paid compensation which was treated under section 205 (o) as remuneration for employment.

If the recomputation is permitted by subparagraph (A) the recomputation shall be made (if at all) as though he had filed application for a recomputation under paragraph (2) (A) in the month in which he died, except that such recomputation shall include any compensation (described in section 205 (o)) paid to him prior to the closing date which would have been applicable under such paragraph. If recomputation is permitted by subparagraph (B) the recomputation shall take into account only the wages and self-employment income which were taken into account in the last previous computation of his primary insurance amount and the compensation (described in section 205 (o)) paid to him prior to the closing date applicable to such computation. If both of the preceding sentences are applicable to an individual, only the recomputation which results in the larger primary insurance amount shall be made.

(5) In the case of any individual who became entitled to old-age insurance benefits in 1952 or in a taxable year

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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 after the close of such taxable year by such individual or (if he died without filing such application) by a person entitled to monthly benefits on the basis of such individual's wages and self-employment income, the Administrator 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 subsection (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 Administrator prior to the effective date of the recomputation.

(6) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount.

* * * * *

OTHER DEFINITIONS

Sec. 216. For the purposes of this title—

* * * * *

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 after the close of such taxable year by such individual or (if he died without filing such application) by a person entitled to monthly benefits on the basis of such individual's wages and self-employment income, the Administrator 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 subsection (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 Administrator prior to the effective date of the recomputation.

(6) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount.

* * * * *

OTHER DEFINITIONS

Sec. 216. For the purposes of this title—

* * * * *

Disability; Period of Disability

(i) (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 to be of long-continued and indefinite duration, or

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(B) blindness; and the term "blindness" means central visual acuity of 5/200 or less in the better eye with the use of a correcting lens. An eye in which the visual field is reduced to five degrees or less concentric contraction shall be considered for the purpose of this paragraph as having a central visual acuity of 5/200 or less. An individual shall not be considered to be under a disability unless he furnishes such proof of the existence thereof as may be required. Nothing in this title shall be construed as authorizing the Secretary or any other officer or employee of the United States to interfere in any way with the practice of medicine or with relationships between practitioners of medicine and their patients, or to exercise any supervision or control over the administration or operation of any hospital.

(2) The term "period of disability" means a continuous period of not less than six full calendar months (beginning and ending as hereinafter provided in this subsection) during which an individual was under a disability (as defined in paragraph (1)). No such period shall begin as to any individual unless such individual, while under a disability, files an application for a disability determination with respect to such period; and no such period shall begin as to any individual after such individual attains retirement age. Except as provided in paragraph (4), a period of disability shall begin—

(A) if the individual satisfies the requirements of paragraph (3) on such day,

(i) on the day the disability began, or

(ii) on the first day of the one-year period which ends with the day before the day on which the individual files such application,

whichever occurs later;

(B) if such individual does not satisfy the requirements of paragraph (3) on the day referred to in subparagraph (A), then on the first day of the first quarter thereafter in which he satisfies such requirements.

A period of disability shall end with the close of the last day of the first month in which either the disability ceases or the individual attains retirement age. No application for a disability determination which is filed more than three months before the first day on which a period of disability can begin (as determined under this paragraph) shall

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be accepted as an application for purposes of this paragraph, and no such application which is filed prior to January 1, 1955, shall be accepted.

(3) The requirements referred to in clauses (A) and (B) of paragraphs (2) and (4) are satisfied by an individual with respect to any quarter only if he had not less than—

(A) six quarters of coverage (as defined in section 213 (a) (2)) during the thirteen-quarter period which ends with such quarter; and

(B) twenty quarters of coverage during the forty-quarter period which ends with such quarter, not counting as part of the thirteen-quarter period specified in clause (A), or the forty-quarter period specified in clause (B), any quarter any part of which was included in a prior period of disability unless such quarter was a quarter of coverage.

(4) If an individual files an application for a disability determination after December 1954, and before July 1957, with respect to a disability which began before July 1956, and continued without interruption until such application was filed, then the beginning day for the period of disability, if such individual does not die prior to July 1, 1955, shall be—

(A) the day such disability began, but only if he satisfies the requirements of paragraph (3) on such day;

(B) if he does not satisfy such requirements on such day, the first day of the first quarter thereafter in which he satisfies such requirements.

BENEFITS IN CASE OF VETERANS

SEC. 217. (a) (1) For purposes of determining entitlement to and the amount of any monthly benefit for any month after August 1950, 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 World War II veteran, such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of \$160 in each month during any part of which he served in the active military or naval service of the United States during World War II. 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; or

BENEFITS IN CASE OF VETERANS

SEC. 217. (a) (1) For purposes of determining entitlement to and the amount of any monthly benefit for any month after August 1950, 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 World War II veteran, and for purposes of section 216 (i) (3), such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of \$160 in each month during any part of which he served in the active military or naval service of the United States during World War II. 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

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(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran during World War II is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by \$0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based.

(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran during World War II, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Federal Security Administrator shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in

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payable without its application; or

(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran during World War II is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by \$0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based. The provisions of clause (B) shall also not apply for purposes of section 216 (i) (3).

(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran during World War II, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Federal Security Administrator shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in

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whole or in part, on military or naval service during World War II shall, at the request of the Federal Security Administrator, certify to him, with respect to any veteran, such information as the Administrator deems necessary to carry out his functions under paragraph (2) of this subsection.

* * * * *

(e) (1) For purposes of determining entitlement to and the amount of any monthly benefit or lump-sum death payment payable under this title on the basis of the wages and self-employment income of any veteran (as defined in paragraph (4)), such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of \$160 in each month during any part of which he served in the active military or naval service of the United States on or after July 25, 1947, and prior to July 1, 1955. 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; or

(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran on or after July 25, 1947, and prior to July 1, 1955, is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by \$0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based.

(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any veteran, the Federal Security Administrator shall make a decision without regard to clause (B) of para-

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whole or in part, on military or naval service during World War II shall, at the request of the Federal Security Administrator, certify to him, with respect to any veteran, such information as the Administrator deems necessary to carry out his functions under paragraph (2) of this subsection.

* * * * *

(e) (1) For purposes of determining entitlement to and the amount of any monthly benefit or lump-sum death payment payable under this title on the basis of the wages and self-employment income of any veteran (as defined in paragraph (4)), and for purposes of section 216 (i) (3), such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of \$160 in each month during any part of which he served in the active military or naval service of the United States on or after July 25, 1947, and prior to July 1, 1955. 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; or

(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran on or after July 25, 1947, and prior to July 1, 1955, is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by \$0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based. The provisions of clause (B) shall also not apply for purposes of section 216 (i) (3).

(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any veteran, the Federal Security Administrator shall make a decision without regard to clause (B) or para-

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graph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran on or after July 25, 1947, and prior to July 1, 1955, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Federal Security Administrator shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service on or after July 25, 1947, and prior to July 1, 1955, shall, at the request of the Federal Security Administrator, certify to him, with respect to any veteran, such information as the Administrator deems necessary to carry out his functions under paragraph (2) of this subsection.

(4) For the purposes of this subsection, the term "veteran" means any individual who served in the active military or naval service of the United States at any time on or after July 25, 1947, and prior to July 1, 1955, and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.

VOLUNTARY AGREEMENTS FOR COVERAGE
OF STATE AND LOCAL EMPLOYEES

Purpose of Agreement

SEC. 218. (a) (1) The Administrator shall, at the request of any State, enter into an agreement with such State for

graph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran on or after July 25, 1947, and prior to July 1, 1955, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Federal Security Administrator shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service on or after July 25, 1947, and prior to July 1, 1955, shall, at the request of the Federal Security Administrator, certify to him, with respect to any veteran, such information as the Administrator deems necessary to carry out his functions under paragraph (2) of this subsection.

(4) For the purposes of this subsection, the term "veteran" means any individual who served in the active military or naval service of the United States at any time on or after July 25, 1947, and prior to July 1, 1955, and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.

VOLUNTARY AGREEMENTS FOR COVERAGE
OF STATE AND LOCAL EMPLOYEES

Purpose of Agreement

SEC. 218. (a) (1) The Administrator shall, at the request of any State, enter into an agreement with such State for

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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.

(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.

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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.

(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. Civilian employees of National Guard units of a State who are employed pursuant to

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section 90 of the National Defense Act of June 3, 1916 (32 U. S. C., sec. 42), and paid from funds allotted to such units by the Department of Defense, shall for purposes of this section be deemed to be employees of the State 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 services of an emergency nature or all services in any class or classes of elective positions, part-time positions, or positions the compensation for which is on a fee basis.

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) Any service of an emergency nature;

(B) 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;

(C) 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

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(4) The Administrator 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.

(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 (8) of such section.

(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 (l)), 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 (8) of such section.

such positions have not already been included under such agreement pursuant to subsection (d) (3).

(4) The Administrator 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) (C) 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 (l)), 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.

(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) (C) is applicable unless such agreement provides (in the case of each coverage group involved) either that the service of any individual

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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.

Exclusion of Positions Covered by Retirement Systems

(d) 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 on the date such agreement is made applicable to such coverage group.

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 service 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)

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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 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

SOCIAL SECURITY ACT

AS AMENDED BY H. R. 9366

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) (C)).

(5) (A) 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.

(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 (c), 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) (C) of such subsection, such exclusion may not include any services to which such paragraph (3) (C) 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) 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. If a retirement system covers positions

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of employees of one or more institutions of higher learning, then, for purposes of such preceding paragraphs, there shall be deemed to be a separate retirement system for the employees of each such institution of higher learning. For the purposes of this paragraph, the term "institutions of higher learning" includes junior colleges and teachers' colleges.

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Effective Date of Agreement

Effective Date of Agreement

(f) 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, but in no case prior to January 1, 1951, and in no case (other than in the case of an agreement or modification agreed to prior to January 1, 1953) prior to the first day of the calendar year in which such agreement or modification, as the case may be, is agreed to by the Administrator and the State.

(f) 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—

(1) in the case of an agreement or modification agreed to prior to 1954, such date may not be earlier than December 31, 1950;

(2) in the case of an agreement or modification agreed to after 1954 but prior to 1958, such date may not be earlier than December 31, 1954; and

(3) in the case of an agreement or modification agreed to during 1954 or after 1957, such date may not be earlier than the last day of the calendar year preceding the year in which such agreement or modification, as the case may be, is agreed to by the Secretary of Health, Education, and Welfare and the State.

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WISCONSIN RETIREMENT FUND

WISCONSIN RETIREMENT FUND

(m) (1) Notwithstanding 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.

(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.

(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.

(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.

(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.

SOCIAL SECURITY ACT

(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.

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AS AMENDED BY H. R. 9366

(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

(ii) 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 enactment), 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.

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SOCIAL SECURITY ACT

AS AMENDED BY H. R. 9366

DISABILITY PROVISIONS INAPPLICABLE
IF BENEFIT RIGHTS IMPAIRED

SEC. 220. None of the provisions of this title relating to periods of disability shall apply in any case in which their application would result in the denial of monthly benefits or a lump-sum death payment which would otherwise be payable under this title; nor shall they apply in the case of any monthly benefit or lump-sum death payment under this title if such benefit or payment would be greater without their application.

DISABILITY DETERMINATIONS

SEC. 221. (a) In the case of any individual, the determination of whether or not he is under a disability (as defined in section 216 (i)) and of the day such disability began, and the determination of the day on which such disability ceases, shall except as provided in subsection (g), be made by a State agency pursuant to an agreement entered into under subsection (b). Except as provided in subsections (c) and (d), any such determination shall be the determination of the Secretary for purposes of this title.

(b) The Secretary shall enter into an agreement with each State which is willing to make such an agreement under which the State agency or agencies administering the State plan approved under the Vocational Rehabilitation Act, or any other appropriate State agency or agencies, or both, will make the determinations referred to in subsection (a) with respect to all individuals in such State, or with respect to such class or classes of individuals in the State as may be designated in the agreement at the State's request.

(c) The Secretary may on his own motion review a determination, made by a State agency pursuant to an agreement under this section, that an individual is under a disability and, as a result of such review, may determine that such individual is not under a disability or that such disability began on a day later than that determined by such agency, or that such disability ceased on a day earlier than that determined by such agency.

(d) Any individual dissatisfied with any determination under subsection (a), (c), or (g) shall be entitled to a hearing thereon by the Secretary to the same extent as is provided in section 205 (b) with respect to decisions of the Secretary, and to judicial review of the Secretary's final decision after such hearing as is provided in section 205 (g).

SOCIAL SECURITY ACT

AS AMENDED BY H. R. 9366

(e) Each State which has an agreement with the Secretary under this section shall be entitled to receive from the Trust Fund, in advance or by way of reimbursement, as may be mutually agreed upon, the cost to the State of carrying out the agreement under this section. The Secretary shall from time to time certify such amount as is necessary for this purpose to the Managing Trustee, reduced or increased, as the case may be, by any sum (for which adjustment hereunder has not previously been made) by which the amount certified for any prior period was greater or less than the amount which should have been paid to the State under this subsection for such period; and the Managing Trustee, prior to audit or settlement by the General Accounting Office, shall make payment from the Trust Fund at the time or times fixed by the Secretary, in accordance with such certification.

(f) All money paid to a State under this section shall be used solely for the purposes for which it is paid; and any money so paid which is not used for such purposes shall be returned to the Treasury of the United States for deposit in the Trust Fund.

(g) In the case of individuals in a State which has no agreement under subsection (b), in the case of individuals outside the United States, and in the case of any class or classes of individuals not included in an agreement under subsection (b), the determinations referred to in subsection (a) shall be made by the Secretary in accordance with regulations prescribed by him.

REFERRAL FOR REHABILITATION SERVICES

SEC. 222. It is hereby declared to be the policy of the Congress in enacting the preceding section that disabled individuals applying for a determination of disability 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 disabled individuals may be restored to productive activity.

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SOCIAL SECURITY ACT
TITLE IV—GRANTS TO STATES
FOR AID TO DEPENDENT CHILDREN
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PAYMENT TO STATES

AS AMENDED BY H. R. 9366
TITLE IV—GRANTS TO STATES
FOR AID TO DEPENDENT CHILDREN
 * * * * *
PAYMENT TO STATES

SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to the sum of the following proportions of the total amounts extended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$30, or if there is more than one dependent child in the same home, as exceeds \$30 with respect to one such dependent child and \$21 with respect to each of the other dependent children and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds \$30—

(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of \$15 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to one-half of the total of the sums expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$18, or if there is more than one dependent child in the same home, as exceeds \$18 with respect to one such dependent child and \$12 with respect to each of the other dependent children; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of

SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to the sum of the following proportions of the total amounts extended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$30, or if there is more than one dependent child in the same home, as exceeds \$30 with respect to one such dependent child and \$21 with respect to each of the other dependent children, and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds \$30—

(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of \$15 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to one-half of the total of the sums expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$18, or if there is more than one dependent child in the same home, as exceeds \$18 with respect to one such dependent child and \$12 with respect to each of the other dependent children; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of

SOCIAL SECURITY ACT

administering the State plan or for aid to dependent children, or both, and for no other purpose.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of dependent children in the State, and (C) such other investigation as the Administrator may find necessary.

(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to dependent children furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter.

(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified.

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AS AMENDED BY H. R. 9366

administering the State plan or for aid to dependent children, or both, and for no other purpose.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of dependent children in the State, and (C) such other investigation as the Administrator may find necessary.

(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to dependent children furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter.

(3) The Secretary of the Treasury, shall thereupon, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified.

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SOCIAL SECURITY ACT

AS AMENDED BY H. R. 9366

TITLE X—GRANTS TO STATES
FOR AID TO THE BLIND

TITLE X—GRANTS TO STATES
FOR AID TO THE BLIND

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PAYMENT TO STATES

PAYMENT TO STATES

SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$55—

SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$55—

(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$25 multiplied by the total number of such individuals who received aid to the blind for such month, plus

(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$25 multiplied by the total number of such individuals who received aid to the blind for such month, plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.

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(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made avail-

(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made avail-

SOCIAL SECURITY ACT

able by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of blind individuals in the State, and (C) such other investigation as the Administrator may find necessary.

(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the blind furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.

(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department, and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified.

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AS AMENDED BY H. R. 9366

able by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of blind individuals in the State, and (C) such other investigation as the Administrator may find necessary.

(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the blind furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.

(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department, and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified.

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SOCIAL SECURITY ACT AMENDMENTS OF 1950

AS AMENDED BY H. R. 9366

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APPROVAL OF CERTAIN STATE PLANS

SEC. 344. (a) In the case of any State (as defined in the Social Security Act, but excluding Puerto Rico and the Virgin Islands) which did not have on January 1, 1949, a State plan for aid to the blind approved under title X of the Social Security Act, the Administrator shall approve a plan of such State for aid to the blind for the purposes of such title X, even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act, if it meets all other requirements of such title X for an approved plan for aid to the blind; but payments under section 1003 of the Social Security Act shall be made, in the case of any such plan, only with respect to expenditures thereunder which would be included as expenditures for the purposes of such section under a plan approved under such title X without regard to the provisions of this section.

(b) The provisions of subsection (a) shall be effective only for the period beginning October 1, 1950, and ending June 30, 1955.

* * * * *
SOCIAL SECURITY ACT AMENDMENTS OF 1952

AN ACT To amend title II of the Social Security Act to increase old-age and survivors insurance benefits, to preserve insurance rights of permanently and totally disabled individuals, and to increase the amount of earnings permitted without loss of benefits, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Act Amendments of 1952".

INCREASE IN BENEFIT AMOUNTS

Benefits Computed by Conversion Table
 SEC. 2. * * *

Effective Dates

(c) (1) The amendments made by subsection (a) shall, subject to the provisions of paragraph (2) of this subsection and notwithstanding the provisions of section 215 (f) (1) of the Social Security Act, apply in the case of lump-sum death payments under section 202 of such Act with respect to deaths occurring after, and in the case of monthly benefits under such section for any month after, August 1952.

* * * * *
APPROVAL OF CERTAIN STATE PLANS

SEC. 344. (a) In the case of any State (as defined in the Social Security Act, but excluding Puerto Rico and the Virgin Islands) which did not have on January 1, 1949, a State plan for aid to the blind approved under title X of the Social Security Act, the Administrator shall approve a plan of such State for aid to the blind for the purposes of such title X, even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act, if it meets all other requirements of such title X for an approved plan for aid to the blind; but payments under section 1003 of the Social Security Act shall be made, in the case of any such plan, only with respect to expenditures thereunder which would be included as expenditures for the purposes of such section under a plan approved under such title X without regard to the provisions of this section.

(b) The provisions of subsection (a) shall be effective only for the period beginning October 1, 1950, and ending June 30, 1957.

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SOCIAL SECURITY ACT AMENDMENTS OF 1952

AS. AMENDED BY H. R. 9366

(2) (A) In the case of any individual who is (without the application of section 202 (j) (1) of the Social Security Act) entitled to a monthly benefit under subsection (b), (c), (d), (e), (f), (g), or (h) of such section 202 for August 1952, whose benefit for such month is computed through use of a primary insurance amount determined under paragraph (1) or (2) of section 215 (c) of such Act, and who is entitled to such benefit for any succeeding month on the basis of the same wages and self-employment income, the amendments made by this section shall not (subject to the provisions of subparagraph (B) of this paragraph) apply for purposes of computing the amount of such benefit for such succeeding month. The amount of such benefit for such succeeding month shall instead be equal to the larger of (i) 112½ per centum of the amount of such benefit (after the application of sections 203 (a) and 215 (g) of the Social Security Act as in effect prior to the enactment of this Act) for August 1952, increased, if it is not a multiple of \$0.10, to the next higher multiple of \$0.10, or (ii) the amount of such benefit (after the application of sections 203 (a) and 215 (g) of the Social Security Act as in effect prior to the enactment of this Act) for August 1952, increased by an amount equal to the product obtained by multiplying \$5 by the fraction applied to the primary insurance amount which was used in determining such benefit, and further increased, if such product is not a multiple of \$0.10, to the next higher multiple of \$0.10. The provisions of section 203 (a) of the Social Security Act, as amended by this section (and, for purposes of such section 203 (a), the provisions of section 215 (c) (4) of the Social Security Act, as amended by this section), shall apply to such benefit as computed under the preceding sentence of this subparagraph, and the resulting amount, if not a multiple of \$0.10, shall be increased to the next higher multiple of \$0.10.

(B) The provisions of subparagraph (A) shall cease to apply to the benefit of any individual for any month under title II of the Social Security Act, beginning with the first month after August 1952 for which (i) another individual becomes entitled, on the basis of the same wages and self-employment income, to a benefit under such title to which he was not entitled, on the basis of such wages and self-employment income, for August 1952; or (ii) another individual, entitled for August 1952 to a benefit under such title on the basis of the same wages and

(2) (A) In the case of any individual who is (without the application of section 202 (j) (1) of the Social Security Act) entitled to a monthly benefit under subsection (b), (c), (d), (e), (f), (g), or (h) of such section 202 for August 1952, whose benefit for such month is computed through use of a primary insurance amount determined under paragraph (1) or (2) of section 215 (c) of such Act, and who is entitled to such benefit for any succeeding month on the basis of the same wages and self-employment income, the amendments made by this section shall not (subject to the provisions of subparagraph (B) of this paragraph) apply for purposes of computing the amount of such benefit for such succeeding month. The amount of such benefit for such succeeding month shall instead be equal to the larger of (i) 112½ per centum of the amount of such benefit (after the application of sections 203 (a) and 215 (g) of the Social Security Act as in effect prior to the enactment of this Act) for August 1952, increased, if it is not a multiple of \$0.10, to the next higher multiple of \$0.10, or (ii) the amount of such benefit (after the application of sections 203 (a) and 215 (g) of the Social Security Act as in effect prior to the enactment of this Act) for August 1952, increased by an amount equal to the product obtained by multiplying \$5 by the fraction applied to the primary insurance amount which was used in determining such benefit, and further increased, if such product is not a multiple of \$0.10, to the next higher multiple of \$0.10. The provisions of section 203 (a) of the Social Security Act, as amended by this section (and, for purposes of such section 203 (a), the provisions of section 215 (c) (4) of the Social Security Act, as amended by this section), shall apply to such benefit as computed under the preceding sentence of this subparagraph, and the resulting amount, if not a multiple of \$0.10, shall be increased to the next higher multiple of \$0.10.

(B) The provisions of subparagraph (A) shall cease to apply to the benefit of any individual under title II of the Social Security Act for any month after August 1954.

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self-employment income, is not entitled to such benefit on the basis of such wages and self-employment income; or (iii) the amount of any benefit which would be payable on the basis of the same wages and self-employment income under the provisions of such title, as amended by this Act, differs from the amount of such benefit which would have been payable for August 1952 under such title, as so amended, if the amendments made by this Act had been applicable in the case of benefits under such title for such month.

(3) The amendments made by subsection (b) shall (notwithstanding the provisions of section 215 (f) (1) of the Social Security Act) apply in the case of lump-sum death payments under section 202 of such Act with respect to deaths occurring after August 1952, and in the case of monthly benefits under such section for months after August 1952.

* * * * *
 Sec. 8. (a) Section 3 (a) of the Social Security Act is amended to read as follows:

"Sec. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$55—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$25 multiplied by the total number of such individuals who received old-age assistance for such month; plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds

(3) The amendments made by subsection (b) shall (notwithstanding the provisions of section 215 (f) (1) of the Social Security Act) apply in the case of lump-sum death payments under section 202 of such Act with respect to deaths occurring after August 1952, and in the case of monthly benefits under such section for months after August 1952.

* * * * *
 Sec. 8. (a) Section 3 (a) of the Social Security Act is amended to read as follows:

"Sec. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$55—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$25 multiplied by the total number of such individuals who received old-age assistance for such month; plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30,

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\$30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose."

(b) Section 403 (a) of such Act is amended to read as follows:

"SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$30, or if there is more than one dependent child in the same home, as exceeds \$30 with respect to one such dependent child and \$21 with respect to each of the other dependent children, and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds \$30—

"(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of \$15 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to one-half of the total of the sums expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$18, or if there is more than one dependent child in the same home, as exceeds \$18 with respect to one such dependent child and \$12 with respect

and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose."

(b) Section 403 (a) of such Act is amended to read as follows:

"SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$30, or if there is more than one dependent child in the same home, as exceeds \$30 with respect to one such dependent child and \$21 with respect to each of the other dependent children, and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds \$30—

"(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of \$15 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to one-half of the total of the sums expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$18, or if there is more than one dependent child in the same home, as exceeds \$18 with respect to one such dependent child and \$12

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to each of the other dependent children; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purpose."

(c) Section 1003 (a) of such Act is amended to read as follows:

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$55—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$25 multiplied by the total number of such individuals who received aid to the blind for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose."

(d) Section 1403 (a) of such Act is amended to read as follows:

with respect to each of the other dependent children; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purpose."

(c) Section 1003 (a) of such Act is amended to read as follows:

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$55—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$25 multiplied by the total number of such individuals who received aid to the blind for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose."

(d) Section 1403 (a) of such Act is amended to read as follows:

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"Sec. 1403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the permanently and totally disabled, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$55—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$25 multiplied by the total number of such individuals who received aid to the permanently and totally disabled for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to one-half of the total of the sums expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the permanently and totally disabled, or both, and for no other purpose."

(e) The amendments made by this section shall be effective for the period beginning October 1, 1952, and ending with the close of September 30, 1954, and after such amendments cease to be in effect any provision of law amended thereby shall be in full force and effect as though this Act had not been enacted.

"Sec. 1403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the permanently and totally disabled, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$55—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$25 multiplied by the total number of such individuals who received aid to the permanently and totally disabled for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to one-half of the total of the sums expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the permanently and totally disabled, or both, and for no other purpose."

(e) The amendments made by this section shall be effective for the period beginning October 1, 1952, and ending with the close of September 30, 1956, and after such amendments cease to be in effect any provision of law amended thereby shall be in full force and effect as though this Act had not been enacted.

**RAILROAD RETIREMENT ACT OF
1937, AS AMENDED**

AS AMENDED BY H. R. 9366

DEFINITIONS

SECTION 1. For the purposes of this Act—

* * * * *

(q) The terms "Social Security Act," and "Social Security Act, as amended" shall mean the Social Security Act as amended in 1952.

ANNUITIES

SEC. 2. * * *

(c) An annuity shall begin to accrue as of a date to be specified in a written application (to be made in such manner and form as may be prescribed by the Board and to be signed by the individual entitled thereto), but—

- (1) not before the date following the last day of compensated service of the applicant, and
- (2) not more than six months before the filing of the application.

* * * * *

ANNUITIES AND LUMP SUMS FOR SURVIVORS

SEC. 5. * * *

(i) DEDUCTIONS FROM ANNUITIES.—
(1) Deductions shall be made from any payments under this section to which an individual is entitled, until the total of such deductions equals such individual's annuity or annuities under this section for any month in which such individual—

- (i) will have rendered compensated service within or without the United States to an employer;
- (ii) will have rendered service for wages of not less than \$75;
- (iii) if a child under eighteen and over sixteen years of age, will have failed to attend school regularly and the Board finds that attendance will have been feasible; or
- (iv) if a widow otherwise entitled to an annuity under subsection (b) will not have had in her care a child of the deceased employee entitled to receive an annuity under subsection (c);

* * * * *

DEFINITIONS

SECTION 1. For the purposes of this Act—

* * * * *

(q) The terms "Social Security Act," and "Social Security Act, as amended" shall mean the Social Security Act as amended in 1954.

ANNUITIES

SEC. 2. * * *

(c) An annuity shall begin to accrue as of a date to be specified in a written application (to be made in such manner and form as may be prescribed by the Board and to be signed by the individual entitled thereto), but—

- (1) not before the date following the last day of compensated service of the applicant, and
- (2) not more than twelve months before the filing of the application.

* * * * *

ANNUITIES AND LUMP SUMS FOR SURVIVORS

SEC. 5. * * *

(i) DEDUCTIONS FROM ANNUITIES.—
(1) Deductions shall be made from any payments under this section to which an individual is entitled until the total of such deductions equals such individual's annuity or annuities under this section for any month in which such individual—

- (i) will have rendered compensated service within or without the United States to an employer;
- (ii) will have been under the age of seventy-two and for which month he is charged with any earnings under section 203 (e) of the Social Security Act or in which month he engaged on seven or more different calendar days in noncovered remunerative activity outside the United States (as defined in section 203 (k) of the Social Security Act); and for purposes of this subdivision the Board shall have the authority to make such determinations and such suspensions of payment of benefits in the manner and to the extent that the Secretary of Health, Education, and Welfare would be authorized to do so under section 203 (g) (3) of the Social Security Act if the individuals to whom this subdivision applies were entitled to benefits under section 202 of such Act;

**RAILROAD RETIREMENT ACT OF
1937, AS AMENDED**

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(iii) if a child under eighteen and over sixteen years of age, will have failed to attend school regularly and the Board finds that attendance will have been feasible; or

(iv) if a widow otherwise entitled to an annuity under subsection (b) will not have had in her care a child of the deceased employee entitled to receive an annuity under subsection (c);

* * * * *

(j) **WHEN ANNUITIES BEGIN AND END.**—No individual shall be entitled to receive an annuity under this section for any month before January 1, 1947. An application for any payment under this section shall be made and filed in such manner and form as the Board prescribes. An annuity under this section for an individual otherwise entitled thereto shall begin with the month in which eligibility therefor was otherwise acquired, but not earlier than the first day of the sixth month before the month in which the application was filed. No application for an annuity under this section filed prior to three months before the first month for which the applicant becomes otherwise entitled to receive such annuity shall be accepted. No annuity shall be payable for the month in which the recipient thereof ceases to be qualified therefor.

(k) **PROVISIONS FOR CREDITING RAILROAD INDUSTRY SERVICE UNDER THE SOCIAL SECURITY ACT IN CERTAIN CASES.**—(1) For the purpose of (i) determining insurance benefits under title II of the Social Security Act to an employee who will have completed less than ten years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee, and (ii) insurance benefits with respect to the death of an employee who will have completed ten years of service which would begin to accrue on or after January 1, 1947, and with respect to lump-sum death payments under such title payable in relation to a death of such an employee occurring on or after such date and for the purposes of section 203 of that Act, section 15 of the Railroad Retirement Act of 1935, section 210 (a) (10) of the Social Security Act, and section 17 of this Act shall not operate to exclude from "employment," under title II of the Social Security Act, service which would otherwise be included in such "employment" but for such sections. For such purpose, compensation paid in a calendar year shall,

(j) **WHEN ANNUITIES BEGIN AND END.**—No individual shall be entitled to receive an annuity under this section for any month before January 1, 1947. An application for any payment under this section shall be made and filed in such manner and form as the Board prescribes. An annuity under this section for an individual otherwise entitled thereto shall begin with the month in which eligibility therefor was otherwise acquired, but not earlier than the first day of the twelfth month before the month in which the application was filed. No application for an annuity under this section filed prior to three months before the first month for which the applicant becomes otherwise entitled to receive such annuity shall be accepted. No annuity shall be payable for the month in which the recipient thereof ceases to be qualified therefor.

(k) **PROVISIONS FOR CREDITING RAILROAD INDUSTRY SERVICE UNDER THE SOCIAL SECURITY ACT IN CERTAIN CASES.**—(1) For the purpose of (i) determining insurance benefits under title II of the Social Security Act to an employee who will have completed less than ten years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee, and (ii) insurance benefits with respect to the death of an employee who will have completed ten years of service which would begin to accrue on or after January 1, 1947, and with respect to lump-sum death payments under such title payable in relation to a death of such an employee occurring on or after such date and for the purposes of sections 203 and 216 (i) (3) of that Act, section 15 of the Railroad Retirement Act of 1935, section 210 (a) (10) of the Social Security Act, and section 17 of this Act shall not operate to exclude from "employment," under title II of the Social Security Act, service which would otherwise be included in such "employment" but for such sections. For such purpose, compensation paid in

RAILROAD RETIREMENT ACT OF 1937, AS AMENDED AS AMENDED BY H. R. 9366

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 will have been in services as an employee. In the application of the Social Security Act pursuant to this paragraph to service as an employee, all service as defined in section 1 (c) of this Act shall be deemed to have been performed within the United States.

a calendar year 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 will have been in services as an employee. In the application of the Social Security Act pursuant to this paragraph to service as an employee, all service as defined in section 1 (c) of this Act shall be deemed to have been performed within the United States.

* * * * *
 (1) DEFINITIONS.—For the purposes of this section the term “employee” includes an individual who will have been an “employee,” and—

* * * * *
 (1) DEFINITIONS.—For the purposes of this section the term “employee” includes an individual who will have been an “employee,” and—

* * * * *
 (9) An employee’s “average monthly remuneration” shall mean the quotient obtained by dividing (A) the sum of (i) the compensation paid to him after 1936 and before the quarter in which he will have died, eliminating any excess over \$300 for any calendar month, and (ii) if such compensation for any calendar year is less than \$3,600 and the average monthly remuneration computed on compensation alone is less than \$300 and the employee has earned in such calendar year “wages” as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and \$3,600, by (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died: *Provided*, That for the period prior to and including the calendar year in which he will have attained the age of twenty-two there shall be included in the divisor not more than three times the number of quarters of coverage in such period: *Provided further*, That there shall be excluded from the divisor any calendar quarter which is not a quarter of coverage and during any part of which a retirement annuity will have been payable to him: *And provided further*, That if the exclusion from the divisor of all quarters beginning with the first quarter in which the employee was completely insured and had attained the age of sixty-five and the exclusion from the dividend of all compensation and wages with respect to such quarters would result in a higher average monthly remuneration, such quarters, compensation and wages shall be so excluded.

* * * * *
 (9) An employee’s “average monthly remuneration” shall mean the quotient obtained by dividing (A) the sum of (i) the compensation paid to him after 1936 and before the quarter in which he will have died, eliminating any excess over \$300 for any calendar month, and (ii) if such compensation for any calendar year is less than \$4,200 and the average monthly remuneration computed on compensation alone is less than \$300 and the employee has earned in such calendar year “wages” as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and \$4,200, by (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died: *Provided*, That for the period prior to and including the calendar year in which he will have attained the age of twenty-two there shall be included in the divisor not more than three times the number of quarters of coverage in such period: *Provided further*, That there shall be excluded from the divisor any calendar quarter which is not a quarter of coverage and during any part of which a retirement annuity will have been payable to him: *And provided further*, That if the exclusion from the divisor of all quarters beginning with the first quarter in which the employee was completely insured and had attained the age of sixty-five and the exclusion from the dividend of all compensation and wages with respect to such quarters would result in a higher average monthly remuneration, such quarters, compensation and wages shall be so excluded.

INTERNAL REVENUE CODE OF 1954

(NOTE.—The Internal Revenue Code of 1954 has not, at the time of filing of this report, been enacted into law. It is expected, however, that the 1954 Code will become law prior to the enactment of this bill, or at substantially the same time as the enactment of this bill.)

Subtitle A—Income Taxes

CHAPTER 1—NORMAL TAXES AND SURTAXES

* * * * *

Subchapter B—Computation of Taxable Income

* * * * *

PART VI—ITEMIZED DEDUCTIONS FOR INDIVIDUALS AND CORPORATIONS

- Sec. 161. Allowance of deductions.
- Sec. 162. Trade or business expenses.
- Sec. 163. Interest.
- Sec. 164. Taxes.
- Sec. 165. Losses.
- Sec. 166. Bad debts.
- Sec. 167. Depreciation.
- Sec. 168. Amortization of emergency facilities.
- Sec. 169. Amortization of grain-storage facilities.
- Sec. 170. Charitable, etc., contributions and gifts.
- Sec. 171. Amortizable bond premium.
- Sec. 172. Net operating loss deduction.
- Sec. 173. Circulation expenditures.
- Sec. 174. Research and experimental expenditures.
- Sec. 175. Soil and water conservation expenditures.
- Sec. 176. *Payments with respect to employees of certain foreign corporations.*

SEC. 161. ALLOWANCE OF DEDUCTIONS.

In computing taxable income under section 63 (a), there shall be allowed as deductions the items specified in this part, subject to the exceptions provided in part IX (sec. 261 and following, relating to items not deductible).

* * * * *

SEC. 176. PAYMENTS WITH RESPECT TO EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS.

In the case of a domestic corporation, there shall be allowed as a deduction amounts (to the extent not compensated for) paid or incurred pursuant to an agreement entered into under section 3121 (l) with respect to services performed by United States citizens employed by foreign subsidiary corporations. Any reimbursement of any amount previously allowed as a deduction under this section shall be included in gross income for the taxable year in which received.

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CHAPTER 2—TAX ON SELF-EMPLOYMENT INCOME

- Sec. 1401. Rate of tax.
- Sec. 1402. Definitions.
- Sec. 1403. Miscellaneous provisions.

SEC. 1401. RATE OF TAX.

In addition to other taxes, 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 before January 1, 1960, the tax shall be equal to 3 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, 1959, and before January 1, 1965, the tax shall be equal to 3¼ 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, 1964, and before January 1, 1970, the tax shall be equal to 4½ 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, 1969, the tax shall be equal to 4¼ 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, 1969, and before January 1, 1975, the tax shall be equal to 5¼ percent of the amount of the self-employment income for such taxable year;

(5) in the case of any taxable year beginning after December 31, 1974, the tax shall be equal to 6 percent of the amount of the self-employment income for such taxable year.

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) (9) 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 (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;

(2) there shall be excluded income derived from any trade or business in which, if the 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); and there shall be excluded all deductions attributable to such income;

(3) 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) are received in the course of a trade or business as a dealer in stocks or securities;

(4) 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 or coal, 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 includable 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;

(5) the deduction for net operating losses provided in section 172 shall not be allowed;

(6) 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; 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;

(7) 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;

(8) the deduction for personal exemptions provided in section 151 shall not be allowed.

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.

(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—

(A) \$3,600, minus

(B) the amount of the wages paid to such individual during the taxable year; or]

(1) that part of the net earnings from self-employment which is in excess of—

(A) for any taxable year ending prior to 1955, (i) \$3,600, minus (ii) the amount of the wages paid to such individual during the taxable year; and

(B) for any taxable year ending after 1954, (i) \$4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; 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" 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 under an agreement entered into pursuant to the provisions of section 3121 (l) (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). An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or a resident of Puerto Rico 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;

(2) the performance of service by an individual as an employee (other than service described in section 3121 (b) (16) (B) performed by an individual who has attained the age of 18 and other than service described in paragraph (4) of this subsection);

(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; or

(5) the performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant, accountant registered or licensed as an accountant under State or municipal law, full-time practicing public accountant, funeral director, or professional engineer; or the performance of such service by a partnership.

The provisions of paragraph (4) 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 during the period for which a certificate filed by such individual under subsection (e) is in effect.

(d) EMPLOYEE AND WAGES.—The term "employee" and the term "wages" shall have the same meaning as when used in chapter 21 (sec. 3101 and following, relating to Federal Insurance Contributions Act).

(e) MINISTERS AND MEMBERS OF RELIGIOUS ORDERS.—

(1) WAIVER CERTIFICATE.—*Any individual who is a duly ordained, commissioned, or licensed minister of a church or a member of a religious order (other than a member of a religious order who has taken a vow of poverty as a member of such order) 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 he elects to have the insurance system established by title II of the Social Security Act extended to service, described in subsection (c) (4), performed by him.

(2) *TIME FOR FILING CERTIFICATE.*—Any individual who desires to file a certificate pursuant to paragraph (1) must file such certificate on or before the due date of the return (including any extension thereof) for his second taxable year ending after 1954 for which he has net earnings from self-employment (computed without regard to paragraph (4) of subsection (c)) of \$400 or more, any part of which was derived from his performance of service described in such paragraph (4).

(3) *EFFECTIVE DATE OF CERTIFICATE.*—A certificate filed pursuant to this subsection shall be effective for the first taxable year with respect to which it is filed (but in no case shall the certificate be effective for a taxable year with respect to which the period for filing a return has expired, or for a taxable year ending prior to 1955) and all succeeding taxable years. An election made pursuant to this subsection shall be irrevocable.

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Subtitle C—Employment Taxes

CHAPTER 21. Federal insurance contributions act.
CHAPTER 22. Railroad retirement tax act.
CHAPTER 23. Federal unemployment tax act.
CHAPTER 24. Collection of income tax at source on wages.
CHAPTER 25. General provisions relating to employment taxes.

CHAPTER 21—FEDERAL INSURANCE CONTRIBUTIONS ACT

SUBCHAPTER A. Tax on employees.
SUBCHAPTER B. Tax on employers.
SUBCHAPTER C. General provisions.

Subchapter A—Tax on Employees

Sec. 3101. Rate of tax.
Sec. 3102. Deduction of tax from wages.

SEC. 3101. RATE OF TAX.

In addition to other taxes, 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 1955 to 1959, both inclusive, the rate shall be 2 percent;

(2) with respect to wages received during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ percent;

(3) with respect to wages received during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 percent;

[(4) with respect to wages received after December 31, 1969, the rate shall be 3¼ percent.]

(4) with respect to wages received during the calendar years 1970 to 1974, both inclusive, the rate shall be 3½ percent;

(5) with respect to wages received after December 31, 1974, the rate shall be 4 percent.

SEC. 3102. 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), (8) (B), 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.

(b) *INDEMNIFICATION OF EMPLOYER.*—Every employer required so to deduct the tax shall be liable for the payment of such tax, and shall be indemnified against the claims and demands of any person for the amount of any such payment made by such employer.

Subchapter B—Tax on Employers

Sec. 3111. Rate of tax.
Sec. 3112. Instrumentalities of the United States.

SEC. 3111. RATE OF TAX.

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 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 1955 to 1959, both inclusive, the rate shall be 2 percent;
- (2) with respect to wages paid during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ percent;
- (3) with respect to wages paid during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 percent;
- [(4) with respect to wages paid after December 31, 1969, the rate shall be 3¼ percent.]
- (4) with respect to wages paid during the calendar years 1970 to 1974, both inclusive, the rate shall be 3½ percent;
- (5) with respect to wages paid after December 31, 1974, the rate shall be 4 percent.

SEC. 3112. INSTRUMENTALITIES OF THE UNITED STATES.

Notwithstanding any other provision of law (whether enacted before or after the enactment of this section) which grants to any instrumentality of the United States an exemption from taxation, such instrumentality shall not be exempt from the tax imposed by section 3111 unless such other provision of law grants a specific exemption, by reference to section 3111 (or the corresponding section of prior law), from the tax imposed by such section.

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. Short title.

SEC. 3121. DEFINITIONS.

(a) **WAGES.**—For purposes of this chapter, the term “wages” means all remuneration for employment, including the cash value on 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 ~~[\$3,600]~~ \$4,200 with respect to employment has been paid to an individual by an employer during any calendar year, 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 ~~[\$3,600]~~ \$4,200 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, or

(B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 401 (a) (3), (4), (5), and (6);

(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 the quarter for such service is less than \$50 or the employee is not regularly employed by the employer in such quarter of payment. For purposes of this subparagraph, an employee shall be deemed to be regularly employed by an employer during a calendar quarter only if—

(i) on each of some 24 days during the quarter the employee performs for the employer for some portion of the day domestic service in a private home of the employer, or

(ii) the employee was regularly employed (as determined under clause

(i) by the employer in the performance of such service during the preceding calendar quarter.

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).]

(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 to an employee for service not in the course of the employer's trade or business, 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 "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 quarter to an employee for agricultural labor, if the cash remuneration paid in such quarter by the employer to the employee for such labor is less than \$50;

(9) any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of 65, if he did not work for the employer in the period for which such payment is made; or

(10) remuneration paid by an employer in any calendar quarter to an employee for service described in subsection (d) (3) (C) (relating to home-workers), if the cash remuneration paid in such quarter by the employer to the employee for such service is less than \$50.

(b) EMPLOYMENT.—For purposes of this chapter, the term “employment” means any service performed after 1936 and prior to 1955 which was employment for purposes of subchapter A of chapter 9 of the Internal Revenue Code of 1939 under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1954 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, in the case of service performed after 1954, such term shall not include—

[(1) (A) agricultural labor (as defined in subsection (g)) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor (other than service described in subparagraph (B)) is \$50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For purposes of this subparagraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

[(i) such individual performs agricultural labor (other than service described in subparagraph (B)) for such employer on a full-time basis on 60 days during such quarter, and

[(ii) the quarter was immediately preceded by a qualifying quarter. For purposes of the preceding sentence, the term “qualifying quarter” means—

[(I) any quarter during all of which such individual was continuously employed by such employer, or

[(II) any subsequent quarter which meets the test of clause (i) if, after the last quarter during all of which such individual was continuously employed by such employer, each intervening quarter met the test of clause (i).

Notwithstanding the preceding provisions of this subparagraph, an individual shall also be deemed to be regularly employed by an employer during a calendar quarter if such individual was regularly employed (upon application of clauses (i) and (ii)) by such employer during the preceding calendar quarter;

[(B) service performed 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 (46 Stat. 1550, § 3; 12 U. S. C. 1141j), or in connection with the ginning of cotton;

[(C) service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended (65 Stat. 119; 7 U. S. C. 1461–1468);]

(1) (A) *service performed 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 (46 Stat. 1550 § 3; 12 U. S. C. 1141j);*

(B) *service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended (65 Stat. 119; 7 U. S. C. 1461–1468);*

(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) service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is \$50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

(A) on each of some 24 days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or

(B) such individual was regularly employed (as determined under subparagraph (A)) by such employer in the performance of such service during the preceding calendar quarter.

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 subsection (g) (5);

[(4)] (3) service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of 21 in the employ of his father or mother;

[(5)] (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 the individual is employed on and in connection with such vessel or aircraft when outside the United States]; 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.

[(6)] (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;

[(7)] (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 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, 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 national farm loan association, a production credit association, a Federal Reserve Bank, or a Federal Credit Union;

(iii) service performed in the employ of a State, county, or community committee under the Commodity Stabilization Service; or

(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;

(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 the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 (46 Stat. 470; 5 U. S. C. 693) because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

(iv) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

(v) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 (46 Stat. 470; 5 U. S. C. 693) because he is paid on a contract or fee basis;

(vi) by any individual as an employee receiving nominal compensation of \$12 or less per annum;

(vii) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

(viii) by any individual as a consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (60 Stat. 1011; 22 U. S. C. 951);

(ix) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and

other student employees of hospitals of the Federal Government) (61 Stat. 727; 5 U. S. C. 1052);

(x) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency;

(xi) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment;

(xii) as a member of a State, county, or community committee under the Commodity Stabilization Service or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States; or

(xiii) by an individual to whom the Civil Service Retirement Act of 1930 (46 Stat. 470; 5 U. S. C. 693) does not apply because such individual is subject to another retirement system;

[(8)] (7) service (other than service which, under subsection (j), constitutes covered transportation 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 by one or more States or political subdivisions;

[(9)] (8) (A) 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;

(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), is in effect if such service is performed by an employee—

(i) whose signature appears on the list filed by such organization under subsection (k) (or the corresponding subsection of prior law); or

(ii) who became an employee of such organization after the calendar quarter in which the certificate was filed;

[(10)] (9) service performed by an individual as an employee or employee representative as defined in section 3231;

[(11)] (10) (A) service performed in any calendar quarter in the employ of any organization exempt from income tax under section 401 (a) (other than an organization described in section 501 (e)) or under section 521, if the remuneration for such service is less than \$50;

(B) service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

[(12)] (11) service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

[(13)] (12) 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 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;

[(14)] (13) 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; and service performed as an intern in the employ of a hospital by an individual who has completed a 4 years' course in a medical school chartered or approved pursuant to State law;

[(15)] service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except—

[(A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and

[(B) service performed on or in connection with a vessel of more than 10 net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);]

[(16)] (14) (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 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; or

[(17)] (15) service performed in the employ of an international organization.

(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) (10).

(d) EMPLOYEE.—For purposes of this chapter, the term “employee” means—

(1) any officer of a corporation; or

(2) any individual who, under the usual common-law rules applicable in determining the employer-employee relationship, has the status of an employee; or

(3) any individual (other than an individual who is an employee under paragraph (1) or (2)) who performs services for remuneration for any person—

(A) as an agent-driver or commission-driver engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for his principal;

(B) as a full-time life insurance salesman;

(C) as a homemaker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed; or

(D) as a traveling or city salesman, other than as an agent-driver or commission-driver, engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, his principal (except for sideline sales activities on behalf of some other person) of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments for merchandise for resale or supplies for use in their business operations;

if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term “employee” under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for transportation), or if the services are in the nature of a single transactions, not part of a continuing relationship with the person for whom the services are performed.

(e) STATE, UNITED STATES, AND CITIZEN.—For purposes of this chapter—

(1) STATE.—The term “State” includes Alaska, Hawaii, the District of Columbia, Puerto Rico, and the Virgin Islands.

(2) UNITED STATES.—The term “United States” when used in a geographical sense includes Puerto Rico and the Virgin Islands. An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) shall be considered, for purposes of this section, as a citizen of the United States.

(f) AMERICAN VESSEL AND AIRCRAFT.—For purposes of this chapter, the term “American vessel” means any vessel documented or numbered under the laws of the United States; and includes any vessel which is neither documented nor numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents of the United States or corporations organized under the laws of the United States or of any State; and the term “American aircraft” means an aircraft registered under the laws of the United States.

(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 (46 Stat. 1550, § 3; 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 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 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 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.

(h) AMERICAN EMPLOYER.—For purposes of this chapter, the term “American employer” means an employer which is—

(1) the United States or any instrumentality thereof,

(2) an individual who is a resident of the United States,

(3) a partnership, if two-thirds or more of the partners are residents of the United States.

(4) a trust, if all of the trustees are residents of the United States, or

(5) a corporation organized under the laws of the United States or of any State.

(i) COMPUTATION OF WAGES IN CERTAIN CASES.—For purposes of this chapter, in the case of domestic service described in subsection (a) (7) (B), 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 chapter, 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 (a) (7) (B).

(j) COVERED TRANSPORTATION SERVICE.—For purposes of this chapter—

(1) EXISTING TRANSPORTATION SYSTEMS—GENERAL RULE.—Except as provided 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 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 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.—An organization described in 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 the Social Security Act extended to service performed by its employees and that at least two-thirds of its employees concur in the filing of the certificate. 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 who concurs in the filing of the certificate. Such list may be amended, at any time prior to the expiration of the first month following the first calendar quarter for which the certificate is in effect, by filing with such 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. The certificate shall be in effect (for purposes of subsection (b) (9) (B) and for purposes of section 210 (a) (9) (B) of the Social Security Act) for the period beginning with the first day following the close of the calendar quarter in which such certificate is filed. 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 3 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.

(2) TERMINATION OF WAIVER PERIOD BY SECRETARY OR HIS DELEGATE.—If the Secretary or his delegate 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 of this chapter or the corresponding provisions of prior law or is no longer able to comply with the requirements of this chapter, the Secretary or his delegate 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 or his delegate 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 of the period covered by a certificate filed pursuant to this subsection or the corresponding subsection of prior law is terminated by the organization, no certificate may again be filed by such organization pursuant to this subsection.

(l) AGREEMENTS ENTERED INTO BY DOMESTIC CORPORATIONS WITH RESPECT TO FOREIGN SUBSIDIARIES.—

(1) AGREEMENT WITH RESPECT TO CERTAIN EMPLOYEES OF FOREIGN SUBSIDIARIES.—The Secretary or his delegate shall, at the request of any domestic corporation, enter into an agreement (in such form and manner as may be prescribed by the Secretary or his delegate) with any such corporation which desires to have the insurance system established by title II of the Social Security Act extended to service performed outside the United States in the employ of any one

or more of its foreign subsidiaries (as defined in paragraph (8)) by all employees who are citizens of the United States, except that the agreement shall not be applicable to any service performed by, or remuneration paid to, an employee if such service or remuneration would be excluded from the term "employment" or "wages", as defined in this section, had the service been performed in the United States. Such agreement may be amended at any time so as to be made applicable, in the same manner and under the same conditions, with respect to any other foreign subsidiary of such domestic corporation. Such agreement shall be applicable with respect to citizens of the United States who, on or after the effective date of the agreement, are employees of and perform services outside the United States for any foreign subsidiary specified in the agreement. Such agreement shall provide—

(A) that the domestic corporation shall pay to the Secretary or his delegate, at such time or times as the Secretary or his delegate may by regulations prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 3101 and 3111 (including amounts equivalent to the interest, additions to the taxes, additional amounts, and penalties which would be applicable) with respect to the remuneration which would be wages if the services covered by the agreement constituted employment as defined in this section; and

(B) that the domestic corporation will comply with such regulations relating to payments and reports as the Secretary or his delegate may prescribe to carry out the purposes of this subsection.

(2) **EFFECTIVE PERIOD OF AGREEMENT.**—An agreement entered into pursuant to paragraph (1) shall be in effect for the period beginning with the first day of the calendar quarter in which such agreement is entered into or the first day of the succeeding calendar quarter, as may be specified in the agreement, but in no case prior to January 1, 1955; except that in case such agreement is amended to include the services performed for any other subsidiary and such amendment is executed after the first month following the first calendar quarter for which the agreement is in effect, the agreement shall be in effect with respect to service performed for such other subsidiary only after the calendar quarter in which such amendment is executed.

(3) **TERMINATION OF PERIOD BY A DOMESTIC CORPORATION.**—The period for which an agreement entered into pursuant to paragraph (1) of this subsection is effective may be terminated with respect to any one or more of its foreign subsidiaries by the domestic corporation, effective at the end of a calendar quarter, upon giving two years' advance notice in writing, but only if, at the time of the receipt of such notice, the agreement has been in effect for a period of not less than eight years. The notice of termination may be revoked by the domestic corporation 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 as may be prescribed by regulations. Notwithstanding any other provision of this subsection, the period for which any such agreement is effective with respect to any foreign corporation shall terminate at the end of any calendar quarter in which the foreign corporation, at any time in such quarter, ceases to be a foreign subsidiary as defined in paragraph (8).

(4) **TERMINATION OF PERIOD BY SECRETARY.**—If the Secretary or his delegate finds that any domestic corporation which entered into an agreement pursuant to this subsection has failed to comply substantially with the terms of such agreement, the Secretary or his delegate shall give such domestic corporation not less than sixty days' advance notice in writing that the period covered by such agreement will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Secretary or his delegate by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the domestic corporation. No notice of termination or of revocation thereof shall be given under this paragraph to a domestic corporation without the prior concurrence of the Secretary of Health, Education, and Welfare.

(5) **NO RENEWAL OF AGREEMENT.**—If any agreement entered into pursuant to paragraph (1) of this subsection is terminated in its entirety (A) by a notice of termination filed by the domestic corporation pursuant to paragraph (3), or (B) by a notice of termination given by the Secretary or his delegate pursuant to paragraph (4), the domestic corporation may not again enter into an agreement pursuant to paragraph (1). If any such agreement is terminated with respect to any foreign subsidiary, such agreement may not thereafter be amended so as again to make it applicable with respect to such subsidiary.

(6) *DEPOSITS IN TRUST FUND.*—For purposes of section 201 of the Social Security Act, relating to appropriations to the Federal Old-Age and Survivors Insurance Trust Fund, such remuneration—

(A) paid for services covered by an agreement entered into pursuant to paragraph (1) as would be wages if the services constituted employment, and

(B) as is reported to the Secretary or his delegate pursuant to the provisions of such agreement or of the regulations issued under this subsection, shall be considered wages subject to the taxes imposed by this chapter.

(7) *OVERPAYMENTS AND UNDERPAYMENTS.*—

(A) If more or less than the correct amount due under an agreement entered into pursuant to this subsection 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 required by regulations prescribed by the Secretary or his delegate.

(B) If an overpayment cannot be adjusted under subparagraph (A), the amount thereof shall be paid by the Secretary or his delegate, through the Fiscal Service of the Treasury Department, but only if a claim for such overpayment is filed with the Secretary or his delegate within two years from the time such overpayment was made.

(8) *DEFINITION OF FOREIGN SUBSIDIARY.*—For purposes of this subsection and section 210 (a) of the Social Security Act, a foreign subsidiary of a domestic corporation is—

(A) a foreign corporation more than 50 percent of the voting stock of which is owned by such domestic corporation; or

(B) a foreign corporation more than 50 percent of the voting stock of which is owned by the foreign corporation described in subparagraph (A).

(9) *DOMESTIC CORPORATION AS SEPARATE ENTITY.*—Each domestic corporation which enters into an agreement pursuant to paragraph (1) of this subsection shall, for purposes of this subsection and section 6413 (c) (2) (C), relating to special refunds in the case of employees of certain foreign corporations, be considered an employer in its capacity as a party to such agreement separate and distinct from its identity as a person employing individuals on its own account.

(10) *REGULATIONS.*—Regulations of the Secretary or his delegate to carry out the purposes of this subsection shall be designed to make the requirements imposed on domestic corporations with respect to services covered by an agreement entered into pursuant to this subsection the same, so far as practicable, as those imposed upon employers pursuant to this title with respect to the taxes imposed by this chapter.

SEC. 3122. FEDERAL SERVICE.

* In the case of the taxes imposed by this chapter with respect to service performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, the determination whether an individual has performed service which constitutes employment as defined in section 3121 (b), the determination of the amount of remuneration for such service which constitutes wages as defined in section 3121 (a), and the return and payment of the taxes imposed by this chapter, shall be made by the head of the Federal agency or instrumentality having the control of such service, or by such agents as such head may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 3111 with respect to such service without regard to the ~~[\$3,600]~~ \$4,200 limitation in section 3121 (a) (1), and he shall not be required to obtain a refund of the tax paid under section 3111 on that part of the remuneration not included in wages by reason of section 3121 (a) (1). The provisions of this section shall be applicable in the case of 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; and for purposes of this section the Secretary of Defense shall be deemed to be the head of such instrumentality.

SEC. 3123. DEDUCTIONS AS CONSTRUCTIVE PAYMENTS.

Whenever under this chapter or any act of Congress, or under the law of any State, an employer is required or permitted to deduct any amount from the

remuneration of an employee and to pay the amount deducted to the United States, a State, or any political subdivision thereof, then for purposes of this chapter the amount so deducted shall be considered to have been paid to the employee at the time of such deduction.

SEC. 3124. ESTIMATE OF REVENUE REDUCTION.

The Secretary or his delegate 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) (10) and shall include such estimate in his annual report.

SEC. 3125. SHORT TITLE.

This chapter may be cited as the "Federal Insurance Contributions Act."

Subtitle F—Procedure and Administration

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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 or his delegate 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.

(b) OVERPAYMENTS OF CERTAIN EMPLOYMENT TAXES.—If more than the correct amount of tax imposed by section 3101, 3111, 3201, 3221, or 3402 is paid or deducted with respect to any payment of remuneration and the overpayment cannot be adjusted under subsection (a) of this section, the amount of the overpayment shall be refunded in such manner and at such times (subject to the statute of limitations properly applicable thereto) as the Secretary or his delegate may by regulations prescribe.

(c) SPECIAL REFUNDS.—

(1) IN GENERAL.—**[**If by reason of an employee receiving wages from more than one employer during any calendar year, the wages received by him during such year exceed \$3,600, 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 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first \$3,600 of such wages received.**]**
If by reason of an employee receiving wages from more than one employer during a calendar year after the calendar year 1950 and prior to the calendar year 1955, the wages received by him during such year exceed \$3,600, 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 1400 of the Internal Revenue Code of 1939 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first \$3,600 of such wages received; or if by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1954, the wages received by him during such year exceed \$4,200, 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 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first \$4,200 of such wages received.

(2) APPLICABILITY IN CASE OF FEDERAL AND STATE EMPLOYEES AND EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS.—

(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 \$3,600 for the calendar year 1951, 1952, 1953, or 1954, or \$4,200 for any calendar year after 1954, 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.

(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 (l) 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 (l); 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 (l), 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 (l) has been paid to the Secretary or his delegate.

(d) REFUND OR CREDIT OF FEDERAL UNEMPLOYMENT TAX.—Any credit allowable under section 3302, to the extent not previously allowed, shall be considered an overpayment, but no interest shall be allowed or paid with respect to such overpayment.

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INTERNAL REVENUE CODE OF 1939

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Subtitle—Miscellaneous Taxes

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CHAPTER 9—EMPLOYMENT TAXES

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Subchapter B—Employment by Others Than Carriers

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SEC. 1401. DEDUCTION OF TAX FROM WAGES.

* * * * *
 (d) SPECIAL REFUNDS.—

* * * * *
 (3) WAGES RECEIVED AFTER 1950.—If by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1950, the wages received by him during such year exceed \$3,600, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first \$3,600 of such wages received. Refund under this section may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax; except that no such refund shall be made unless (A) the employee makes a claim, establishing his right thereto, after the calendar year in which the wages were received with respect to which refund of tax is claimed, and (B) such claim is made within two years after the calendar year in which such wages were received or, in the case of any agreement (or modification thereof) pursuant to section 218 of the Social Security Act which is effective as of a date more than two years prior to the date such agreement (or modification) was agreed to, within two years after the calendar year in which such agreement (or modification) was agreed to by the State and the Secretary of Health, Education, and Welfare. No interest shall be allowed or paid with respect to any such refund.

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Calendar No. 2004

83D CONGRESS
2D SESSION

H. R. 9366

[Report No. 1987]

IN THE SENATE OF THE UNITED STATES

JUNE 2 (legislative day, MAY 13), 1954

Read twice and referred to the Committee on Finance

JULY 27 (legislative day, JULY 2), 1954

Reported by Mr. MILLIKIN, with amendments

[Omit the part struck through and insert the part printed in *italic*]

AN ACT

To amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, 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 may be cited as the "Social Security Amend-
4 ments of 1954".

1 TITLE I—AMENDMENTS TO TITLE II OF THE
2 SOCIAL SECURITY ACT

3 EXTENSION OF COVERAGE

4 DOMESTIC SERVICE, SERVICE NOT IN COURSE OF EMPLOYER'S
5 BUSINESS, AND AGRICULTURAL LABOR

6 SEC. 101. (a) (1) Paragraph (2) of section 209 (g)
7 of the Social Security Act is amended to read as follows:

8 “(2) Cash remuneration paid by an employer in
9 any calendar quarter to an employce for domestic service
10 in a private home of the employer, if the cash remunera-
11 tion paid in such quarter by the employer to the em-
12 ployee for such service is less than \$50. As used in
13 this paragraph, the term ‘domestic service in a private
14 home of the employer’ does not include service de-
15 scribed in section 210 (f) (5);”.

16 (2) Section 209 (g) of such Act is amended by adding
17 at the end thereof the following new paragraph:

18 “(3) Cash remuneration paid by an employer in
19 any calendar quarter to an employee for service not in
20 the course of the employer's trade or business, if the
21 cash remuneration paid in such quarter by the employer
22 to the employee for such service is less than \$50. As
23 used in this paragraph, the term ‘service not in the
24 course of the employer's trade or business’ does not in-
25 clude domestic service in a private home of the employer

1 and does not include service described in section 210
2 (f) (5);”.

3 (3) Section 209 (h) of such Act is amended by in-
4 serting “(1)” after “(h)” and by adding at the end thereof
5 the following new paragraph:

6 “(2) Cash remuneration paid by an employer in
7 any calendar year quarter to an employee for agri-
8 cultural labor, if the cash remuneration paid in such
9 year quarter by the employer to the employee for such
10 labor is less than ~~\$200~~ \$50;”.

11 (4) Section 210 (a) (1) of such Act is amended to
12 read as follows:

13 “(1) (A) Service performed in connection with the
14 production or harvesting of any commodity defined as
15 an agricultural commodity in section 15 (g) of the
16 Agricultural Marketing Act, as amended;

17 “~~(1)~~ (B) Service performed by foreign agricul-
18 tural workers under contracts entered into in accordance
19 with title V of the Agricultural Act of 1949, as
20 amended;”.

21 (5) Section 210 (a) of such Act is amended by striking
22 out paragraph (3) and redesignating paragraphs (4),
23 (5), (6), (7), (8), (9), (10), (11), (12), (13), and
24 (14), and any references thereto contained in such Act,

1 as paragraphs (3), (4), (5), (6), (7), (8), (9), (10),
2 (11), (12), and (13), respectively.

3 (6) The second sentence of section 218 (c) (5) of such
4 Act is amended by inserting before the period at the end
5 thereof "and service the remuneration for which is excluded
6 from wages by paragraph (2) of section 209 (h)".

7 AMERICAN CITIZENS EMPLOYED BY AMERICAN EMPLOYERS
8 ON FOREIGN-FLAG VESSELS

9 (b) The paragraph of section 210 (a) of the Social
10 Security Act herein redesignated as paragraph (4) is
11 amended by striking out "if the individual is employed on
12 and in connection with such vessel or aircraft when outside
13 the United States" and inserting in lieu thereof: "if (A) the
14 individual is employed on and in connection with such vessel
15 or aircraft when outside the United States and (B) (i) such
16 individual is not a citizen of the United States or (ii) the
17 employer is not an American employer".

18 CERTAIN FEDERAL EMPLOYEES

19 ~~(c) (1) Subparagraph (B) of the paragraph of section~~
20 ~~210 (a) of the Social Security Act herein redesignated as~~
21 ~~paragraph (6) is amended—~~

22 ~~(A) by inserting "by an individual" after "Service~~
23 ~~performed", and by inserting "and if such service is cov-~~
24 ~~ered by a retirement system established by such instru-~~
25 ~~mentality;" after "December 31, 1950,";~~

1 (B) by inserting "a Federal Home Loan Bank,"
2 after "a Federal Reserve Bank," in clause (ii); and

3 (C) by striking out "or" at the end of clause (iii);
4 by adding "or" at the end of clause (iv); and by adding
5 at the end of the subparagraph the following new clause:

6 "~~(v)~~ service performed by a civilian employee,
7 not compensated from funds appropriated by the
8 Congress, in the Coast Guard Exchanges or other
9 activities, conducted by an instrumentality of the
10 United States subject to the jurisdiction of the Sec-
11 retary of the Treasury, at installations of the Coast
12 Guard for the comfort, pleasure, contentment, and
13 mental and physical improvement of personnel of
14 the Coast Guard;"

15 (2) Subparagraph (C) of such paragraph is amended
16 to read as follows:

17 "~~(C)~~ Service performed in the employ of the
18 United States or in the employ of any instrumentality of
19 the United States, if such service is performed—

20 "~~(i)~~ as the President or Vice President of the
21 United States or as a Member, Delegate, or Resi-
22 dent Commissioner of or to the Congress;

23 "~~(ii)~~ in the legislative branch;

24 "~~(iii)~~ in a penal institution of the United States
25 by an inmate thereof;

1 ~~“(iv) by any individual as an employee in-~~
2 ~~cluded under section 2 of the Act of August 4, 1947~~
3 ~~(relating to certain interns, student nurses, and~~
4 ~~other student employees of hospitals of the Federal~~
5 ~~Government; 5 U. S. C., sec. 1052);~~

6 ~~“(v) by any individual as an employee serving~~
7 ~~on a temporary basis in case of fire, storm, earth-~~
8 ~~quake, flood, or other similar emergency; or~~

9 ~~“(vi) by any individual to whom the Civil~~
10 ~~Service Retirement Act of 1930 does not apply~~
11 ~~because such individual is subject to another retire-~~
12 ~~ment system (other than the retirement system of~~
13 ~~the Tennessee Valley Authority);”.~~

14 ~~(3) Section 205 (p) (3) of such Act is amended by~~
15 ~~adding at the end thereof the following new sentence: “The~~
16 ~~provisions of paragraphs (1) and (2) shall be applicable~~
17 ~~also in the case of service performed by a civilian employee,~~
18 ~~not compensated from funds appropriated by the Congress,~~
19 ~~in the Coast Guard Exchanges or other activities, conducted~~
20 ~~by an instrumentality of the United States subject to the~~
21 ~~jurisdiction of the Secretary of the Treasury, at installations~~
22 ~~of the Coast Guard for the comfort, pleasure, contentment,~~
23 ~~and mental and physical improvement of personnel of the~~
24 ~~Coast Guard; and for purposes of paragraphs (1) and (2)~~

1 the Secretary of the Treasury shall be deemed to be the head
2 of such instrumentality."

3 MINISTERS

4 ~~(d) (1)~~ The paragraph of section 210 ~~(a)~~ of the
5 Social Security Act herein redesignated as paragraph ~~(8)~~
6 is amended to read as follows:

7 " ~~(8) (A)~~ Service performed in the employ of a
8 religious, charitable, educational, or other organization
9 exempt from income tax under section 101 ~~(6)~~ of the
10 Internal Revenue Code, other than service performed by
11 a duly ordained, commissioned, or licensed minister of
12 a church in the exercise of his ministry or by a member
13 of a religious order in the exercise of duties required
14 by such order; but this subparagraph shall not apply to
15 service performed during the period for which a certifi-
16 cate, filed pursuant to section 1426 ~~(1) (1)~~ of the
17 Internal Revenue Code, is in effect, if such service is
18 performed by an employee ~~(i)~~ whose signature appears
19 on the list filed by such organization under such section,
20 or ~~(ii)~~ who became an employee of such organization
21 after the certificate was filed and after such period
22 began;

23 " ~~(B)~~ Service performed in the employ of a reli-
24 gious, charitable, educational, or other organization

1. . . . exempt from income tax under section 101 ~~(6)~~ of the
2 Internal Revenue Code, by a duly ordained, commis-
3 sioned, or licensed minister of a church in the exercise of
4 his ministry or by a member of a religious order in the
5 exercise of duties required by such order; but this sub-
6 paragraph shall not apply to service performed by a
7 duly ordained, commissioned, or licensed minister of a
8 church or a member of a religious order, other than
9 a member of a religious order who has taken a vow
10 of poverty as a member of such order, during the period
11 for which a certificate, filed pursuant to section 1426
12 ~~(1) (2)~~ of the Internal Revenue Code, is in effect, if
13 such service is performed by an employee ~~(i)~~ whose
14 signature appears on the list filed by such organization
15 under such section, or ~~(ii)~~ who became an employee of
16 such organization after the certificate was filed and after
17 such period began;”.

18 ~~(2)~~ Section 211 ~~(c)~~ of such Act is amended by striking
19 out paragraph ~~(4)~~.

20 ~~(3)~~ Nothing in subsection ~~(a)~~ of section 210 of the
21 Social Security Act, as amended by this Act, or in subsec-
22 tions ~~(b)~~ and ~~(1)~~ of section 1426 of the Internal Revenue
23 Code, as so amended, shall be construed to mean that any
24 minister is an employee of an organization for any purpose
25 other than the purposes of such sections.

MINISTERS

1
2 (c) (1) Paragraph (2) of subsection (c) of section 211
3 of the Social Security Act is amended by inserting "and other
4 than service described in paragraph (4) of this subsection"
5 after "eighteen".

6 (2) Such subsection is further amended by adding at the
7 end thereof the following new sentence: "The provisions of
8 paragraph (4) shall not apply to service (other than service
9 performed by a member of a religious order who has taken
10 a vow of poverty as a member of such order) performed
11 by an individual during the period for which a certificate
12 filed by such individual under section 1402 (e) of the Internal
13 Revenue Code of 1954 is in effect."

FISHING AND RELATED SERVICE

14
15 ~~(e)~~ (d) Section 210 (a) of the Social Security Act is
16 further amended by striking out paragraph (15) and re-
17 designating paragraphs (16) and (17), and any references
18 thereto contained in such Act, as paragraphs (14) and
19 (15), respectively.

HOMEWORKERS

20
21 ~~(f)~~ (e) Subparagraph (C) of section 210 (k) (3) of the
22 Social Security Act is amended by striking out " , if the per-
23 formance of such services is subject to licensing requirements
24 under the laws of the State in which such services are
25 performed".

1 FARMERS AND PROFESSIONAL SELF-EMPLOYED

2 ~~(g)~~ ~~(1)~~ Subsection ~~(a)~~ of section 211 of the Social
3 Security Act is amended by striking out paragraph ~~(2)~~ and
4 redesignating paragraphs ~~(3)~~, ~~(4)~~, ~~(5)~~, ~~(6)~~, and ~~(7)~~,
5 and any references thereto contained in such Act, as para-
6 graphs ~~(2)~~, ~~(3)~~, ~~(4)~~, ~~(5)~~, and ~~(6)~~, respectively, and by
7 adding at the end of such subsection the following new sen-
8 tence: "In the case of any trade or business which is carried
9 on by an individual who reports his income on a cash receipts
10 and disbursements basis, and in which, if it were carried on
11 exclusively by employees, the major portion of the services
12 would constitute agricultural labor as defined in section 210
13 ~~(f)~~, ~~(i)~~ if the gross income derived from such trade or
14 business by such individual is not more than \$1,800, the net
15 earnings from self-employment derived by him therefrom
16 may, at his option, be deemed to be 50 per centum of such
17 gross income in lieu of his net earnings from self-employment
18 from such trade or business computed as provided under the
19 preceding provisions of this subsection, or ~~(ii)~~ if the
20 gross income derived from such trade or business by such
21 individual is more than \$1,800 and the net earnings from
22 self-employment derived by him therefrom, as computed
23 under the preceding provisions of this subsection, are less
24 than \$900, such net earnings may instead, at the option of
25 such individual, be deemed to be \$900. For the purpose

1 of the preceding sentence, gross income derived from such
2 trade or business shall mean the gross receipts from such
3 trade or business reduced by the cost or other basis of prop-
4 erty which was purchased and sold in carrying on such
5 trade or business, adjusted (after such reduction) in ac-
6 cordance with the preceding provisions of this subsection."

7 ~~(2)~~ Paragraph ~~(1)~~ of such section 211 ~~(a)~~ is amend-
8 ed to read as follows:

9 " ~~(1)~~ There shall be excluded rentals from real
10 estate and from personal property leased with the real
11 estate (including such rentals paid in crop shares),
12 together with the deductions attributable thereto, unless
13 such rentals are received in the course of a trade or
14 business as a real estate dealer;"

15 ~~(3)~~ The paragraph of such section 211 ~~(a)~~ herein
16 redesignated as paragraph ~~(3)~~ is amended by striking out
17 "cutting or disposal of timber" and inserting in lieu thereof
18 "cutting of timber, or the disposal of timber or coal,"

19 ~~(4)~~ Section 211 ~~(e)~~ of such Act is amended by strik-
20 ing out paragraph ~~(5)~~, by inserting "or" at the end of
21 paragraph ~~(3)~~, and by adding after paragraph ~~(3)~~ the
22 following new paragraph:

23 " ~~(4)~~ The performance of service by an individual
24 in the exercise of his profession as a physician, or the
25 performance of such service by a partnership."

COAL ROYALTIES

1

2 (f) Paragraph (4) of section 211 (a) of the Social
3 Security Act is amended by striking out "cutting or disposal
4 of timber" and inserting in lieu thereof "cutting of timber,
5 or the disposal of timber or coal,".

6 EMPLOYEES COVERED BY STATE OR LOCAL RETIREMENT

7

SYSTEMS

8 ~~(h)~~ (g) (1) (A) Section 218 (d) of such Act is
9 amended by striking out "Exclusion ~~Of~~ of" in heading, by
10 inserting "(1)" after "(d)", and by striking out "on the
11 date such agreement is made applicable to such coverage
12 group" and inserting in lieu thereof "either ~~(A)~~ on the
13 date such agreement is made applicable to such coverage
14 group, or ~~(B)~~ on the date of the enactment of the succeeding
15 paragraph of this subsection (except in the case of positions
16 which are, by reason of action by such State or political sub-
17 division thereof, as may be appropriate, taken prior to the
18 date of the enactment of such succeeding paragraph, no
19 longer covered by a retirement system on the date referred
20 to in clause ~~(A)~~; and except in the case of positions excluded
21 by paragraph ~~(5)~~ ~~(A)~~). adding at the end thereof the
22 following sentence: "The preceding sentence shall not be
23 applicable to any service performed by an employee as a
24 member of any coverage group in a position (other than
25 a position excluded by paragraph (5) (A)) covered by a

1 retirement system on the date an agreement is made appli-
2 cable to such coverage group if, on such date (or, if later,
3 the date on which such individual first occupies such posi-
4 tion), such individual is ineligible to be a member of such
5 ~~system~~. system.”

6 (B) Such section 218 (d) is amended by striking out
7 “on the date such agreement is made applicable to such
8 coverage group” and inserting in lieu thereof “either (A)
9 on the date such agreement is made applicable to such cover-
10 age group, or (B) on the date of enactment of the succeed-
11 ing paragraph of this subsection (except in the case of posi-
12 tions which are, by reason of action by such State or political
13 subdivision thereof, as may be appropriate, taken prior to
14 the date of enactment of such succeeding paragraph, no
15 longer covered by a retirement system on the date referred
16 to in clause (A), and except in the case of positions excluded
17 by paragraph (5) (A))”.

18 (2) Such section 218 (d) is further amended by adding
19 at the end thereof the following new paragraphs:

20 “(2) It is hereby declared to be the policy of the
21 Congress in enacting the succeeding paragraphs of this
22 subsection that the protection afforded employees in positions
23 covered by a retirement system on the date an agreement
24 under this section is made applicable to service performed
25 in such positions, or receiving periodic benefits under such

1 retirement system at such time, will not be impaired as a
2 result of making the agreement so applicable or as a result
3 of legislative enactment in anticipation thereof.

4 “(3) Notwithstanding paragraph (1), an agreement
5 with a State may be made applicable (either in the original
6 agreement or by any modification thereof) to service per-
7 formed by employees in positions covered by a retirement
8 system (including positions specified in paragraph (4) but
9 not including positions excluded by or pursuant to paragraph
10 (5)) if the governor of the State certifies to the Secretary of
11 Health, Education, and Welfare that the following conditions
12 have been met:

13 “(A) A referendum by secret written ballot was
14 held on the question of whether service in positions
15 covered by such retirement system should be excluded
16 from or included under an agreement under this section;

17 “(B) An opportunity to vote in such referendum
18 was given (and was limited) to eligible employees;

19 “(C) ~~Ninety~~ *Not less than ninety* days’ notice of
20 such referendum was given to all such employees;

21 “(D) Such referendum was conducted under the
22 supervision of the governor or an agency or individual
23 designated by him; *and*

24 “(E) A majority of the eligible employees voted in

1 ~~such referendum~~ *favor of including service in such posi-*
2 *tions under an agreement under this section; and.*

3 ~~“(F) Two-thirds or more of the employees who~~
4 ~~voted in such referendum voted in favor of including~~
5 ~~service in such positions under an agreement under this~~
6 ~~section.~~

7 An employee shall be deemed an ‘eligible employee’ for
8 purposes of any referendum with respect to any retirement
9 system if, at the time such referendum was held, he was in
10 a position covered by such retirement system and was a
11 member of such system, and if he was in such a position at
12 the time notice of such referendum was given as required
13 by clause (C) of the preceding sentence; except that he shall
14 not be deemed an ‘eligible employee’ if, at the time the ref-
15 erendum was held, he was in a position to which the State
16 agreement already applied, or if he was in a position ex-
17 cluded by or pursuant to paragraph (5). No referendum
18 with respect to a retirement system shall be valid for pur-
19 poses of this paragraph unless held within the two-year period
20 which ends on the date of execution of the agreement or
21 modification which extends the insurance system established
22 by this title to such retirement system, nor shall any referen-
23 dum with respect to a retirement system be valid for purposes
24 of this paragraph if held less than one year after any prior

1 *the last previous* referendum held with respect to such retire-
2 ment system.

3 “(4) For the purposes of subsection (c) of this section,
4 the following employees shall be deemed to be a separate
5 coverage group—

6 “(A) all employees in positions which were cov-
7 ered by the same retirement system on the date the
8 agreement was made applicable to such system (other
9 than employees to whose services the agreement already
10 applied on such date) ;

11 “(B) all employees in positions which became cov-
12 ered by such system at any time after such date; and

13 “(C) all employees in positions which were cov-
14 ered by such system at any time before such date and
15 to whose services the insurance system established by
16 this title has not been extended before such date because
17 the positions were covered by such retirement system
18 (including employees to whose services the agreement
19 was not applicable on such date because such services
20 were excluded pursuant to subsection (c) (3) (C)).

21 “(5) (A) Nothing in paragraph (3) of this subsection
22 shall authorize the extension of the insurance system estab-
23 lished by this title to service in any policeman’s or fireman’s
24 position.

25 “(B) At the request of the State, any class or classes of

1 positions covered by a retirement system which may be
2 excluded from the agreement pursuant to paragraph (3) or
3 (5) of subsection (c), and to which the agreement does
4 not already apply, may be excluded from the agreement at
5 the time it is made applicable to such retirement system;
6 except that, notwithstanding the provisions of paragraph (3)
7 (C) of such subsection, such exclusion may not include any
8 services to which such paragraph (3) (C) is applicable.
9 In the case of any such exclusion, each such class so excluded
10 shall, for purposes of this subsection, constitute a separate
11 retirement system in case of any modification of the agree-
12 ment thereafter agreed to.

13 “(6) If a retirement system covers positions of em-
14 ployees of the State and positions of employees of one or
15 more political subdivisions of the State, or covers positions
16 of employees of two or more political subdivisions of the
17 State, then, for purposes of the preceding paragraphs of this
18 subsection, there shall, if the State so desires, be deemed to
19 be a separate retirement system with respect to ~~each political~~
20 ~~subdivision~~ *any one or more of the political subdivisions* con-
21 cerned and, where the retirement system covers positions of
22 employees of the State, a separate retirement system with
23 respect to the State *or with respect to the State and any one*
24 *or more of the political subdivisions concerned. If a retire-*

1 *ment system covers positions of employees of one or more*
2 *institutions of higher learning, then, for purposes of such*
3 *preceding paragraphs, there shall be deemed to be a separate*
4 *retirement system for the employees of each such institution*
5 *of higher learning. For the purposes of this paragraph, the*
6 *term 'institutions of higher learning' includes junior colleges*
7 *and teachers' colleges."*

8 (3) Paragraph (3) of section 218 (c) is amended to
9 read as follows:

10 "(3) Such agreement shall, if the State requests it, ex-
11 clude (in the case of any coverage group) any one or more
12 of the following:

13 "(A) Any service of an emergency nature;

14 "(B) All services in any class or classes of (i)
15 elective positions, (ii) part-time positions, or (iii) posi-
16 tions the compensation for which is on a fee basis;

17 "(C) All services performed by individuals as mem-
18 bers of a coverage group in positions covered by a retire-
19 ment system on the date such agreement is made ap-
20 plicable to such coverage group, but only in the case of
21 individuals who, on such date (or, if later, the date on
22 which they first occupy such positions), are not eligible
23 to become members of such system and whose services
24 in such positions have not already been included under
25 such agreement pursuant to subsection (d) (3)."

1 (4) Paragraph (4) of such section 218 (c) is amended
2 by adding at the end thereof the following new sentence:
3 “A modification of an agreement pursuant to clause (B) of
4 the preceding sentence may apply to individuals to whom
5 paragraph (3) (C) is applicable (whether or not the previ-
6 ous exclusion of the service of such individuals was pursuant
7 to such paragraph), but only if such individuals are, on the
8 effective date specified in such modification, ineligible to be
9 members of any retirement system or if the modification with
10 respect to such individuals is pursuant to subsection (d)
11 (3).”

12 (5) Such section 218 (c) is further amended by adding
13 at the end thereof the following new paragraph:

14 “(7) No agreement may be made applicable (either in
15 the original agreement or by any modification thereof) to
16 service performed by any individual to whom paragraph (3)
17 (C) is applicable unless such agreement provides (in the
18 case of each coverage group involved) either that the service
19 of any individual to whom such paragraph is applicable and
20 who is a member of such coverage group shall continue to
21 be covered by such agreement in case he thereafter becomes
22 eligible to be a member of a retirement system, or that such
23 service shall cease to be so covered when he becomes eligible
24 to be a member of such a system (but only if the agreement

1 is not already applicable to such system pursuant to subsec-
2 tion (d) (3)), whichever may be desired by the State.”

3 (6) Section 218 (f) of such Act is amended to read
4 as follows:

5 “(f) Any agreement or modification of an agreement
6 under this section shall be effective with respect to services
7 performed after an effective date specified in such agreement
8 or modification; except that—

9 “(1) in the case of an agreement or modification
10 agreed to prior to 1954, such date may not be earlier
11 than December 31, 1950;

12 “(2) in the case of an agreement or modification
13 agreed to after 1954 but prior to 1958, such date may
14 not be earlier than December 31, 1954; and

15 “(3) in the case of an agreement or modification
16 agreed to during 1954 or after 1957, such date may not
17 be earlier than the last day of the calendar year preced-
18 ing the year in which such agreement or modification,
19 as the case may be, is agreed to by the Secretary of
20 Health, Education, and Welfare and the State.”

21 (7) Section 218 (m) (1) of such Act is amended by
22 striking out “subsection (d)” and inserting in lieu thereof
23 “paragraph (1) of subsection (d)”.

24 (8) Section 218 of such Act is further amended by
25 adding at the end thereof the following new subsection:

1 "Certain Positions No Longer Covered By Retirement
2 Systems

3 "(n) Notwithstanding subsection (d), an agreement
4 with any State entered into under this section prior to the
5 date of the enactment of this subsection may, prior to Janu-
6 ary 1, 1958, be modified pursuant to subsection (c) (4) so
7 as to apply to services performed by employees, as members
8 of any coverage group to which such agreement already
9 applies (and to which such agreement applied on such date
10 of enactment), in positions (1) to which such agreement
11 does not already apply, (2) which were covered by a retire-
12 ment system on the date such agreement was made appli-
13 cable to such coverage group, and (3) which, by reason of
14 action by such State or political subdivision thereof, as may
15 be appropriate, taken prior to the date of the enactment of
16 this subsection, are no longer covered by a retirement system
17 on the date such agreement is made applicable to such
18 services."

19 (9) The amendments made by this subsection, *other*
20 *than paragraph (1) (B)*, shall take effect January 1, 1955.

21 CIVILIAN EMPLOYEES OF STATE NATIONAL GUARD UNITS
22 AND CERTAIN STATE INSPECTORS

23 ~~(i)~~ (h) (1) Effective as of January 1, 1951, paragraph
24 (5) of section 218 (b) of the Social Security Act is
25 amended by adding at the end thereof the following new

1 sentence: "Civilian employees of National Guard units of
2 a State who are employed pursuant to section 90 of the
3 National Defense Act of June 3, 1916 (32 U. S. C., sec. 42),
4 and paid from funds allotted to such units by the Department
5 of Defense, shall for purposes of this section be deemed to be
6 employees of the State and (notwithstanding the preceding
7 provisions of this paragraph) shall be deemed to be a separate
8 coverage group."

9 (2) *Effective January 1, 1955, such paragraph is*
10 *further amended by adding after the sentence added by para-*
11 *graph (1) of this subsection the following new sentence:*
12 *"For purposes of this section, individuals employed pursuant*
13 *to an agreement, entered into pursuant to section 205 of the*
14 *Agricultural Marketing Act of 1946 (7 U. S. C. 1624)*
15 *or section 14 of the Perishable Agricultural Commodities*
16 *Act, 1930 (7 U. S. C. 499n), between a State and the*
17 *United States Department of Agriculture to perform services*
18 *as inspectors of agricultural products may be deemed, at the*
19 *option of the State, to be employees of the State and (not-*
20 *withstanding the preceding provisions of this paragraph)*
21 *shall be deemed to be a separate coverage group."*

22 ~~(2)~~ (3) In the case of any coverage group to which the
23 amendment made by paragraph (1) is applicable, any
24 agreement or modification of an agreement agreed to prior
25 to January 1, 1956, may, notwithstanding section 218 (f)

1 of the Social Security Act, be made effective with respect to
2 services performed by employees as members of such cover-
3 age group after any effective date specified therein, but in
4 no case may such effective date be earlier than December
5 31, 1950.

6 *CERTAIN EMPLOYEES OF THE STATE OF UTAH*

7 *(i) Effective as of January 1, 1951, section 218 of the*
8 *Social Security Act is amended by adding after subsection*
9 *(n) (added by subsection (g) (8) of this section) the fol-*
10 *lowing new subsection:*

11 *“Certain Employees of the State of Utah*

12 *“(o) Notwithstanding the provisions of subsection (d),*
13 *the agreement with the State of Utah entered into pursuant to*
14 *this section may be modified pursuant to subsection (c)*
15 *(4) so as to apply to services performed for any of*
16 *the following, the employees performing services for each*
17 *of which shall constitute a separate coverage group:*
18 *Weber Junior College, Carbon Junior College, Dixie*
19 *Junior College, Central Utah Vocational School, Salt Lake*
20 *Area Vocational School, Center for the Adult Blind, Union*
21 *High School (Roosevelt, Utah), Utah High School Activities*
22 *Association, State Industrial School, State Training School,*
23 *State Board of Education, and Utah School Employees*
24 *Retirement Board. Any modification agreed to prior to*
25 *January 1, 1955, may be made effective with respect to*

1 *services performed by employees as members of any of such*
 2 *coverage groups after an effective date specified therein, except*
 3 *that in no case may any such date be earlier than December*
 4 *31, 1950."*

5 **PRESUMED WORK DEDUCTIONS IN CASE OF CERTAIN RETRO-**
 6 **ACTIVE STATE AGREEMENTS**

7 (j) (1) In the case of any services performed prior
 8 to 1955 to which an agreement under section 218 of the
 9 Social Security Act was made applicable, deductions
 10 which—

11 (A) were not imposed under section 203 of such
 12 Act with respect to such services performed prior to
 13 the date the agreement was agreed to or, if the original
 14 agreement was not applicable to such services, per-
 15 formed prior to the date the modification making such
 16 agreement applicable to such services was agreed to, and

17 (B) would have been imposed under such section
 18 203 had such agreement, or modification, as the case
 19 may be, been agreed to on the date it became effective,
 20 shall be deemed to have been imposed, but only for pur-
 21 poses of determining whether, on the basis of an applica-
 22 tion filed after the month in which this Act is enacted and
 23 prior to January 1, 1956, any person is entitled to a re-
 24 computation, under section 215 (f) of the Social Security
 25 Act, of the primary insurance amount of the individual who

1 performed such services. For purposes of any such recom-
2 putation the individual who performed such services shall be
3 deemed to have filed an application for recomputation in the
4 month for which the last of the deductions is deemed to have
5 been made under this paragraph, or in the first month there-
6 after (and prior to the month in which this Act is enacted)
7 in which his benefits under section 202 (a) of the Social Se-
8 curity Act were no longer subject to deductions under para-
9 graph (1) or (2) of section 203 (b) of such Act, which
10 ever results in a higher primary insurance amount for such
11 individual. Any such recomputation shall be made as pro-
12 vided in the Social Security Act prior to the enactment of
13 this Act, and shall be effective for and after the month in
14 which the application referred to in the first sentence of this
15 paragraph is filed. This paragraph shall not be applicable
16 in the case of any such individual if his primary insurance
17 amount has been recomputed under section 215 (f) (2) of
18 the Social Security Act prior to the month in which this Act
19 is enacted.

20 *shall be deemed to have been imposed, but only for purposes*
21 *of section 215 (f) (2) (A) or section 215 (f) (4) (A)*
22 *of such Act as in effect prior to the enactment of this*
23 *Act. An individual with respect to whose services the preced-*
24 *ing sentence is applicable, or in the case of his death, his*
25 *survivors entitled to monthly benefits under section 202 of the*

1 *Social Security Act on the basis of his wages and self-*
2 *employment income, shall be entitled to a recomputation of*
3 *his primary insurance amount under such section 215 (f)*
4 *(2) (A) or section 215 (f) (4) (A), as the case may be, if*
5 *the conditions specified therein are met and if, with respect*
6 *to a recomputation under such section 215 (f) (2) (A),*
7 *such individual files the application referred to in such sec-*
8 *tion after August 1954 and prior to January 1956 or, with*
9 *respect to a recomputation under such section 215 (f) (4)*
10 *(A), such individual died prior to January 1956 and any*
11 *of such survivors entitled to monthly benefits files an applica-*
12 *tion, in addition to the application filed for such monthly*
13 *benefits, for a recomputation under such section 215 (f)*
14 *(4) (A).*

15 (2) *For purposes of a recomputation made by reason*
16 *of paragraph (1) of this subsection, the primary insurance*
17 *amount of the individual who performed the services re-*
18 *ferred to in such paragraph shall be computed under sub-*
19 *section (a) (2) of section 215 of the Social Security Act,*
20 *as amended by this Act (but, for such purposes, without*
21 *application of subsection (d) (4) of such section, as in*
22 *effect prior to the enactment of this Act or as amended by*
23 *this Act) and as though he became entitled to old-age insur-*
24 *ance benefits in whichever of the following months yields the*
25 *highest primary insurance amount:*

1 (A) the month following the last month for which
2 deductions are deemed, pursuant to paragraph (1) of
3 this subsection, to have been made; or

4 (B) the first month after the month determined
5 under subparagraph (A) (and prior to September
6 1954) in which his benefits under section 202 (a) of
7 the Social Security Act were no longer subject to de-
8 ductions under section 203 (b) of such Act; or

9 (C) the first month after the last month (and prior
10 to September 1954) in which his benefits under section
11 202 (a) of the Social Security Act were subject to
12 deductions under section 203 (b) of such Act; or

13 (D) the month in which such individual filed his
14 application for recomputation referred to in paragraph
15 (1) of this subsection or, if he died without filing such
16 application and prior to January 1, 1956, the month in
17 which he died, and in any such case (but, if the individual
18 is deceased, only if death occurred after August 1954)
19 the amendments made by subsections (b) (1), (e) (1)
20 and (e) (3) (B) of section 102 of this Act shall be
21 applicable.

22 Such recomputation shall be effective for and after the
23 month in which the application required by paragraph (1)
24 of this subsection is filed. The provisions of this subsection
25 shall not be applicable in the case of any individual if his

1 *primary insurance amount has been recomputed under section*
2 *215 (f) (2) of the Social Security Act on the basis of an*
3 *application filed prior to September 1954.*

4 ~~(2)~~ (3) If any recomputation under section 215 (f) of
5 the Social Security Act is made by reason of deductions
6 deemed pursuant to paragraph (1) of this subsection to
7 have been imposed with respect to benefits based on the
8 wages and self-employment income of any individual, the
9 total of the benefits based on such wages and self-employ-
10 ment income for months for which such deductions are so
11 deemed to have been imposed shall be recovered by making,
12 in addition to any other deductions under section 203 of such
13 Act, deductions from any increase in benefits, based on such
14 wages and self-employment income, resulting from such
15 recomputation.

16 SERVICE BY AMERICAN CITIZENS FOR FOREIGN SUBSIDIARY
17 OF DOMESTIC CORPORATION

18 (k) Clause (B) of so much of section 210 (a) of the
19 Social Security Act as precedes paragraph (1) thereof is
20 amended to read as follows: "(B) outside the United
21 States by a citizen of the United States as an employee (i)
22 of an American employer (as defined in subsection (e)),
23 or (ii) of a foreign subsidiary (as defined in section 1426
24 ~~(m)~~ 3121 (l) of the Internal Revenue Code of 1954) of a
25 domestic corporation (as determined in accordance with

1 section ~~3797 (a)~~ 7701 of the Internal Revenue Code of
 2 1954) during any period for which there is in effect an
 3 agreement, entered into pursuant to section ~~1426 (m)~~
 4 3121 (l) of the Internal Revenue Code of 1954, with respect
 5 to such subsidiary;”.

6

EFFECTIVE DATES

7 (1) The amendment made by ~~paragraph (3)~~ of sub-
 8 section ~~(g)~~ (f) shall be applicable only with respect to tax-
 9 able years beginning after 1950. The amendments made by
 10 ~~paragraphs (1), (2), and (4)~~ of such subsection and by
 11 ~~paragraph (2)~~ of subsection ~~(d)~~ (c) shall, except for purposes
 12 of section 203 of the Social Security Act, be applicable only
 13 with respect to taxable years ending after 1954. The amend-
 14 ments made by paragraphs (1), (2), and (3) of subsection
 15 (a) shall be applicable only with respect to remuneration
 16 paid after 1954. The amendments made by paragraphs
 17 (4), (5), and (6) of subsection (a) shall be applica-
 18 ble only with respect to services (whether performed after
 19 1954 or prior to 1955) for which the remuneration is paid
 20 after 1954. The amendment made by ~~paragraph (3)~~ of sub-
 21 section ~~(e)~~ shall become effective January 1, 1955. The
 22 other amendments made by this section (other than the
 23 amendments made by subsections (g), (h), (i), and (k))
 24 shall be applicable only with respect to services performed
 25 after 1954. For purposes of section 203 of the Social Secu-

1 rity Act, the amendments made by paragraphs ~~(1)~~, ~~(2)~~, and
2 ~~(4)~~ of subsection ~~(g)~~ and by paragraph ~~(2)~~ of subsection
3 ~~(d)~~ subsection (c) of this section shall be effective with re-
4 spect to *net earnings from self-employment income* derived
5 after 1954. The amount of *net earnings from self-employ-*
6 *ment income* derived during any taxable year ending in, and
7 not with the close of, 1955 shall be credited equally to the
8 calendar quarter in which such taxable year ends and to each
9 of the three or fewer preceding quarters any part of which
10 is in such taxable year; and, for purposes of the preceding
11 sentence of this subsection, *net earnings from self-employ-*
12 *ment income* so credited to calendar quarters in 1955 shall be
13 deemed to have been derived after 1954.

14 INCREASE IN BENEFIT AMOUNTS

15 SEC. 102. (a) Subsection (a) of section 215 of the
16 Social Security Act is amended to read as follows:

17 "Primary Insurance Amount

18 "(a) (1) The primary insurance amount of any
19 individual (i) who does not become eligible for benefits
20 under section 202 (a) until after the last day of the month
21 following the month in which the Social Security Amend-
22 ments of 1954 are enacted, August 1954, or who dies after
23 such day month and without becoming eligible for benefits
24 under such section 202 (a), and (ii) with respect to whom
25 not less than six of the quarters elapsing after 1950 are

1 quarters of coverage, and the primary insurance amount of
2 any individual with respect to whom not less than six of
3 the quarters elapsing after June 30, 1953, are quarters of
4 coverage, shall be whichever of the following amounts is
5 the larger:

6 “(A) Fifty-five per centum of the first \$110 of his
7 average monthly wage, plus 20 per centum of the next
8 \$240; or

9 “(B) The amount determined under subsection (c).
10 An individual shall, for purposes of this paragraph, be
11 deemed eligible for benefits under section 202 (a) for any
12 month if he was or would have been, upon filing application
13 therefor in such month, entitled to such benefits for such
14 month.

15 “(2) The primary insurance amount of any other
16 individual shall be the amount determined under subsec-
17 tion (c).”

18 (b) (1) Paragraphs (1), (2), and (3) of subsection
19 (b) of such section are amended to read as follows:

20 “(1) An individual's ‘average monthly wage’ shall be
21 the quotient obtained by dividing the total of his wages and
22 self-employment income after his starting date (determined
23 under paragraph (2)) and prior to his closing date (deter-
24 mined under paragraph (3)), by the number of months
25 elapsing after such starting date and prior to such closing

1 date, excluding from such elapsed months any month in
2 any year prior to the year in which he attained the age of
3 twenty-two if less than two quarters of such prior year were
4 quarters of coverage, except that when the number of such
5 elapsed months thus computed (*including a computation*
6 *after the application of paragraph (4)*) is less than eighteen,
7 it shall be increased to eighteen.

8 “(2) An individual’s ‘starting date’ shall be—

9 “(A) December 31, 1950, or

10 “(B) if later, the last day of the year in which he
11 attains the age of twenty-one,

12 whichever results in the higher average monthly wage
13 *primary insurance amount.*

14 “(3) An individual’s ‘closing date’ shall be whichever
15 of the following results in the higher average monthly wage
16 *primary insurance amount:*

17 “(A) the first day of the year in which he died or
18 became entitled to old-age insurance benefits, whichever
19 first occurred; or

20 “(B) the first day of the first year in which he both
21 was fully insured and had attained retirement age;

22 except that if the Secretary determines, on the basis of the

1 evidence available to him at the time of the computation of
2 the individual's primary insurance amount with respect to
3 which such closing date is applicable, that it would result in
4 a higher ~~average monthly wage~~ *primary insurance amount*
5 for such individual, his closing date shall be the first day of
6 the year following the year referred to in subparagraph
7 (A)."

8 ~~(2) Subsection (b) of such section is further amended~~
9 ~~by striking out paragraph (4) and inserting in lieu thereof~~
10 ~~the following new paragraph:~~

11 *(2) Paragraph (4) of such subsection (b) is amended*
12 *to read as follows:*

13 " (4) In the case of any individual, the Secretary shall
14 determine the four or fewer full calendar years after ~~the~~
15 ~~year in which occurs~~ his starting date and prior to his
16 closing date which, if the months of such years and his
17 wages and self-employment income for such years were ex-
18 cluded in computing his average monthly wage, would pro-
19 duce the highest primary insurance amount. Such months
20 and such wages and self-employment income shall be ex-
21 cluded for purposes of computing such individual's average

1 monthly wage. The maximum number of calendar years
2 determined under the first sentence of this paragraph shall
3 be five instead of four in the case of any individual who ~~had~~
4 *has* not less than twenty quarters of coverage ~~in the period~~
5 ~~ending with the calendar quarter preceding his closing date.~~”

6 (c) Subsection (c) of such section is amended to read as
7 follows:

8 “Determinations Made by Use of the Conversion Table

9 “(c) (1) Except as provided in paragraph (2) of this
10 subsection, the amount referred to in paragraphs (1) (B)
11 and (2) of subsection (a) for an individual shall be either
12 the amount appearing in column III of the following table
13 on the line on which in column I appears his primary in-
14 surance benefit (as determined under subsection (d)), or
15 the amount appearing in column III of the following table
16 on the line on which in column II appears his primary in-
17 surance amount (determined as provided in subsection (d)),
18 whichever produces the higher amount; and his average
19 monthly wage shall, for purposes of section 203 (a), be the
20 amount appearing in column IV on the line on which, in
21 column III, appears such higher amount.

"I "If the primary insurance benefit (as determined under subsection (d)) is—	II Or the primary insurance amount (as determined under subsection (d)) is—	III The amount referred to in paragraphs (1) (B) and (2) of subsection (a) shall be—	IV And the average monthly wage for purposes of computing maximum benefits shall be—
\$10.....	\$25. 00	\$30. 00	\$55. 00
\$11.....	27. 00	32. 00	58. 00
\$12.....	29. 00	34. 00	62. 00
\$13.....	31. 00	36. 00	65. 00
\$14.....	33. 00	38. 00	69. 00
\$15.....	35. 00	40. 00	73. 00
\$16.....	36. 70	41. 70	76. 00
\$17.....	38. 20	43. 20	79. 00
\$18.....	39. 50	44. 50	81. 00
\$19.....	40. 70	45. 70	83. 00
\$20.....	42. 00	47. 00	85. 00
\$21.....	43. 50	48. 50	88. 00
\$22.....	45. 30	50. 30	91. 00
\$23.....	47. 50	52. 50	95. 00
\$24.....	50. 10	55. 10	100. 00
\$25.....	52. 40	57. 40	104. 00
\$26.....	54. 40	59. 40	108. 00
\$27.....	56. 30	61. 30	114. 00
\$28.....	58. 00	63. 00	123. 00
\$29.....	59. 40	64. 40	130. 00
\$30.....	60. 80	66. 30	139. 00
\$31.....	62. 00	67. 90	147. 00
\$32.....	63. 30	69. 50	155. 00
\$33.....	64. 40	71. 10	163. 00
\$34.....	65. 50	72. 50	170. 00
\$35.....	66. 60	73. 90	177. 00
\$36.....	67. 80	75. 50	185. 00
\$37.....	68. 90	77. 10	193. 00
\$38.....	70. 00	78. 50	200. 00
\$39.....	71. 00	79. 90	207. 00
\$40.....	72. 00	81. 10	213. 00
\$41.....	73. 10	82. 70	221. 00
\$42.....	74. 10	83. 90	227. 00
\$43.....	75. 10	85. 30	234. 00
\$44.....	76. 10	86. 70	241. 00
\$45.....	77. 10	88. 50	250. 00
\$46.....	77. 10	88. 50	250. 00
	77. 20	88. 50	250. 00
	77. 30	88. 50	250. 00
	77. 40	88. 50	250. 00
	77. 50	88. 50	250. 00
	78. 00	89. 10	253. 00
	79. 00	90. 50	260. 00
	80. 10	91. 90	267. 00
	81. 00	93. 10	273. 00
	82. 00	94. 50	280. 00
	83. 10	95. 90	287. 00
	84. 00	97. 10	293. 00
	85. 00	98. 50	300. 00

1 “(2) (A) In case the primary insurance benefit (deter-
2 mined as provided in subsection (d)) of an individual falls
3 between the amounts on any two consecutive lines in column
4 I of the table, the amount referred to in paragraphs (1) (B)
5 and (2) of subsection (a) for such individual shall be the
6 amount determined (i) by applying the formula in subsec-
7 tion (a) (1) to the average monthly wage which would
8 be determined for such individual under paragraph (4) of
9 this subsection as in effect prior to the enactment of the
10 Social Security Amendments of 1954, (ii) by increas-
11 ing the amount determined under clause (i), if it is not a
12 multiple of \$0.10, to the next higher multiple of \$0.10,
13 and ~~(ii)~~ (iii) by further increasing such amount to the ex-
14 tent, if any, it is less than \$5 greater than the primary insur-
15 ance amount which would be determined for him by use of
16 his primary insurance benefit under paragraph (2) of this
17 subsection as in effect prior to the enactment of the Social
18 Security Amendments of 1954.

19 “(B) In case the primary insurance amount (deter-
20 mined under subsection (d)) of an individual falls between
21 the amounts on any two consecutive lines in column II of
22 the table, the amount referred to in paragraphs (1) (B)
23 and (2) of subsection (a) for such individual shall be the
24 amount determined under subparagraph (A) of this para-

1 graph for an individual whose primary insurance benefit
2 would (under paragraph (2) of this subsection as in effect
3 prior to the enactment of the Social Security Amendments
4 of 1954) produce such primary insurance amount; except
5 that, if there is no primary insurance benefit which would
6 (under such paragraph (2)) produce such primary insur-
7 ance amount or if such primary insurance amount is higher
8 than \$77.10, the amount referred to in paragraphs (1) (B)
9 and (2) of subsection (a) for such individual shall be the
10 amount determined (i) by applying the formula in subsec-
11 tion (a) (1) to the average monthly wage from which such
12 primary insurance amount was determined, (ii) by increasing
13 the amount determined under clause (i), if it is not a multi-
14 ple of \$0.10, to the next higher multiple of \$0.10, and (iii)
15 by further increasing such amount to the extent, if any, it is
16 less than \$5 greater than such primary insurance amount.

17 “(C) If the provisions of subparagraphs (A) and (B)
18 of this paragraph are both applicable to an individual, the
19 amount referred to in paragraphs (1) (B) and (2) of sub-
20 section (a) for such individual shall be the larger of the
21 amounts determined under such subparagraphs.

22 “(3) For the purpose of facilitating the use of the
23 conversion table in computing any insurance benefit under
24 section 202, the Secretary is authorized to assume that

1 the primary insurance benefit from which such benefit under
2 section 202 is determined is one cent or two cents more or
3 less than its actual amount.

4 “(4) For purposes of section 203 (a), the average
5 monthly wage of an individual whose primary insurance
6 amount is determined under paragraph (2) of this subsection
7 shall be a sum equal to the average monthly wage which
8 would result in such primary insurance amount upon the
9 application of the provisions of subsection (a) (1) (A) of
10 this section and without the application of subsection (e)
11 (2) or (g) of this section; except that, if such sum is not
12 a multiple of \$1, it shall be rounded to the nearest multiple
13 of \$1 (or to the next higher multiple of \$1 if it is a
14 multiple of \$0.50).”

15 (d) (1) The heading of subsection (d) of such section
16 is amended to read “Primary Insurance Benefit and Primary
17 Insurance Amount For Purposes of Conversion Table”.

18 (2) So much of such subsection (d) as precedes para-
19 graph (1) thereof is amended by inserting “and the primary
20 insurance amounts” after “primary insurance benefits”.

21 (3) So much of paragraph (4) of such subsection (d)
22 as precedes subparagraph (A) is amended by inserting
23 “(except an individual who attained age twenty-two after
24 1950 and with respect to whom not less than six of the

1 quarters elapsing after 1950 are quarters of coverage)”
2 after “individual”.

3 (4) Such subsection (d) is amended by adding after
4 paragraph (5), added by section 106 of this Act, the fol-
5 lowing new paragraph:

6 “(6) The primary insurance amount of any individual
7 shall be computed as provided in this section as in effect prior
8 to the enactment of this paragraph, except that the amend-
9 ments made by sections 102 (b) (other than paragraph
10 (2) thereof), 104, and 106 of the Social Security Amend-
11 ments of 1954 (relating, respectively, to increase in benefit
12 amounts, increase in earnings counted, and periods of dis-
13 ability) shall, to the extent provided by such sections, be
14 applicable to such computation.”

15 (e) (1) Section 215 (e) of such Act is amended by
16 striking out “and” at the end of paragraph (1), by chang-
17 ing the period at the end of paragraph (2) to a semicolon,
18 and by adding after such paragraph (2) the following new
19 paragraph:

20 “(3) if an individual’s closing date is determined
21 under paragraph (3) (A) of subsection (b) and he has
22 self-employment income in a taxable year which begins
23 prior to such closing date and ends after the last day of
24 the month preceding the month in which he becomes

1 entitled to old-age insurance benefits, there shall not be
2 counted, in determining his average monthly wage, his
3 self-employment income in such taxable year, except
4 as provided in section 215 (f) (3) ~~(C)~~.” (C); and”.

5 (2) ~~(A)~~ Section 215 (f) (2) of such Act is amended
6 to read as follows:

7 “(2) (A) Upon application filed after 1954 by an
8 individual entitled to old-age insurance benefits, the Secretary
9 shall recompute his primary insurance amount if—

10 “(i) he has not less than six quarters of coverage
11 in the period after 1950 and prior to the quarter in which
12 such application is filed,

13 “(ii) he has wages and self-employment income of
14 ~~not less than \$1,000~~ *more than \$1,200* in a calendar
15 year which occurs after 1953 *(not taking into account*
16 *any year prior to the calendar year in which the last*
17 *previous recomputation, if any, of his primary insurance*
18 *amount was effective)* and after the year in which he
19 became (without the application of section 202 (j)
20 (1)) entitled to old-age insurance benefits or filed an
21 application for recomputation (to which he is entitled)
22 under section 102 (e) (5) (B) or 102 (f) (2) (B)
23 of the Social Security Amendments of 1954, whichever
24 of such events is the latest, and

25 “(iii) he filed such application no earlier than six

1 months after such calendar year referred to in clause (ii)
2 in which he had such wages and self-employment
3 income.

4 Such recomputation shall be effective for and after the
5 twelfth month before the month in which he filed such appli-
6 cation for recomputation but in no event earlier than the
7 month following such calendar year referred to in clause
8 (ii). For the purposes of this subparagraph an individual's
9 self-employment income shall be allocated to calendar quar-
10 ters in accordance with section 212.

11 ~~“(B) Except as provided in subparagraph (C) a recom-~~
12 ~~putation pursuant to subparagraph (A) shall be made only~~
13 ~~as provided in subsection (a) (1) (other than subpara-~~
14 ~~graph (B) thereof) of this section, taking into account only~~
15 ~~such wages and self-employment income which would be~~
16 ~~taken into account under subsection (b) if the month in~~
17 ~~which he filed the application under subparagraph (A)~~
18 ~~were deemed to be the month in which he became entitled~~
19 ~~to old-age insurance benefits, except that, of the provisions~~
20 ~~of paragraph (3) of such subsection, only the provisions of~~
21 ~~subparagraph (A) shall be applicable.~~

22 *“(B) A recomputation pursuant to subparagraph (A)*
23 *shall be made as provided in subsection (a) of this section*
24 *and as though the individual first became entitled to old-age*
25 *insurance benefits in the month in which he filed the applica-*

1 tion for such recomputation, but only if the provisions of sub-
 2 section (b) (4) were not applicable to the last previous
 3 computation of his primary insurance amount. If the pro-
 4 visions of subsection (b) (4) were applicable to such previous
 5 computation, the recomputation under subparagraph (A)
 6 of this paragraph shall be made only as provided in sub-
 7 section (a) (1) (other than subparagraph (B) thereof) and
 8 for such purposes his average monthly wage shall be deter-
 9 mined as though he became entitled to old-age insurance
 10 benefits in the month in which he filed the application for
 11 recomputation under subparagraph (A), except that, of the
 12 provisions of paragraph (3) of subsection (b), only the pro-
 13 visions of subparagraph (A) thereof shall be applicable."

14 ~~"(C) If such recomputation is the first recomputation~~
 15 ~~under subparagraph (A), such recomputation shall be made~~
 16 ~~as though the individual first became entitled to old-age~~
 17 ~~insurance benefits on the day he filed application for such~~
 18 ~~recomputation. For purposes of this subparagraph a recom-~~
 19 ~~putation under section 102 (e) (5) (B) or 102 (f) (2)~~
 20 ~~(B) of the Social Security Amendments of 1954 shall be~~
 21 ~~deemed to be a recomputation under subparagraph (A)~~
 22 ~~of this paragraph."~~

23 (3) (A) Section 215 (f) (3) of such Act is amended
 24 to read as follows:

25 "(3) (A) Upon application by an individual—

1 “(i) who became (without the application of sec-
2 tion 202 (j) (1)) entitled to old-age insurance bene-
3 fits under section 202 (a) after ~~the effective date~~
4 *August, 1954*, or

5 “(ii) whose primary insurance amount was recom-
6 puted under section 102 (e) (5) or 102 (f) (2) (B)
7 of the Social Security Amendments of 1954, or

8 “(iii) whose primary insurance amount was recom-
9 puted ~~for the first time under as provided in the first~~
10 *sentence of paragraph (2) (B)* of this subsection on
11 the basis of an application filed after ~~the effective date~~
12 *August 1954*,

13 the Secretary shall recompute his primary insurance amount
14 if such application is filed after the year in which he became
15 entitled to old-age insurance benefits or in which he filed
16 his application for the last recomputation (to which he was
17 entitled) of his primary insurance amount under any pro-
18 vision of law referred to in clause (ii) or (iii) of this
19 sentence, whichever is the later. Such recomputation under
20 this subparagraph shall be made in the manner provided
21 in the preceding subsections of this section for computation
22 of his primary insurance amount, except that his closing
23 date for purposes of subsection (b) shall be the first day
24 of the year following the year in which he became entitled
25 to old-age insurance benefits or in which he filed his appli-

1 cation for the last recomputation (to which he was entitled)
2 of his primary insurance amount under any provision of
3 law referred to in clause (ii) or (iii) of the preceding
4 sentence, whichever is the later. Such recomputation under
5 this subparagraph shall be effective for and after the first
6 month for which his last previous computation of his pri-
7 mary insurance amount was effective, but in no event for
8 any month prior to the twenty-fourth month before the
9 month in which the application for such recomputation is
10 filed. As used in this subparagraph and subparagraph (B),
11 the term 'effective date' means the last day of the month
12 following the month in which the Social Security Amend-
13 ments of 1954 are enacted.

14 “(B) Upon application by a person entitled to monthly
15 benefits or a lump-sum death payment on the basis of the
16 wages and self-employment income of an individual who
17 died after the effective date and who, if he was entitled
18 to an old-age insurance benefit before he died, would,
19 upon the filing of an application in the month of his
20 death, have been entitled to a recomputation of his pri-
21 mary insurance amount under subparagraph (A) of this
22 paragraph, the Secretary shall recompute such individual's
23 primary insurance amount. Such recomputation shall be
24 made in the manner provided in the preceding subsections
25 of this section for computation of such amount, except that

1 his closing date for purposes of subsection ~~(b)~~ shall be the
2 first day of the year following the year in which he died or
3 in which he filed his application for the last previous com-
4 putation of his primary insurance amount under any pro-
5 vision of law referred to in clause ~~(i)~~, ~~(ii)~~, or ~~(iii)~~ of the
6 first sentence of subparagraph ~~(A)~~, whichever first
7 occurred. In the case of an individual who dies after
8 August 1954—

9 “(i) who, at the time of death, was not entitled to
10 old-age insurance benefits under section 202 (a), or who
11 became entitled to old-age insurance benefits under sec-
12 tion 202 (a) after August 1954, or whose primary in-
13 surance amount was recomputed under paragraph (2)
14 or (4) of this subsection, or section 102 (e) (5) or
15 section 102 (f) (2) (B) of the Social Security Amend-
16 ments of 1954, on the basis of an application filed after
17 August 1954; and

18 “(ii) with respect to whom the last previous com-
19 putation or recomputation of his primary insurance
20 amount was based upon a closing date determined under
21 subparagraph (A) or (B) of subsection (b) (3) of this
22 section,

23 the Secretary shall recompute his primary insurance amount
24 upon the filing of an application by a person entitled to
25 monthly benefits or a lump-sum death payment on the basis of

1 *his wages and self-employment income. Such recomputation*
2 *shall be made in the manner provided in the preceding sub-*
3 *sections of this section for computation of such amount, ex-*
4 *cept that his closing date for purposes of subsection (b) shall*
5 *be the day following the year of death in case he died without*
6 *becoming entitled to old-age insurance benefits, or, in case he*
7 *was entitled to old-age insurance benefits, the day following*
8 *the year in which was filed the application for the last previ-*
9 *ous computation of his primary insurance amount or in*
10 *which the individual died, whichever first occurred. In the*
11 *case of monthly benefits, such recomputation shall be effective*
12 *for and after the month in which the person entitled to*
13 *such monthly benefits became so entitled, but in no event*
14 *for any month prior to the twenty-fourth month before the*
15 *month in which the application for such recomputation is*
16 *filed.”*

17 (B) Such section 215 (f) (3) is further amended by
18 adding after subparagraph (B) (added by subparagraph
19 (A) of this paragraph) the following new subparagraph:

20 “(C) If an individual’s closing date is determined
21 under paragraph (3) (A) of subsection (b) of this section
22 and he has self-employment income in a taxable year which
23 begins prior to such closing date and ends after the last day
24 of the month preceding the month in which he became en-
25 titled to old-age insurance benefits, the Secretary shall re-

1 compute his primary insurance amount after the close of such
2 taxable year, taking into account only such self-employment
3 income in such taxable year as is, pursuant to section 212,
4 allocated to calendar quarters prior to such closing date.
5 Such recomputation shall be effective for and after the first
6 month in which he became entitled to old-age insurance
7 benefits.”

8 (4) Section 215 (f) (4) of such Act is amended to
9 read as follows:

10 “(4) Upon the death after 1954 of an individual en-
11 titled to old-age insurance benefits, if any person is entitled
12 to monthly benefits, or to a lump-sum death payment, on
13 the basis of the wages and self-employment income of such
14 individual, the Secretary shall recompute the decedent’s
15 primary insurance amount, but only if—

16 “(A) the decedent would have been entitled to a
17 recomputation under paragraph (2) (A) (without the
18 application of clause (iii) thereof) if he had filed appli-
19 cation therefor in the month in which he died; or

20 “(B) the decedent during his lifetime was paid com-
21 pensation which was treated under section 205 (o) as
22 remuneration for employment.

23 If the recomputation is permitted by subparagraph (A) the
24 recomputation shall be made (if at all) as though he had
25 filed application for a recomputation under paragraph (2)

1 (A) in the month in which he died, except that such
2 recomputation shall include any compensation (described in
3 section 205 (o)) paid to him prior to the closing date which
4 would have been applicable under such paragraph. If re-
5 computation is permitted by subparagraph (B) the recom-
6 putation shall take into account only the wages and self-
7 employment income which were taken into account in the
8 last previous computation of his primary insurance amount
9 and the compensation (described in section 205 (o)) paid
10 to him prior to the closing date applicable to such computa-
11 tion. If both of the preceding sentences are applicable to an
12 individual, only the recomputation which results in the larger
13 primary insurance amount shall be made.”

14 (5) (A) In the case of any individual who, upon filing
15 application therefor ~~on or~~ before the effective date *Septem-*
16 *ber 1954*, would (but for the provisions of section 215 (f)
17 (6) of the Social Security Act) have been entitled to a
18 recomputation under subparagraph (A) or (B) of section
19 215 (f) (2) of such Act as in effect prior to the enactment
20 of this Act, the Secretary shall recompute such individual's
21 primary insurance amount, but only if he files an applica-
22 tion therefor or, in case he died before filing such applica-
23 tion, an application for monthly benefits or a lump-sum death
24 payment on the basis of his wages and self-employment in-
25 come is filed. Such recomputation shall be made only as

1 provided in subsection (a) (2) of section 215 of the Social
2 Security Act, as amended by this Act, through the use of a
3 primary insurance amount determined under subsection (d)
4 (6) of such section in the same manner as for an individual
5 to whom subsection (a) (1) of such section, as in effect
6 prior to the enactment of this Act, is applicable; and such
7 recomputation shall take into account only such wages and
8 self-employment income as would be taken into account
9 under section 215 (b) of the Social Security Act if the
10 month in which the application for recomputation is filed,
11 *or if the individual died without filing the application for*
12 *recomputation, the month in which he died,* were deemed to
13 be the month in which ~~the individual~~ *he* became entitled to
14 old-age insurance benefits. ~~Such~~ *In the case of monthly*
15 *benefits, such* recomputation shall be effective for and after
16 the month in which such application for recomputation is
17 filed *or, if the individual has died without filing the applica-*
18 *tion, for and after the month in which the person filing the*
19 *application for monthly survivor benefits becomes entitled to*
20 *such benefits.*

21 (B) In the case of—

22 (i) any individual who is entitled to a recomputa-
23 tion under subparagraph (A) of section 215 (f) (2)
24 of the Social Security Act as in effect prior to the enact-

1 ment of this Act on the basis of an application filed after
2 the effective date *August 1954*, or who died after such
3 and with respect to whom either less than six of the
4 quarters elapsing after 1950 and prior to the day fol-
5 lowing the effective date are quarters of coverage or
6 the twelfth month referred to in such subparagraph
7 (A) occurred after the effective date, and

8 (ii) any individual who is entitled to a recomputa-
9 tion under section 215 (f) (2) (B) of the Social Se-
10 curity Act on the basis of an application filed after the
11 effective date and with respect to whom less than six
12 of the quarters elapsing after 1950 and prior to the
13 day following the effective date are quarters of coverage
14 or who did not attain the age of seventy-five prior to the
15 date following the effective date.

16 *month leaving any survivors entitled to a recomputation*
17 *under section 215 (f) (4) of the Social Security Act*
18 *as in effect prior to the enactment of this Act on the basis*
19 *of his wages and self-employment income, and whose*
20 *sixth quarter of coverage after 1950 was acquired after*
21 *August 1954 or with respect to whom the twelfth month*
22 *referred to in such subparagraph (A) occurred after*
23 *such month, and*

24 (ii) any individual who is entitled to a recompu-
25 tation under section 215 (f) (2) (B) of the Social

1 *Security Act as in effect prior to the enactment of this*
2 *Act on the basis of an application filed after August*
3 *1954, or who died after August 1954 leaving any sur-*
4 *ivors entitled to a recomputation under section 215*
5 *(f) (4) of the Social Security Act as in effect prior to*
6 *the enactment of this Act on the basis of his wages and*
7 *self-employment income, and whose sixth quarter of cov-*
8 *erage after 1950 was acquired after August 1954 or*
9 *who did not attain the age of seventy-five prior to Sep-*
10 *tember 1954,*

11 the recomputation of his primary insurance amount shall
12 be made in the manner provided in section 215 of the Social
13 Security Act, as amended by this Act, for computation of
14 such amount, except that his closing date, for purposes of
15 subsection (b) of such section 215, shall be determined
16 as though he became entitled to old-age insurance benefits in
17 the month in which he filed such application for recomputa-
18 tion *or, if he has died, in the month in which he died. Such*
19 *In the case of monthly benefits, such* recomputation shall be
20 effective for and after the month in which such application
21 for recomputation is filed *or, if the individual has died with-*
22 *out filing the application, for and after the month in which*
23 *the person filing the application for monthly survivors bene-*
24 *fits becomes entitled to such benefits. As used in this sub-*
25 *paragraph and the succeeding subsections of this section, the*

1 "effective date" is the last day of the month following the
2 month in which this Act is enacted.

3 (C) No individual shall be entitled to a recomputation
4 under section 215 (f) (2) of the Social Security Act as in
5 effect prior to the date of the enactment of this Act unless
6 *An individual or, in case of his death, his survivors entitled*
7 *to a lump-sum death payment or to monthly benefits under*
8 *section 202 of the Social Security Act on the basis of his*
9 *wages and self-employment income shall be entitled to a re-*
10 *computation of his primary insurance amount under section*
11 *215 (f) (2) or section 215 (f) (4) of the Social Security*
12 *Act as in effect prior to the date of enactment of this Act only*
13 *if (i) he had not less than six quarters of coverage in the*
14 *period after 1950 and prior to January 1, 1955, and (ii)*
15 *either the twelfth month referred to in subparagraph*
16 *(A) of such section 215 (f) (2) occurred prior to*
17 *January 1, 1955, or he attained the age of 75 prior to*
18 *1955, and (iii) he meets the other conditions of entitlement*
19 *to such a recomputation. No individual shall be entitled*
20 *to a recomputation under subparagraph (A) or (B) of this*
21 *paragraph if his primary insurance amount has previously*
22 *been recomputed under either of such subparagraphs.*

23 (6) In the case of an individual who died or became
24 (without the application of section 202 (j) (1) of the Social
25 Security Act) entitled to old-age insurance benefits in 1956

1 and with respect to whom not less than six of the quarters
2 elapsing after 1954 and prior to the quarter following the
3 quarter in which he died or became entitled to old-age insur-
4 ance benefits, whichever first occurred, are quarters of cover-
5 age, his closing date shall be July 1, 1956, instead of the day
6 specified in section 215 (b) (3) of such Act *primary insur-*
7 *ance amount shall be computed under section 215 (a) (1)*
8 *(A) of such Act, as amended by this Act, with a starting date*
9 *of December 31, 1954, and a closing date of July 1, 1956,*
10 but only if it would result in a higher primary insurance
11 amount. For the purposes of section 215 (f) (3) (C) of
12 such Act, the determination of an individual's closing date
13 under the preceding sentence shall be considered as a deter-
14 mination of the individual's closing date under section 215
15 (b) (3) (A) of such Act, and the recomputation provided
16 for by such section 215 (f) (3) (C) shall be made using
17 July 1, 1956, as the closing date, but only if it would result
18 in a higher primary insurance amount. In any such com-
19 putation on the basis of a July 1, 1956, closing date, the total
20 of his wages and self-employment income after December
21 31, 1955, shall, if it is in excess of \$2,100, be reduced to
22 such amount.

23 (7) Section 203 (a) of such Act is amended to read as
24 follows:

25 “(a) Whenever the total of monthly benefits to which

1 individuals are entitled under section 202 for a month on
2 the basis of the wages and self-employment income of an
3 insured individual is more than \$50 and exceeds (1) 80
4 per centum of his average monthly wage, or (2) one and
5 one-half times his primary insurance amount, whichever is
6 the greater, such total of benefits shall, after any deductions
7 under this section, be reduced to 80 per centum of his
8 average monthly wage or to one and one-half times his
9 primary insurance amount, whichever is the greater, but in
10 no case to less than \$50; except that when any of such
11 individuals so entitled would (but for the provisions of
12 section 202 (k) (2) (A)) be entitled to child's insurance
13 benefits on the basis of the wages and self-employment
14 income of one or more other insured individuals, such total
15 of benefits, after any deductions under this section, shall not
16 be reduced to less than 80 per centum of the sum of the
17 average monthly wages of all such insured individuals. In
18 any case in which the total of the benefits referred to in the
19 preceding sentence, after reduction (if any) thereunder, is
20 more than \$200, such total shall, notwithstanding the provi-
21 sions of such sentence, be reduced to \$200. Whenever a
22 reduction is made under this subsection, each benefit, except
23 the old-age insurance benefit, shall be proportionately
24 decreased."

25 (8) In the case of an individual who became (without

1 the application of section 202 (j) (1) entitled to old-age
2 insurance benefits or died prior to ~~the day following the~~
3 ~~effective date~~ *September 1954*, the provisions of section 215
4 (f) (3) as in effect prior to the enactment of this Act shall
5 be applicable as though this Act had not been enacted.

6 (f) (1) The amendments made by the preceding sub-
7 sections, other than subsection (b) and paragraphs (1),
8 (2), (3), and (4) of subsection (c), shall (subject to
9 the provisions of paragraph (2) and notwithstanding the
10 provisions of section 215 (f) (1) of the Social Security
11 Act) apply in the case of lump-sum death payments under
12 section 202 of such Act with respect to deaths occurring
13 after, and in the case of monthly benefits under such section
14 for months after, ~~the effective date~~ *August 1954*.

15 (2) (A) The amendment made by subsection (b) (2)
16 shall be applicable only in the case of monthly benefits *for*
17 *months after August 1954*, and the lump-sum death payment
18 *in the case of death after August 1954*, based on the wages
19 and self-employment income of an individual (i) who does
20 not become eligible for benefits under section 202 (a) of the
21 Social Security Act until after ~~the effective date~~ *August 1954*,
22 or (ii) who dies after ~~such effective date~~ *August 1954* and
23 without becoming eligible for benefits under such section 202
24 (a), or (iii) who is or has been entitled to have his primary
25 insurance amount recomputed under section 215 (f) (2) of

1 the Social Security Act, as amended by subsection (e) (2)
2 of this section, or under subsection (e) (5) (B) of this sec-
3 tion, or (iv) with respect to whom not less than six of the
4 quarters elapsing after June 1953 are quarters of coverage
5 (as defined in such Act), or (v) who files, after the effective
6 date, files an application for a disability determination which
7 is accepted as an application for purposes of section 216 (i)
8 of such Act, or (vi) who dies after the effective date August
9 1954 and whose survivors are (or would, but for the provi-
10 sions of section 215 (f) ~~(7)~~ (6) of such Act, be) entitled
11 to a recomputation of his primary insurance amount under
12 section 215 (f) (4) (A) of such Act, as amended by this
13 Act. For purposes of the preceding sentence an individual
14 shall be deemed eligible for benefits under section 202 (a) of
15 the Social Security Act for any month if he was, or would
16 upon filing application therefor in such month have been,
17 entitled to such benefits for such month.

18 (B) In the case of any individual entitled to old-age
19 insurance benefits under section 202 (a) of the Social Secu-
20 rity Act who was or, upon filing application therefor, would
21 have been entitled to such benefits for the month in which
22 the effective date occurs August 1954, to whom subpara-
23 graph (A) is inapplicable, and with respect to whom not
24 less than six of the quarters elapsing after June 30, 1953,
25 are quarters of coverage, the Secretary of Health, Education,

1 and Welfare shall, notwithstanding the provisions of section
2 215 (f) (1) of the Social Security Act, recompute the pri-
3 mary insurance amount of such individual but only upon
4 the filing of an application, after ~~the effective date~~ *August*
5 *1954*, by him or, if he dies without filing such an application,
6 by any person entitled to monthly survivors benefits under
7 section 202 of such Act on the basis of such individual's
8 wages and self-employment income. Such recomputation
9 shall be made in the manner provided in section 215 of the
10 Social Security Act for computation of such individual's
11 primary insurance amount, except that the provisions of sub-
12 section (f) of such section (other than paragraph (3) (C)
13 thereof) shall not be applicable for purposes of such compu-
14 tation, and except that his closing date, for purposes of sub-
15 section (b) of such section, shall be determined as though
16 he became entitled to old-age insurance benefits in the month
17 in which he filed such application for recomputation or, if
18 he died without filing such application, the month in which
19 he died. Such recomputation shall be effective ~~for and~~
20 ~~after the month in which the application therefor was filed~~
21 ~~by such individual or~~ *(i) if the application is filed by such*
22 *individual, for and after the twelfth month before the month*
23 *in which the application therefor was filed by such individual*
24 *but in no case before the first month of the quarter which is*
25 *such individual's sixth quarter of coverage acquired after*

1 *June 30, 1953, or (ii)* if such application was filed by a
2 person entitled to monthly survivors benefits under section
3 202 of the Social Security Act on the basis of such individ-
4 ual's wages and self-employment income, for and after the
5 first month for which such person was entitled to such sur-
6 vivors benefits. No such recomputation of an individual's
7 primary insurance amount shall be effective unless it results
8 in a higher primary insurance amount for him; nor shall any
9 such recomputation of an individual's primary insurance
10 amount be effective if such amount has previously been
11 recomputed under this subsection.

12 (3) The amendments made by subsections (b) (1),
13 (e) (1), and (e) (3) (B) shall be applicable only in
14 the case of monthly benefits based on the wages and self-
15 employment income of an individual who does not become
16 entitled to old-age insurance benefits under section 202 (a)
17 of the Social Security Act until after the effective date
18 *August 1954*, or who dies after the effective date *August*
19 *1954* without becoming entitled to such benefits, or who files
20 an application after the effective date *August 1954* and is
21 entitled to a recomputation under paragraph (2) or (4) of
22 section 215 (f) of the Social Security Act, as amended by
23 this Act, or who is entitled to a recomputation under para-
24 graph (2) (B) of this subsection, or who is entitled to a
25 recomputation under paragraph (5) of subsection (e).

1 (4) The amendments made by subsection (e) (2) shall
2 be applicable only in the case of applications for recompu-
3 tation filed after 1954. The amendment made by subsection
4 (e) (4) shall be applicable only in the case of deaths after
5 1954.

6 (5) The amendments made by subparagraph (A) of
7 subsection (e) (3) shall be applicable only in the case
8 of applications for recomputation filed, or deaths occurring,
9 after the effective date *August 1954*.

10 (6) No increase in any benefit by reason of the amend-
11 ments made by this section (other than subsection ~~(i)~~ (e))
12 or by reason of subparagraph (B) of paragraph (2) of
13 *this subsection* shall be regarded as a recomputation for pur-
14 poses of section 215 (f) of the Social Security Act.

15 (g) ~~Effective with the beginning of the second month~~
16 ~~following the month in which this Act is enacted~~ *September*
17 *1, 1954*, section 2 (c) (2) (B) of the Social Security Act
18 Amendments of 1952 is amended to read as follows:

19 “(B) The provisions of subparagraph (A) shall
20 cease to apply to the benefit of any individual under
21 title II of the Social Security Act for any month after
22 the month following the month in which the Social
23 Security Amendments of 1954 are enacted *August*
24 *1954.*”

25 (h) (1) Where—

1 (A) an individual was entitled (without the appli-
2 cation of section 202 (j) (1) of the Social Security
3 Act) to an old-age insurance benefit under title II of
4 such Act for the month in which the effective date
5 ~~occurs~~ *August 1954*;

6 (B) one or more other persons were entitled (with-
7 out the application of such section 202 (j) (1)) to
8 monthly benefits under such title for such month on the
9 basis of the wages and self-employment income of such
10 individual; and

11 (C) the total of the benefits to which all persons
12 are entitled under such title on the basis of such indi-
13 vidual's wages and self-employment income for any
14 subsequent month for which he is entitled to an old-age
15 insurance benefit under such title, would (but for the
16 provisions of this paragraph) be reduced by reason of the
17 application of section 203 (a) of the Social Security
18 Act, as amended by this Act,

19 then the total of benefits referred to in clause (C) for such
20 subsequent month shall be reduced to whichever of the
21 following is the larger—

22 (D) the amount determined pursuant to section
23 203 (a) of the Social Security Act, as amended by this
24 Act; or

25 (E) the amount determined pursuant to such sec-

1 tion, as in effect prior to the enactment of this Act, for
2 ~~the month in which the effective date occurs~~ *August 1954*
3 plus the excess of (i) the amount of his old-age insur-
4 ance benefit for such month computed as if the amend-
5 ments made by the preceding subsections of this section
6 had been applicable in the case of such benefit for such
7 month over (ii) the amount of his old-age insurance
8 benefit for such month, or

9 (F) the amount determined pursuant to section 2
10 (d) (1) of the Social Security Act Amendments of
11 1952 for ~~the month in which the effective date occurs~~
12 *August 1954* plus the excess of (i) the amount of his
13 old-age insurance benefit for such month computed as if
14 the amendments made by the preceding subsections of
15 this section had been applicable in the case of such bene-
16 fit for such month over (ii) the amount of his old-age
17 insurance benefit for such month.

18 (2) Where—

19 (A) two or more persons were entitled (without
20 the application of section 202 (j) (1) of the Social
21 Security Act) to monthly benefits under title II of such
22 Act for ~~the month in which the effective date occurs~~
23 *August 1954* on the basis of the wages and self-employ-
24 ment income of a deceased individual; and

25 (B) the total of the benefits to which all such

1 persons are entitled on the basis of such deceased in-
2 dividual's wages and self-employment income for any
3 subsequent month would (but for the provisions of this
4 paragraph) be reduced by reason of the application of
5 the first sentence of section 203 (a) of the Social Secu-
6 rity Act, as amended by this Act,
7 then, notwithstanding any other provision in title II of the
8 Social Security Act, such deceased individual's average
9 monthly wage shall, for purposes of such section 203 (a),
10 be whichever of the following is the larger:

11 (C) his average monthly wage determined pur-
12 suant to section 215 of such Act, as amended by this
13 Act; or

14 (D) his average monthly wage determined under
15 such section 215, as in effect prior to the enactment of
16 this Act, plus \$7.

17 (i) ~~(1)~~ Section 202 of such Act is amended by inserting
18 after subsection (l) the following new subsection:

19 "Minimum Survivor's or Dependent's Benefit

20 "(m) In any case in which the benefit of any individual
21 for any month under this section (other than subsection
22 (a)) is, prior to reduction under subsection (k) (3), less
23 than \$30 and no other individual is (without the application
24 of section 202 (j) (1)) entitled to a benefit under this
25 section for such month on the basis of the same wages and

1 self-employment income, such benefit for such month shall,
 2 prior to reduction under such subsection (k) (3), be in-
 3 creased to \$30.”

4 ~~(2) The first sentence of subsection (i) of such section~~
 5 ~~202 is amended by inserting “, or an amount equal to \$255,~~
 6 ~~whichever is the smaller” after “primary insurance amount”.~~

7 AMENDMENTS RELATING TO DEDUCTIONS FROM BENEFITS

8 SEC. 103. (a) (1) Section 203 (b) of the Social
 9 Security Act is amended by striking out paragraphs (1)
 10 and (2) and inserting in lieu thereof the following new
 11 paragraph:

12 “(1) in which such individual is under the age of
 13 ~~seventy-five~~ *seventy-two* and for which month he is
 14 charged with any earnings under the provisions of sub-
 15 section (e) of this section; or”.

16 (2) Such section 203 (b) is amended by inserting
 17 after paragraph (1) (inserted by paragraph (1) of this
 18 subsection) the following new paragraph:

19 “(2) in which such individual is under the age of
 20 ~~seventy-five~~ *seventy-two* and on seven or more different
 21 calendar days of which he engaged in noncovered remu-
 22 nerative activity outside the United States; or”.

23 (b) (1) Section 203 (c) of such Act is amended by
 24 striking out paragraphs (1) and (2) and inserting in lieu
 25 thereof the following new paragraph:

1 “(1) in which the individual, on the basis of
2 whose wages and self-employment income such benefit
3 was payable, is under the age of ~~seventy-five~~ *seventy-two*
4 and for which month he is charged with any earnings
5 under the provisions of subsection (e) of this section;
6 or”.

7 (2) Such section 203 (c) is amended by inserting after
8 paragraph (1) (inserted by paragraph (1) of this sub-
9 section) the following new paragraph:

10 “(2) in which the individual referred to in para-
11 graph (1) is under the age of ~~seventy-five~~ *seventy-two*
12 and on seven or more different calendar days of which
13 he engaged in noncovered remunerative activity outside
14 the United States.”

15 (c) The second sentence of section 203 (d) of such
16 Act is amended to read as follows: “The charging of earn-
17 ings to any month shall be treated as an event occurring in
18 such month.”

19 (d) (1) The heading of section 203 (e) of such Act is
20 amended to read “Months to Which Earnings Are Charged”.

21 (2) Paragraphs (1) and (2) of such section 203 (e)
22 are amended to read as follows:

23 “(1) If an individual’s earnings for a taxable year
24 of twelve months are not more than ~~\$1,000~~ *\$1,200*, no
25 month in such year shall be charged with any earnings.

1 If an individual's earnings for a taxable year of less than
2 twelve months are not more than the product of ~~one-~~
3 ~~twelfth~~ of ~~\$1,000~~ *\$100* times the number of months in
4 such year, no month in such year shall be charged with
5 any earnings.

6 “(2) If an individual's earnings for a taxable year
7 of twelve months are in excess of ~~\$1,000~~ *\$1,200*, the
8 amount of his earnings in excess of ~~\$1,000~~ *\$1,200* shall
9 be charged to months as follows: The first \$80 of such
10 excess shall be charged to the last month of such taxable
11 year, and the balance, if any, of such excess shall be
12 charged at the rate of \$80 per month to each preceding
13 month in such year to which such charging is not pro-
14 hibited by the last sentence of this paragraph, until all
15 of such balance has been applied. If an individual's
16 earnings for a taxable year of less than twelve months
17 are more than the product of ~~one-twelfth~~ of ~~\$1,000~~ *\$100*
18 times the number of months in such year, the amount of
19 such earnings in excess of such product shall be charged
20 to months as follows: The first \$80 of such excess shall
21 be charged to the last month of such taxable year, and
22 the balance, if any, shall be charged at the rate of \$80
23 per month to each preceding month in such year to
24 which such charging is not prohibited by the last sen-

1 tence of this paragraph, until all of such balance has been
2 applied. Notwithstanding the preceding provisions of
3 this paragraph, no part of the excess referred to in such
4 provisions shall be charged to any month (A) for which
5 the individual whose earnings are involved was not en-
6 titled to a benefit under this title, (B) in which an event
7 described in paragraph (2), (3), (4), or (5) of
8 subsection ~~(b)~~, or in subsection ~~(m)~~, (b) occurred, (C)
9 in which such individual was age ~~seventy-five~~ *seventy-*
10 *two* or over, or (D) in which such individual did not
11 engage in self-employment and did not render services
12 for wages (determined as provided in paragraph (4) of
13 this subsection) of more than \$80.”

14 (3) Paragraph (3) (B) of such section 203 (e) is
15 amended to read as follows:

16 “(B) For purposes of clause (D) of paragraph (2) —

17 “(i) An individual will be presumed, with respect
18 to any month, to have been engaged in self-employment
19 in such month until it is shown to the satisfaction of the
20 Secretary that such individual rendered no substantial
21 services in such month with respect to any trade or busi-
22 ness the net income or loss of which is includible in com-
23 puting (as provided in paragraph (4) of this subsec-
24 tion) his net earnings or net loss from self-employment
25 for any taxable year. The Secretary shall by regula-

1 tions prescribe the methods and criteria for determining
2 whether or not an individual has rendered substantial
3 services with respect to any trade or business.

4 “(ii) An individual will be presumed, with respect
5 to any month, to have rendered services for wages (de-
6 termined as provided in paragraph (4) of this subsec-
7 tion) of more than \$80 until it is shown to the satis-
8 faction of the Secretary that such individual did not
9 render such services in such month for more than such
10 amount.”

11 (4) Such section 203 (e) is further amended by add-
12 ing at the end thereof the following new paragraphs:

13 “(4) (A) An individual’s earnings for a taxable
14 year shall be (i) the sum of his wages for services
15 rendered in such year and his net earnings from self-
16 employment for such year, minus (ii) any net loss from
17 self-employment for such year.

18 “(B) In determining an individual’s ~~net earnings~~
19 ~~from self-employment and his net loss from self-employ-~~
20 ~~ment for purposes of subparagraph (A) of this para-~~
21 ~~graph and subparagraph (B) of paragraph (3), the~~
22 ~~provisions of section 211, other than paragraphs (1)~~
23 ~~and (4) of subsection (e), 211 shall be applicable; and~~
24 ~~any excess of income over deductions resulting from such~~
25 ~~a computation shall be his net earnings from self-employ-~~

1 ~~ment and any~~ excess of deductions over income so
2 resulting *from such a computation* shall be his net loss
3 from self-employment.

4 “(C) For purposes of this subsection, an individual’s
5 wages shall be computed without regard to the limita-
6 tions as to amounts of remuneration specified in sub-
7 sections ~~(a)~~, ~~(g) (2)~~, ~~(g) (3)~~, ~~(h) (2)~~, and ~~(j)~~ of
8 section 209; and in making such computation services
9 ~~which do not constitute employment as defined in sec-~~
10 ~~tion 210, performed within the United States by the in-~~
11 ~~dividual as an employee, shall be deemed to be employ-~~
12 ~~ment as so defined if the remuneration for such services~~
13 ~~is not includible in computing his net earnings or net~~
14 ~~loss from self-employment section 209 (a).~~

15 “(5) For purposes of this subsection, wages (deter-
16 mined as provided in paragraph (4) (C)) which, ac-
17 cording to reports received by the Secretary, are paid to
18 an individual during a taxable year shall be presumed
19 to have been paid to him for services performed in such
20 year until it is shown to the satisfaction of the Secretary
21 that they were paid for services performed in another
22 taxable year. If such reports with respect to an individ-
23 ual show his wages for a calendar year, such individual’s
24 taxable year shall be presumed to be a calendar year for
25 purposes of this subsection until it is shown to the satis-

1 faction of the Secretary that his taxable year is not a
2 calendar year.”

3 (e) Section 203 (f) of such Act is amended to read
4 as follows:

5 “Penalty for Failure To Report Certain Events

6 “(f) Any individual in receipt of benefits subject to de-
7 duction under subsection ~~(b)~~, ~~(e)~~, or ~~(m)~~ (b) or (c) (or
8 who is in receipt of such benefits on behalf of another indi-
9 vidual), because of the occurrence of an event specified there-
10 in (other than an event specified in subsection (b) (1) or
11 (c) (1)), who fails to report such occurrence to the Secre-
12 tary prior to the receipt and acceptance of an insurance bene-
13 fit for the second month following the month in which such
14 event occurred, shall suffer an additional deduction equal to
15 that imposed under subsection ~~(b)~~, ~~(e)~~, or ~~(m)~~; (b) or (c),
16 except that the first additional deduction imposed by this sub-
17 section in the case of any individual shall not exceed an
18 amount equal to one month’s benefit even though the failure
19 to report is with respect to more than one month.”

20 (f) (1) The heading of section 203 (g) of such Act
21 is amended to read “Report of Earnings to Secretary”.

22 (2) The first sentence of paragraph (1) of section 203
23 (g) of such Act is amended to read as follows: “If an indi-
24 vidual is entitled to any monthly insurance benefit under
25 section 202 during any taxable year in which he has earnings

1 or wages, as computed pursuant to paragraph (4) of subsec-
2 tion (e), in excess of the product of ~~one-twelfth~~ of \$1,000
3 \$100 times the number of months in such year; such indi-
4 vidual (or the individual who is in receipt of such benefit on
5 his behalf) shall make a report to the Secretary of his earn-
6 ings (or wages) for such taxable year.”

7 (3) *The third sentence of paragraph (1) of such sec-*
8 *tion 203 (g) is amended by striking out “seventy-five” and*
9 *inserting in lieu thereof “seventy-two”.*

10 ~~(3)~~ (4) Paragraph (2) of such section 203 (g) is
11 amended to read as follows:

12 “(2) If an individual fails to make a report required
13 under paragraph (1), within the time prescribed therein,
14 for any taxable year and any deduction is imposed under
15 subsection (b) (1) by reason of his earnings for such year,
16 he shall suffer additional deductions as follows:

17 “(A) if such failure is the first one with respect to
18 which an additional deduction is imposed under this
19 paragraph, such additional deduction shall be equal to
20 his benefit or benefits for the last month of such year
21 for which he was entitled to a benefit under section 202;

22 “(B) if such failure is the second one for which an
23 additional deduction is imposed under this paragraph,
24 such additional deduction shall be equal to two times his

1 benefit or benefits for the last month of such year for
2 which he was entitled to a benefit under section 202;

3 “(C) if such failure is the third or a subsequent one
4 for which an additional deduction is imposed under this
5 paragraph, such additional deduction shall be equal to
6 three times his benefit or benefits for the last month
7 of such year for which he was entitled to a benefit
8 under section 202;

9 except that the number of the additional deductions required
10 by this paragraph with respect to a failure to report earnings
11 for a taxable year shall not exceed the number of months in
12 such year for which such individual received and accepted
13 insurance benefits under section 202 and for which deduc-
14 tions are imposed under subsection (b) (1) by reason of
15 his earnings. In determining whether a failure to report
16 earnings is the first or a subsequent failure for any individual,
17 all taxable years ending prior to the imposition of the first
18 additional deduction under this paragraph, other than the
19 latest one of such years, shall be disregarded.”

20 ~~(4)~~ (5) Paragraph (3) of such section 203 (g) is
21 amended by striking out “subsection (b) (2)” each time it
22 appears and inserting in lieu thereof “subsection (b) (1)”;
23 by striking out “net earnings from self-employment” each
24 time it appears and inserting in lieu thereof “earnings”; by

1 striking out "such net earnings" and inserting in lieu thereof
2 "such earnings"; and by adding at the end of such paragraph
3 the following new sentence: "If, after the close of a taxable
4 year of an individual entitled to benefits under section 202 for
5 such year, the Secretary requests such individual to furnish
6 a report of his earnings (as computed pursuant to paragraph
7 (4) of subsection (e)) for such taxable year or any other
8 information with respect to such earnings which the Secre-
9 tary may specify, and the individual fails to comply with such
10 request, such failure shall in itself constitute justification for
11 a determination that such individual's benefits are subject to
12 deductions under subsection (b) (1) for each month in such
13 taxable year (or only for such months thereof as the Secre-
14 tary may specify) by reason of his earnings for such year."

15 *(6) The heading of section 203 (j) of such Act is*
16 *amended by striking out "Seventy-five" and inserting in lieu*
17 *thereof "Seventy-two" and such section is amended by striking*
18 *out "seventy-five" and inserting in lieu thereof "seventy-two".*

19 (g) Section 203 of such Act is amended by adding at the
20 end thereof the following new subsection:

21 "Noncovered Remunerative Activity Outside the United
22 States

23 "(k) An individual shall be considered to be engaged in
24 noncovered remunerative activity outside the United States
25 if he performs services outside the United States as an em-

1 ployee and such services do not constitute employment as
2 defined in section 210, or if he carries on a trade or business
3 outside the United States (other than the performance of
4 service as an employee) the net income or loss of which (1)
5 is not includible in computing his net earnings from self-em-
6 ployment for a taxable year and (2) would not be excluded
7 from net earnings from self-employment, if carried on in the
8 United States, by any of the numbered paragraphs of section
9 211 (a). When used in the preceding sentence with respect
10 to a trade or business (other than the performance of service
11 as an employee), the term 'United States' does not include
12 Puerto Rico or the Virgin Islands in the case of an alien who
13 is not a resident of the United States (including Puerto Rico
14 and the Virgin Islands); and the term 'trade or business'
15 shall have the same meaning as when used in section ~~23~~
16 *162* of the Internal Revenue Code of 1954."

17 (h) Section 203 of such Act is further amended by add-
18 ing after subsection (k) (added by subsection (g) of this
19 section) the following new subsection:

20 "Good Cause for Failure To Make Reports Required

21 "(1) The failure of an individual to make any report
22 required by subsection (f) or (g) within the time pre-
23 scribed therein shall not be regarded as such a failure if it
24 is shown to the satisfaction of the Secretary that he had good
25 cause for failing to make such report within such time.

1 The determination of what constitutes good cause for pur-
2 poses of this subsection shall be made in accordance with
3 regulations of the Secretary.”

4 ~~(i) (1)~~ Section 203 of such Act is further amended by
5 adding after subsection ~~(1)~~ ~~(added by subsection (h) of this~~
6 ~~section)~~ the following new subsection:

7 “Deductions From Benefits of Dependents’ and Survivors’
8 Residing Abroad

9 ~~“(m) (1)~~ Deductions shall be made from any benefits
10 to which a dependent or survivor is entitled under subsection
11 ~~(b), (c), (d), (e), (f), (g), or (h)~~ of section 202 on the
12 basis of the wages and self-employment income of an insured
13 individual until the total of such deductions equals such
14 dependent’s or survivor’s benefit or benefits under such sub-
15 section for any month during no part of which he is a resident
16 of the United States unless—

17 ~~“(A)~~ such dependent or survivor resided in the
18 United States for three years during the five years im-
19 mediately preceding the first month for which he was
20 eligible for such benefits or any other monthly benefits
21 under such section 202 based on the wages and self-
22 employment income of such insured individual; or

23 ~~“(B)~~ such insured individual would be a currently
24 insured individual at the time he became eligible for
25 or entitled to old-age insurance benefits or primary

1 insurance benefits or, if he died without becoming so
2 eligible or entitled, at the time of his death, even if
3 no wages were counted for such purpose except his
4 wages (if any) for service referred to in clause (B)
5 of so much of section 210 (a) as precedes paragraph
6 (1) and his wages (if any) deemed paid pursuant to
7 subsection (a) or (c) of section 217; or

8 “(C) in the case of a child entitled to child’s insur-
9 ance benefits, such child first became eligible for such
10 benefits (on the basis of the wages and self-employment
11 income of such insured individual) prior to the month
12 in which he attained the age of three and such child
13 was born in the United States.

14 “(2) For purposes of paragraph (1)—

15 “(A) an individual shall be deemed eligible for
16 benefits under any subsection of section 202 for any
17 month if he was, or would have been upon filing appli-
18 cation therefor in such month, entitled to such benefits
19 for such month;

20 “(B) a dependent is a wife, husband, or child of an
21 individual entitled to old-age insurance benefits; and

22 “(C) a survivor is a widow, widower, child, former
23 wife divorced, or parent (of a deceased individual) en-
24 titled to monthly benefits under subsection (d), (e),
25 (f), (g), or (h) of section 202.”

1 ~~(2)~~ The first sentence of section 203 ~~(d)~~ of such Act
2 is amended by striking out "~~(b)~~ and ~~(c)~~" and inserting in
3 lieu thereof "~~(b)~~, ~~(c)~~, and ~~(m)~~".

4 ~~(3)~~ Section 214 ~~(b)~~ of such Act is amended by strik-
5 ing out "or" before clause ~~(3)~~ and by inserting immediately
6 before the period at the end thereof: "; or ~~(4)~~ for pur-
7 poses of section 203 ~~(m)~~ only, the first quarter in which he
8 was, or would have been upon filing application therefor
9 in such quarter, entitled to old-age insurance benefits or
10 primary insurance benefits".

11 ~~(4)~~ Subsections ~~(a)~~ ~~(1)~~ and ~~(c)~~ ~~(1)~~ of section 217
12 of such Act are each amended by adding at the end thereof
13 the following new sentence: "The provisions of clause ~~(B)~~
14 shall also not apply for purposes of section 203 ~~(m)~~ ~~(1)~~
15 ~~(B)~~."

16 ~~(5)~~ The amendments made by this subsection shall be
17 applicable in the case of any individual who ~~(A)~~ is en-
18 titled to benefits under any subsection of section 202 of the
19 Social Security Act ~~(other than subsection (a) thereof)~~,
20 on the basis of the wages and self-employment income of an
21 insured individual, after the month in which this Act is
22 enacted, and ~~(B)~~ was not, and would not have been upon
23 filing application therefor in such month, entitled ~~(without~~
24 the application of subsection ~~(j)~~ ~~(1)~~ of such section 202)
25 to benefits under the same or any other subsection of such

1 section 202 on the basis of such insured individual's wages
2 and self-employment income for the month in which this
3 Act is enacted or any prior month.

4 ~~(j)~~ (i) (1) The amendments made by subsection (f)
5 and by paragraph (1) of subsection (a) of this section shall
6 be applicable in the case of monthly benefits under title II of
7 the Social Security Act for months in any taxable year (of
8 the individual entitled to such benefits) beginning after
9 December 1954. The amendments made by paragraph (1)
10 of subsection (b) of this section shall be applicable in the
11 case of monthly benefits under such title II for months in
12 any taxable year (of the individual on the basis of whose
13 wages and self-employment income such benefits are pay-
14 able) beginning after December 1954. The amendments
15 made by subsections (e) and (g), and by paragraph (2)
16 of subsection (a) and paragraph (2) of subsection (b),
17 shall be applicable in the case of monthly benefits under such
18 title II for months after December 1954. The remaining
19 amendments made by this section (other than subsection
20 (h) and ~~(i)~~) shall be applicable, insofar as they are re-
21 lated to the monthly benefits of an individual which are
22 based on his wages and self-employment income, in the case
23 of monthly benefits under such title II for months in any
24 taxable year (of such individual) beginning after December
25 1954 and, insofar as they are related to the monthly benefits

1 of an individual which are based on the wages and self-
2 employment income of someone else, in the case of monthly
3 benefits under such title II for months in any taxable year
4 (of the individual on whose wages and self-employment in-
5 come such benefits are based) beginning after December
6 1954.

7 (2) No deduction shall be imposed on or after the date
8 of the enactment of this Act under subsection (f) or (g) of
9 section 203 of the Social Security Act, as in effect prior to
10 such date, on account of failure to file a report of an event
11 described in subsection (b) (1), (b) (2), or (c) (1) of
12 such section (as in effect prior to such date); and no such
13 deduction imposed prior to such date shall be collected after
14 such date. In determining whether, under section 203 (g)
15 (2) of the Social Security Act, as amended by this Act, a
16 failure to file a report is a first or subsequent failure, any
17 failure with respect to a taxable year which began prior to
18 January 1955 shall be disregarded.

19 (3) *Subsections (b) (1), (b) (2), (c), (e), and (j)*
20 *of section 203 of the Social Security Act as in effect prior*
21 *to the enactment of this Act, to the extent they are in effect*
22 *with respect to months after 1954, are each amended by strik-*
23 *ing out "seventy-five" and inserting in lieu thereof "seventy-*
24 *two", but only with respect to such months after 1954.*

1 1954, (i) \$4,200, minus (ii) the amount of the
2 wages paid to such individual during the taxable
3 year; or”.

4 (c) Clauses (ii) and (iii) of section 213 (a) (2) (B)
5 of such Act are amended to read as follows—

6 “(ii) if the wages paid to any individual
7 in any calendar year equal \$3,600 in the case
8 of a calendar year after 1950 and before 1955,
9 or \$4,200 in the case of a calendar year after
10 1954, each quarter of such year shall (subject
11 to clause (i)) be a quarter of coverage.

12 “(iii) if an individual has self-employment
13 income for a taxable year, and if the sum of
14 such income and the wages paid to him during
15 such year equals \$3,600 in the case of a taxable
16 year beginning after 1950 and ending before
17 1955, or \$4,200 in the case of a taxable year
18 ending after 1954, each quarter any part of
19 which falls in such year shall (subject to clause
20 (i)) be a quarter of coverage;”.

21 (d) Paragraph (1) of section 215 (e) of such Act is
22 amended to read as follows:

23 “(1) in computing an individual’s average monthly
24 wage there shall not be counted the excess over \$3,600
25 in the case of any calendar year after 1950 and before

1 1955, and the excess over \$4,200 in the case of any
2 calendar year after 1954, of (A) the wages paid to
3 him in such year, plus (B) the self-employment income
4 credited to such year (as determined under section
5 212) ; and”.

6 RETROACTIVE APPLICATIONS FOR BENEFITS

7 SEC. 105. (a) Section 202 (j) (1) of the Social Se-
8 curity Act is amended by striking out “sixth” and inserting
9 in lieu thereof “twelfth”.

10 (b) The amendment made by subsection (a) shall be
11 applicable only in the case of applications for monthly bene-
12 fits under section 202 of the Social Security Act filed after
13 the month following the month in which this Act is enacted
14 August 1954; except that no individual shall, by reason of
15 such amendment, be entitled to any benefit for any month
16 prior to the fifth month before the month in which this Act
17 is enacted February 1954.

18 PRESERVATION OF INSURANCE RIGHTS OF INDIVIDUALS

19 WITH EXTENDED TOTAL DISABILITY

20 SEC. 106. (a) (1) Section 213 (a) (2) (A) of the
21 Social Security Act is amended to read as follows:

22 “(A) The term ‘quarter of coverage’ means, in the case
23 of any quarter occurring prior to 1951, a quarter in which
24 the individual has been paid \$50 or more in wages, except

1 that no quarter any part of which was included in a period
2 of disability (as defined in section 216 (i)), other than the
3 initial quarter of such period, shall be a quarter of coverage.
4 In the case of any individual who has been paid, in a cal-
5 endar year prior to 1951, \$3,000 or more in wages, each
6 quarter of such year following his first quarter of coverage
7 shall be deemed a quarter of coverage, excepting any quarter
8 in such year in which such individual died or became entitled
9 to a primary insurance benefit and any quarter succeeding
10 such quarter in which he died or became so entitled, and
11 excepting any quarter any part of which was included in a
12 period of disability, other than the initial quarter of such
13 period.”

14 (2) Section 213 (a) (2) (B) (i) of such Act is
15 amended to read as follows:

16 “(i) no quarter after the quarter in which such
17 individual died shall be a quarter of coverage, and no
18 quarter any part of which was included in a period of
19 disability (other than the initial quarter and the last
20 quarter of such period) shall be a quarter of coverage;”.

21 (b) (1) Section 214 (a) (2) of the Social Security
22 Act is amended by striking out subparagraph (B) and in-
23 serting in lieu thereof the following:

24 “(B) forty quarters of coverage,

1 not counting as an elapsed quarter for purposes of subpara-
2 graph (A) any quarter any part of which was included in a
3 period of disability (as defined in section 216 (i)) unless
4 such quarter was a quarter of coverage.”

5 (2) Section 214 (b) of such Act is amended by striking
6 out the period and inserting in lieu thereof: “, not counting
7 as part of such thirteen-quarter period any quarter any part
8 of which was included in a period of disability unless such
9 quarter was a quarter of coverage.”

10 (c) (1) Section 215 (b) (1) of the Social Security
11 Act (as amended by section 102 (b) (1) of this Act) is
12 amended by inserting after “~~quarter~~ *quarters* of coverage”
13 the following: “and any month in any quarter any part of
14 which was included in a period of disability (as defined in
15 section 216 (i)) unless such quarter was a quarter of
16 coverage”.

17 (2) Section 215 (d) of such Act is amended by adding
18 at the end thereof the following new paragraph:

19 “(5) In the case of any individual to whom paragraph
20 (1), (2), or (4) of this subsection is applicable, his primary
21 insurance benefit shall be computed as provided therein ex-
22 cept that, for purposes of paragraphs (1) and (2) and sub-
23 paragraph (C) of paragraph (4), any quarter prior to 1951
24 any part of which was included in a period of disability shall

1 be excluded from the elapsed quarters unless it was a quarter
2 of coverage, and any wages paid in any such quarter shall
3 not be counted.”

4 (3) Section 215 (e) of such Act (as amended by
5 section 102 (e) (1) of this Act) is amended by adding
6 after paragraph (3) the following new paragraph:

7 “(4) in computing an individual’s average monthly
8 wage, there shall not be taken into account (A) any
9 wages paid such individual in any quarter any part of
10 which was included in a period of disability unless such
11 quarter was a quarter of coverage, or (B) any self-
12 employment income of such individual for any taxable
13 year all of which was included in a period of disability.”

14 (d) Section 216 of the Social Security Act is amended
15 by adding after subsection (h) the following new subsection:

16 “Disability; Period of Disability

17 “(i) (1) The term ‘disability’ means (A) inability
18 to engage in any substantial gainful activity by reason of
19 any medically determinable physical or mental impairment
20 which can be expected to result in death or to be of long-
21 continued and indefinite duration, or (B) blindness; and the
22 term ‘blindness’ means central visual acuity of 5/200 or
23 less in the better eye with the use of a correcting lens. An
24 eye in which the visual field is reduced to five degrees or less
25 concentric contraction shall be considered for the purpose of

1 this paragraph as having a central visual acuity of 5/200
2 or less. An individual shall not be considered to be under a
3 disability unless he furnishes such proof of the existence
4 thereof as may be required. Nothing in this title shall be
5 construed as authorizing the Secretary or any other officer or
6 employee of the United States to interfere in any way with
7 the practice of medicine or with relationships between prac-
8 titioners of medicine and their patients, or to exercise any
9 supervision or control over the administration or operation
10 of any hospital.

11 “(2) The term ‘period of disability’ means a continuous
12 period of not less than six full calendar months (beginning
13 and ending as hereinafter provided in this subsection) during
14 which an individual was under a disability (as defined in
15 paragraph (1)). No such period shall begin as to any
16 individual unless such individual, while under a disability,
17 files an application for a disability determination with re-
18 spect to such period; and no such period shall begin as to
19 any individual after such individual attains retirement age.
20 Except as provided in paragraph (4), a period of disability
21 shall begin—

22 “(A) if the individual satisfies the requirements of
23 paragraph (3) on such day,

24 “(i) on the day the disability began, or

25 “(ii) on the first day of the one-year period

1 which ends with the day before the day on which
2 the individual files such application,
3 whichever occurs later;

4 “(B) if such individual does not satisfy the require-
5 ments of paragraph (3) on the day referred to in sub-
6 paragraph (A), then on the first day of the first quarter
7 thereafter in which he satisfies such requirements.

8 A period of disability shall end with the close of the last
9 day of the first month in which either the disability ceases
10 or the individual attains retirement age. No application for
11 a disability determination which is filed more than three
12 months before the first day on which a period of disability
13 can begin (as determined under this paragraph) shall be
14 accepted as an application for purposes of this paragraph,
15 and no such application which is filed prior to January 1,
16 1955, shall be accepted.

17 “(3) The requirements referred to in clauses (A) and
18 (B) of paragraphs (2) and (4) are satisfied by an in-
19 dividual with respect to any quarter only if he had not less
20 than—

21 “(A) six quarters of coverage (as defined in sec-
22 tion 213 (a) (2)) during the thirteen-quarter period
23 which ends with such quarter; and

24 “(B) twenty quarters of coverage during the forty-
25 quarter period which ends with such quarter,

1 not counting as part of the thirteen-quarter period specified
2 in clause (A), or the forty-quarter period specified in clause
3 (B), any quarter any part of which was included in a prior
4 period of disability unless such quarter was a quarter of
5 coverage.

6 “(4) If an individual files an application for a disability
7 determination after December 1954, and before July 1957,
8 with respect to a disability which began before July 1956,
9 and continued without interruption until such application
10 was filed, then the beginning day for the period of disability,
11 if such individual does not die prior to July 1, 1955, shall
12 be—

13 “(A) the day such disability began, but only if he
14 satisfies the requirements of paragraph (3) on such
15 day;

16 “(B) if he does not satisfy such requirements on
17 such day, the first day of the first quarter thereafter in
18 which he satisfies such requirements.”

19 (e) (1) The first sentence of section 217 (a) (1) of
20 the Social Security Act is amended by inserting “and for
21 purposes of section 216 (i) (3),” after “World War II
22 veteran,”.

23 (2) The first sentence of section 217 (e) (1) of such
24 Act is amended by inserting “and for purposes of section 216
25 (i) (3),” after “veteran (as defined in paragraph (4)),”.

1 "DISABILITY DETERMINATIONS

2 "SEC. 221. (a) In the case of any individual, the deter-
3 mination of whether or not he is under a disability (as
4 defined in section 216 (i)) and of the day such disability
5 began, and the determination of the day on which such
6 disability ceases, shall, except as provided in subsection (g),
7 be made by a State agency pursuant to an agreement entered
8 into under subsection (b). Except as provided in subsections
9 (c) and (d), any such determination shall be the determi-
10 nation of the Secretary for purposes of this title.

11 "(b) The Secretary shall enter into an agreement with
12 each State which is willing to make such an agreement
13 under which the State agency or agencies administering
14 the State plan approved under the Vocational Rehabilita-
15 tion Act, or any other appropriate State agency or agen-
16 cies, or both, will make the determinations referred to in
17 subsection (a) with respect to all individuals in such State,
18 or with respect to such class or classes of individuals in
19 the State as may be designated in the agreement at the
20 State's request.

21 "(c) The Secretary may on his own motion review a
22 determination, made by a State agency pursuant to an
23 agreement under this section, that an individual is under
24 a disability and, as a result of such review, may determine

1 that such individual is not under a disability or that such
2 disability began on a day later than that determined by
3 such agency, or that such disability ceased on a day earlier
4 than that determined by such agency.

5 “(d) Any individual dissatisfied with any deter-
6 mination under subsection (a), (c), or (g) shall be
7 entitled to a hearing thereon by the Secretary to the same
8 extent as is provided in section 205 (b) with respect to
9 decisions of the Secretary, and to judicial review of the
10 Secretary’s final decision after such hearing as is provided
11 in section 205 (g).

12 “(c) Each State which has an agreement with the Sec-
13 retary under this section shall be entitled to receive from
14 the Trust Fund, in advance or by way of reimbursement, as
15 may be mutually agreed upon, the cost to the State of carry-
16 ing out the agreement under this section. The Secretary
17 shall from time to time certify such amount as is necessary
18 for this purpose to the Managing Trustee, reduced or
19 increased, as the case may be, by any sum (for which ad-
20 justment hereunder has not previously been made) by which
21 the amount certified for any prior period was greater or
22 less than the amount which should have been paid to the
23 State under this subsection for such period; and the Man-
24 aging Trustee, prior to audit or settlement by the General
25 Accounting Office, shall make payment from the Trust

1 Fund at the time or times fixed by the Secretary, in
2 accordance with such certification.

3 “(f) All money paid to a State under this section shall
4 be used solely for the purposes for which it is paid; and any
5 money so paid which is not used for such purposes shall
6 be returned to the Treasury of the United States for deposit
7 in the Trust Fund.

8 “(g) In the case of individuals in a State which has no
9 agreement under subsection (b), in the case of individuals
10 outside the United States, and in the case of any class or
11 classes of individuals not included in an agreement under
12 subsection (b), the determinations referred to in subsection
13 (a) shall be made by the Secretary in accordance with regu-
14 lations prescribed by him.

15 “REFERRAL FOR REHABILITATION SERVICES

16 “SEC. 222. It is hereby declared to be the policy of the
17 Congress in enacting the preceding section that disabled indi-
18 viduals applying for a determination of disability shall be
19 promptly referred to the State agency or agencies administer-
20 ing or supervising the administration of the State plan ap-
21 proved under the Vocational Rehabilitation Act for neces-
22 sary vocational rehabilitation services, to the end that the
23 maximum number of disabled individuals may be restored to
24 productive activity.”

25 (h) Notwithstanding the provisions of section 215 (f)

1 (1) of the Social Security Act, the amendments made by
2 subsections (a), (b), (c), (d), (e), and (f) of this section
3 shall apply with respect to monthly benefits under title II of
4 the Social Security Act for months after June 1955; and with
5 respect to lump-sum death payments under such title in the
6 case of deaths occurring after June 1955; but no recomputa-
7 tion of benefits by reason of such amendments shall be re-
8 garded as a recomputation for purposes of section 215 (f)
9 of the Social Security Act.

10 ~~DELETION OF EARNINGS DURING UNLAWFUL RESIDENCE~~
11 ~~IN THE UNITED STATES~~

12 ~~SEC. 107. (a) Section 205 of the Social Security Act~~
13 ~~is amended by redesignating subsection (n) as subsection~~
14 ~~(m) and inserting after such subsection the following new~~
15 ~~subsection:~~

16 ~~"Earnings During Unlawful Residence Deleted From~~
17 ~~Record~~

18 ~~"(n) (1) Notwithstanding the provisions of subsection~~
19 ~~(e), wages for service performed by an individual during~~
20 ~~any period that he is unlawfully in the United States, and~~
21 ~~self-employment income derived by him during such period,~~
22 ~~shall be deleted from the Secretary's records for such in-~~
23 ~~dividual and shall not be counted for purposes of determining~~
24 ~~entitlement to or the amount of any benefits or lump-sum~~
25 ~~death payments under section 202.~~

1 “(2) Upon application for benefits or a lump-sum death
2 payment on the basis of the wages and self-employment in-
3 come of any individual the Secretary shall make a decision
4 without regard to paragraph (1) unless he has been notified
5 by the Attorney General that such individual was unlaw-
6 fully in the United States during any period of time. If the
7 Attorney General has made or makes a determination that
8 there was such a period, he shall notify the Secretary thereof,
9 and the Secretary shall certify no further benefits for pay-
10 ment or shall recompute the amount of any further benefits
11 payable on the basis of such individual's wages and self-
12 employment income, as may be required by paragraph (1).
13 Any payment certified by the Secretary on the basis of the
14 wages and self-employment income of such individual prior
15 to receipt of such notice shall not be deemed by reason of
16 this subsection to be an erroneous payment.”

17 (b) The amendment made by subsection (a) shall be
18 applicable in the case of monthly benefits under title II
19 of the Social Security Act for months after, and in the case
20 of lump-sum death payments with respect to deaths
21 occurring after, the month following the month in which this
22 Act is enacted.

23 TERMINATION OF BENEFITS UPON DEPORTATION

24 SEC. 108. (a) Section 202 of the Social Security Act is

1 wages and self-employment income. Any payment certified
2 by the Secretary on the basis of the wages and self-employ-
3 ment income of such individual, prior to receipt of such notice,
4 shall not be deemed by reason of this subsection to be an
5 erroneous payment."

6 (b) The amendment made by subsection (a) shall be
7 applicable in the case of monthly benefits under title II of the
8 Social Security Act for months after, and in the case of lump-
9 sum death payments with respect to deaths occurring after,
10 the month following the month in which this Act is enacted.

11 INSURED STATUS

12 SEC. 109 107. (a) Section 214 (a) of the Social
13 Security Act is amended by redesignating paragraph (3) as
14 paragraph (4) and inserting after paragraph (2) the follow-
15 ing new paragraph:

16 " (3) In the case of any individual who did not die prior
17 to January 1, 1955, the term 'fully insured individual' means
18 any individual who meets the requirements of paragraph (2)
19 and, in addition, any individual with respect to whom all
20 of the quarters elapsing after 1954 and prior to (i) July 1,
21 1956, or (ii) if later, the quarter in which he attained re-
22 tirement age or died, whichever first occurred, are quarters
23 of coverage, *but only if there are not fewer than six of such*
24 *quarters so elapsing.*"

25 (b) Subparagraph (B) of section 213 (a) (2) of such

1 Act is amended by inserting "~~(except wages for agricul-~~
2 ~~tural labor)~~" after "\$50 or more in wages" in that part of
3 such subparagraph which precedes clause ~~(i)~~, and by strik-
4 ing out clause ~~(iv)~~ and inserting in lieu thereof the
5 following:

6 "~~(iv)~~ if an individual is paid wages for agricultural
7 labor in a calendar year, then, subject to clause ~~(i)~~, ~~(a)~~
8 the last two quarters of such year which can be but are
9 not otherwise quarters of coverage shall be quarters of
10 coverage if such wages are less than \$300; ~~(b)~~ the last
11 three quarters of such year which can be but are not
12 otherwise quarters of coverage shall be quarters of cover-
13 age if such wages equal or exceed \$300 but are less than
14 \$400; and ~~(c)~~ each quarter of such year which is not
15 otherwise a quarter of coverage shall be a quarter of cov-
16 erage if such wages are \$400 or more; and

17 "~~(v)~~ no quarter shall be counted as a quarter of
18 coverage prior to the beginning of such quarter.

19 If, in the case of any individual who has attained retirement
20 age or died and who has been paid wages for agricultural
21 labor in a calendar year, the requirements for insured status
22 in subsection ~~(a)~~ or ~~(b)~~ of section 214, the requirements
23 for entitlement to a computation or recomputation of his
24 primary insurance amount, or the requirements of paragraph
25 ~~(3)~~ of section 216 ~~(i)~~ are not met after assignment of quar-

1 ters 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 as-
 5 signed, for purposes only of determining compliance with
 6 such requirements, to such different quarters."

7 BENEFITS IN CERTAIN CASES OF DEATHS BEFORE
 8 SEPTEMBER 1950

9 SEC. 110 108. (a) In the case of any individual—

10 (1) who died prior to September 1, 1950, and was
 11 not a fully insured individual (under title II of the Social
 12 Security Act), when he died, and

13 (2) who had not less than six quarters of coverage
 14 (as defined in such title),

15 such individual shall, except for purposes of determining en-
 16 titlement of a former wife divorced to benefits under section
 17 202 (g) of the Social Security Act, be deemed to have died a
 18 fully insured individual. Such individual's primary insurance
 19 amount shall be computed under subsection (a) (2) of sec-
 20 tion 215 of such Act, ~~except that, for Act.~~ For the purpose
 21 of such computation, the provisions of paragraph (4) of sub-
 22 section (d) of such section ~~(in lieu of the provisions of para-~~
 23 ~~graph (3) of such subsection)~~ section 215 (d) (3) of such
 24 Act shall apply if such individual died a currently insured

1 *individual (under title II of such Act) and any other person*
 2 *was entitled on the basis of his wages to monthly benefits or a*
 3 *lump-sum death payment under section 202 of such Act; in*
 4 *all other cases the provisions of section 215 (d) (4) shall be*
 5 *applicable, and except that his such individual's closing date*
 6 *shall be the first day of the quarter in which he died. In the*
 7 *case of any such individual, the requirement in subsection (h)*
 8 *of section 202 of such Act that proof of support be filed within*
 9 *two years of the date of his death shall not apply if such proof*
 10 *is filed within two years after the first month following the*
 11 *month in which this Act is enacted before September 1956.*

12 (b) The provisions of subsection (a) shall be applicable
 13 only in the case of monthly benefits under section 202 of
 14 the Social Security Act for months after the first month
 15 following the month in which this Act is enacted August
 16 1954, on the basis of applications filed after such month
 17 in which this Act is enacted.

18 ELIMINATION OF REQUIREMENT OF FILING APPLICATION
 19 IN CERTAIN CASES

20 SEC. 109. (a) Section 202 (e) (1) (C) of the
 21 Social Security Act is amended to read as follows:

22 “(C) (i) has filed application for widow’s insur-
 23 ance benefits or was entitled, after attainment of re-
 24 tirement age, to wife’s insurance benefits, on the basis
 25 of the wages and self-employment income of such indi-

1 by inserting “, or as to the amount of net earnings from
2 self-employment derived or the period during which derived,
3 *derived*” after “as to the amount of any wages paid or
4 received or the period during which earned or paid”.

5 REPEAL OF REQUIREMENT OF CERTAIN DEDUCTIONS

6 SEC. ~~113~~ 111. (a) No deductions shall be made pur-
7 suant to subsection (i) of section 203 of the Social Security
8 Act from any benefits for any month after the month in
9 ~~which this Act is enacted~~ *August 1954*; and, effective with
10 the beginning of the month following the month in which
11 this Act is enacted *September 1, 1954*, such subsection is
12 repealed.

13 (b) No deductions shall be made pursuant to section
14 907 of the Social Security Act Amendments of 1939 (53
15 Stat. 1360, 1402), with respect to wages for services per-
16 formed in 1939, from any benefits for any month after the
17 ~~month in which this Act is enacted~~ *August 1954*; and, effec-
18 tive ~~with the beginning of the month following the month in~~
19 ~~which this Act is enacted~~ *September 1, 1954*, such section is
20 amended by striking out “1 per centum of any wages paid
21 him for services performed in 1939, and subsequent to his
22 attaining age sixty-five, and”.

1 PROOF OF SUPPORT BY HUSBAND OR WIDOWER IN CERTAIN
2 CASES

3 SEC. ~~114~~ 112. (a) For the purpose of determining the
4 entitlement of any individual to husband's insurance benefits
5 under subsection (c) of section 202 of the Social Security
6 Act on the basis of his wife's wages and self-employment
7 income, the requirements of paragraph (1) (D) of such
8 subsection shall be deemed to be met if—

9 (1) such individual was receiving at least one-half
10 of his support, as determined in accordance with regula-
11 tions prescribed by the Secretary of Health, Education,
12 and Welfare, from his wife on the first day of the first
13 month (A) for which she was entitled to a monthly
14 benefit under subsection (a) of such section 202, and
15 (B) in which an event described in paragraph (1) or
16 (2) of section 203 (b) of such Act (as in effect before
17 or after the enactment of this Act) did not occur,

18 (2) such individual has filed proof of such support
19 within two years after such first month, and

20 (3) such wife was, without the application of sub-
21 section (j) (1) of such section 202, entitled to a pri-
22 mary insurance benefit under such Act for August 1950.

23 (b) For the purpose of determining the entitlement of

1 any individual to widower's insurance benefits under sub-
2 section (f) of section 202 of the Social Security Act on
3 the basis of his deceased wife's wages and self-employment
4 income, the requirements of paragraph (1) (E) (ii) of
5 such subsection shall be deemed to be met if—

6 (1) such individual was receiving at least one-half
7 of his support, as determined in accordance with regula-
8 tions prescribed by the Secretary of Health, Education,
9 and Welfare, from his wife, and she was a currently
10 insured individual, on the first day of the first month
11 (A) for which she was entitled to a monthly benefit
12 under subsection (a) of such section 202, and (B) in
13 which an event described in paragraph (1) or (2) of
14 section 203 (b) of such Act (as in effect before or after
15 the enactment of this Act) did not occur,

16 (2) such individual has filed proof of such support
17 within two years after such first month, and

18 (3) such wife was, without the application of
19 subsection (j) (1) of such section 202, entitled to a
20 primary insurance benefit under such Act for August
21 1950.

22 (c) For purposes of subsection (b) (1) of this Act
23 section, and for purposes of section 202 (c) (1) of the Social
24 Security Act in cases to which subsection (a) of this section
25 is applicable, the wife of an individual shall be deemed a

1 currently insured individual if she had not less than six
 2 quarters of coverage (as determined under section 213 of
 3 the Social Security Act) during the thirteen-quarter period
 4 ending with the calendar quarter in which occurs the first
 5 month (1) for which such wife was entitled to a monthly
 6 benefit under section 202 (a) of such Act, and (2) in
 7 which an event described in paragraph (1) or (2) of
 8 section 203 (b) of such Act (*as in effect before or after the*
 9 *enactment of this Act*) did not occur.

10 (d) This section shall apply only with respect to
 11 husband's insurance benefits under section 202 (c) of the
 12 Social Security Act, and widower's insurance benefits under
 13 section 202 (f) of such Act, for months after ~~the first month~~
 14 ~~following the month in which this Act is enacted~~ *August*
 15 *1954*, and only with respect to benefits based on applications
 16 filed after such ~~first~~ month.

17 DEFINITION

18 SEC. ~~113~~ 113. As used in the provisions of the Social
 19 Security Act amended by this title, the term "Secretary"
 20 means the Secretary of Health, Education, and Welfare.

21 COVERED EMPLOYMENT NOT COUNTED UNDER OTHER 22 FEDERAL RETIREMENT SYSTEMS

23 SEC. 114. *Notwithstanding any other provision of law,*
 24 *in determining eligibility for or the amount of any benefit*
 25 *(other than a benefit under title II of the Social Security Act*

1 *or the Railroad Retirement Act of 1937, as amended) under*
2 *any retirement system established by the United States or any*
3 *instrumentality thereof, there shall not be taken into account*
4 *any service which constitutes employment (as defined in sec-*
5 *tion 210 (a) of the Social Security Act) and is performed*
6 *after 1954 by individuals as officers or employees of the*
7 *United States or any instrumentality thereof.*

8 TITLE II—AMENDMENTS TO INTERNAL REVE-
9 NUE CODE CODES OF 1939 AND 1954

10 AMENDMENTS TO DEFINITIONS OF SELF-EMPLOYMENT

11 INCOME AND RELATED DEFINITIONS

12 SEC. 201. (a) ~~(1)~~ Paragraph ~~(1)~~ of section 481 ~~(a)~~
13 of the Internal Revenue Code is amended to read as follows:

14 “~~(1)~~ There shall be excluded rentals from real
15 estate and from personal property leased with the real
16 estate ~~(including such rentals paid in crop shares)~~
17 together with the deductions attributable thereto, unless
18 such rentals are received in the course of a trade or
19 business as a real estate dealer;”.

20 ~~(2)~~ Subsection ~~(a)~~ of section 481 of the Internal
21 Revenue Code is amended by striking out paragraph
22 ~~(2)~~ and redesignating paragraphs ~~(3)~~, ~~(4)~~, ~~(5)~~, ~~(6)~~,
23 and ~~(7)~~, and any references thereto contained in such
24 code, as paragraphs ~~(2)~~, ~~(3)~~, ~~(4)~~, ~~(5)~~, and ~~(6)~~, respec-
25 tively, and by adding at the end of such subsection the

1 following new sentence: "In the case of any trade or busi-
2 ness which is carried on by an individual who reports his
3 income on a cash receipts and disbursements basis, and in
4 which, if it were carried on exclusively by employees, the
5 major portion of the services would constitute agricultural
6 labor as defined in section 1426 (h), (i) if the gross income
7 derived from such trade or business by such individual is
8 not more than \$1,800, the net earnings from self-employ-
9 ment derived by him therefrom may, at his option, be
10 deemed to be 50 per centum of such gross income in lieu of
11 his net earnings from self-employment from such trade or
12 business computed as provided under the preceding pro-
13 visions of this subsection, or (ii) if the gross income
14 derived from such trade or business by such individual is
15 more than \$1,800 and the net earnings from self-employ-
16 ment derived by him therefrom, as computed under the
17 preceding provisions of this subsection, are less than \$900,
18 such net earnings may instead, at the option of such indi-
19 vidual, be deemed to be \$900. For the purpose of the
20 preceding sentence, gross income derived from such trade
21 or business shall mean the gross receipts from such trade or
22 business reduced by the cost or other basis of property which
23 was purchased and sold in carrying on such trade or business,
24 adjusted (after such reduction) in accordance with the pre-
25 ceeding provisions of this subsection."

1 ~~(b) (1)~~ Paragraph (1) of section ~~481 1402~~ (b) of
2 the Internal Revenue Code of 1954 is amended to read as
3 follows:

4 “(1) ~~That~~ *that* part of the net earnings from self-
5 employment which is in excess of—

6 “(A) ~~For~~ *for* any taxable year ending prior to
7 1955, (i) \$3,600, minus (ii) the amount of the
8 wages paid to such individual during the taxable
9 year; and

10 “(B) ~~For~~ *for* any taxable year ending after
11 1954, (i) \$4,200, minus (ii) the amount of the
12 wages paid to such individual during the taxable
13 year; or”.

14 ~~(2) (b)~~ Section ~~481 1402~~ (b) of the Internal Revenue
15 Code of 1954 is amended by inserting after “employees)”
16 the following: “, or under an agreement entered into pursu-
17 ant to the provisions of section ~~1426 (m) 3121 (l)~~ (relating
18 to coverage of citizens of the United States who are em-
19 ployees of foreign subsidiaries of domestic corporations),”.

20 ~~(c)~~ Section ~~481 (c)~~ of the Internal Revenue Code
21 is amended by striking out paragraphs ~~(4) and (5)~~, by
22 inserting “or” at the end of paragraph ~~(3)~~, and by adding
23 after paragraph ~~(3)~~ the following new paragraph:

24 ~~“(4)~~ The performance of service by an individual

1 ~~in the exercise of his profession as a physician, or the~~
 2 ~~performance of such service by a partnership."~~

3 (c) (1) Section 1402 (c) (2) of the Internal Revenue
 4 Code of 1954 is amended by inserting after "18" the
 5 following: "and other than service described in paragraph
 6 (4) of this subsection".

7 (2) Section 1402 (c) of the Internal Revenue Code
 8 of 1954 is amended by adding at the end thereof
 9 the following new sentence: "The provisions of para-
 10 graph (4) shall not apply to service (other than service
 11 performed by a member of a religious order who has
 12 taken a vow of poverty as a member of such order) per-
 13 formed by an individual during the period for which a
 14 certificate filed by such individual under subsection (e)
 15 is in effect."

16 (3) Section 1402 of the Internal Revenue Code of 1954
 17 is amended by adding at the end thereof the following new
 18 subsection:

19 "**(e) MINISTERS AND MEMBERS OF RELIGIOUS**
 20 **ORDERS.—**

21 "(1) **WAIVER CERTIFICATE.**—Any individual who
 22 is a duly ordained, commissioned, or licensed min-
 23 ister of a church or a member of a religious order
 24 (other than a member of a religious order who has

1 *taken a vow of poverty as a member of such order) may*
2 *file a certificate (in such form and manner, and with*
3 *such official, as may be prescribed by regulations made*
4 *under this chapter) certifying that he elects to have the*
5 *insurance system established by title II of the Social*
6 *Security Act extended to service, described in subsection*
7 *(c) (4), performed by him.*

8 “(2) *TIME FOR FILING CERTIFICATE.*—*Any indi-*
9 *vidual who desires to file a certificate pursuant to para-*
10 *graph (1) must file such certificate on or before the due*
11 *date of the return (including any extension thereof) for*
12 *his second taxable year ending after 1954 for which he*
13 *has net earnings from self-employment (computed with-*
14 *out regard to paragraph (4) of subsection (c)) of*
15 *\$400 or more, any part of which was derived from his*
16 *performance of service described in such paragraph (4).*

17 “(3) *EFFECTIVE DATE OF CERTIFICATE.*—*A cer-*
18 *tificate filed pursuant to this subsection shall be effective*
19 *for the first taxable year with respect to which it is filed*
20 *(but in no case shall the certificate be effective for a tax-*
21 *able year with respect to which the period for filing a re-*
22 *turn has expired, or for a taxable year ending prior to*
23 *1955) and all succeeding taxable years. An election*
24 *made pursuant to this subsection shall be irrevocable.”*

25 (d) The amendments made by subsections (a), (b),

1 and (c) of this section shall be applicable only with respect
2 to taxable years ending after 1954.

3 REFUND OF CERTAIN TAXES DEDUCTED FROM WAGES

4 SEC. 202. (a) (1) The first sentence of section ~~1401~~
5 ~~(d)~~ ~~(3)~~ 6413 (c) (1) of the Internal Revenue Code of
6 1954 is amended to read as follows: "If by reason of an
7 employee receiving wages from more than one employer
8 during a calendar year after the calendar year 1950 and
9 prior to the calendar year 1955, the wages received by him
10 during such year exceed \$3,600, the employee shall be
11 entitled (*subject to the provisions of section 31 (b)*) to a
12 *credit or* refund of any amount of tax, with respect to such
13 wages, imposed by section 1400 of the Internal Revenue
14 Code of 1939 and deducted from the employee's wages
15 (whether or not paid to the Secretary or his delegate),
16 which exceeds the tax with respect to the first \$3,600 of
17 such wages received; or if by reason of an employee receiving
18 wages from more than one employer during any calendar
19 year after the calendar year 1954, the wages received by
20 him during such year exceed \$4,200, the employee shall be
21 entitled (*subject to the provisions of section 31 (b)*) to a
22 *credit or* refund of any amount of tax, with respect to such
23 wages, imposed by section ~~1400~~ 3101 and deducted from
24 the employee's wages (whether or not paid to the Secretary

1 or his delegate), which exceeds the tax with respect to the
2 first \$4,200 of such wages received.”

3 (2) Section 1401 (d) (3) of the Internal Revenue
4 Code of 1939 is amended by striking out the period at the
5 end of the second sentence and inserting in lieu thereof “or,
6 in the case of any agreement (or modification *thereof*) pur-
7 suant to section 218 of the Social Security Act which is effec-
8 tive as of a date more than two years prior to the date such
9 agreement (or modification) was agreed to, within a period
10 of two years after the end of the calendar year in which such
11 agreement (or modification) was agreed to by the State and
12 the Secretary of Health, Education, and Welfare.”

13 (b) (1) The heading of section ~~1401 (d) (4)~~ 6413
14 (c) (2) of the Internal Revenue Code of 1954 is amended
15 to read as follows: “~~SPECIAL RULES IN THE APPLICABILITY~~
16 ~~IN CASE OF FEDERAL AND STATE EMPLOYEES AND EM-~~
17 ~~PLOYEES OF CERTAIN FOREIGN CORPORATIONS.—~~”

18 (2) Section ~~1401 (d) (4) (A)~~ 6413 (c) (2) (A) of
19 the Internal Revenue Code of 1954 is amended by striking
20 out “\$3,600,” and inserting in lieu thereof “\$3,600 for the
21 calendar year 1951, 1952, 1953, or 1954, or \$4,200 for
22 any calendar year after 1954.”

23 (3) Section ~~1401 (d) (4)~~ 6413 (c) (2) of the Internal
24 Revenue Code of 1954 is amended by adding at the end
25 thereof the following new subparagraph:

1 “(C) Employees Of Certain Foreign Corpora-
2 tions.—For the purposes of paragraph ~~(3)~~ (1) of
3 this subsection, in the case of remuneration received
4 during any calendar year after the calendar year
5 1954, the term ‘wages’ includes such remuneration
6 for services covered by an agreement made
7 pursuant to section 1426 ~~(m)~~ of this subchapter
8 3121 (l) as would be wages if such services con-
9 stituted employment; the term ‘employer’ includes
10 any domestic corporation which has entered into an
11 agreement pursuant to section 1426 ~~(m)~~ 3121 (l);
12 the term ‘tax’ or ‘tax imposed by section 1400 3101’
13 includes, in the case of services covered by an
14 agreement entered into pursuant to section 1426
15 ~~(m)~~ 3121 (l), an amount equivalent to the tax
16 which would be imposed by section 1400 3101, if
17 such services constituted employment as defined in
18 section 1426 3121; and the provisions of paragraph
19 ~~(3)~~ (1) of this subsection shall apply whether or
20 not any amount deducted from the employee’s re-
21 muneration as a result of the agreement entered into
22 pursuant to section 1426 ~~(m)~~ 3121 (l) has been
23 paid to the Secretary or his delegate.”

24 (c) The second sentence of section 1420 ~~(e)~~ 3122 of
25 the Internal Revenue Code of 1954 is amended by inserting

1 "in the case of the calendar year 1951, 1952, 1953, or
2 1954, or the \$4,200 limitation in such section in the case of
3 any calendar year after 1954" after "the \$3600 limitation in
4 section 1426 (a) (1)" striking out "\$3,600" and inserting
5 in lieu thereof "\$4,200".

6 (d) The amendments made by subsections (a) (1),
7 (b) ~~(2)~~, and (c) shall be applicable only with respect to
8 remuneration paid after 1954. *The amendment made by*
9 *subsection (a) (2) shall be effective as if it had been enacted*
10 *as a part of section 203 (c) of the Social Security Act*
11 *Amendments of 1950 which added section 1401 (d) (3) to*
12 *the Internal Revenue Code of 1939.*

13 COLLECTION AND PAYMENT OF TAXES WITH RESPECT TO
14 COAST GUARD EXCHANGES

15 SEC. 203. ~~(a)~~ Section 1420 ~~(e)~~ of the Internal Rev-
16 enue Code is amended by adding at the end thereof the
17 following new sentence: "The provisions of this subsection
18 shall be applicable also in the case of service performed by a
19 civilian employee, not compensated from funds appropriated
20 by the Congress, in the Coast Guard Exchanges or other
21 activities, conducted by an instrumentality of the United
22 States subject to the jurisdiction of the Secretary, at installa-
23 tions of the Coast Guard for the comfort, pleasure, content-
24 ment, and mental and physical improvement of personnel of
25 the Coast Guard; and for purposes of this subsection the

1 Secretary shall be deemed to be the head of such instru-
2 mentality.”

3 ~~(b)~~ The amendment made by subsection ~~(a)~~ shall be-
4 come effective January 1, 1955.

5 AMENDMENTS TO DEFINITION OF WAGES

6 SEC. 204 203. (a) Paragraph (1) of section ~~1426~~ 3121
7 (a) of the Internal Revenue Code of 1954 is amended by
8 striking out “\$3,600” wherever it appears therein and in-
9 serting in lieu thereof “\$4,200”.

10 (b) (1) Subparagraph (B) of section ~~1426~~ 3121 (a)
11 (7) of the Internal Revenue Code of 1954 is amended to
12 read as follows:

13 “(B) ~~Cash~~ cash remuneration paid by an employer
14 in any calendar quarter to an employee for domestic
15 service in a private home of the employer, if the cash
16 remuneration paid in such quarter by the employer to
17 the employee for such service is less than \$50. As used
18 in this subparagraph, the term ‘domestic service in a
19 private home of the employer’ does not include service
20 described in subsection ~~(h)~~ (g) (5);”.

21 (2) Section ~~1426~~ 3121 (a) (7) of the Internal Reve-
22 nue Code of 1954 is amended by adding at the end thereof
23 the following new subparagraph:

24 “(C) ~~Cash~~ cash remuneration paid by an employer

1 in any calendar quarter to an employee for service not
 2 in the course of the employer's trade or business, if the
 3 cash remuneration paid in such quarter by the employer
 4 to the employee for such service is less than \$50. As
 5 used in this ~~subparagraph~~ *subparagraph*, the term 'serv-
 6 ice not in the course of the employer's trade or business'
 7 does not include domestic service in a private home of
 8 the employer and does not include service described in
 9 subsection ~~(h)~~ (g) (5) ;”.

10 (3) Section ~~1426~~ 3121 (a) (8) of the Internal Reve-
 11 nue Code of 1954 is amended by inserting “(A)” after
 12 “(8)” and by adding at the end thereof the following new
 13 subparagraph :

14 “(B) ~~Cash~~ *cash* remuneration paid by an employer
 15 in any calendar ~~year~~ *quarter* to an employee for agri-
 16 cultural labor, if the cash remuneration paid in such ~~year~~
 17 *quarter* by the employer to the employee for such labor
 18 is less than ~~\$200~~ \$50;”.

19 (c) The amendments made by subsections (a) and (b)
 20 shall be applicable only with respect to remuneration paid
 21 after 1954.

22 AMENDMENTS TO DEFINITION OF EMPLOYMENT

23 SEC. ~~205~~ 204. (a) Section ~~1426~~ 3121 (b) (1) of the
 24 Internal Revenue Code of 1954 is amended to read as
 25 follows:

1 ~~“(1) Service performed by foreign agricultural~~
 2 ~~workers under contracts entered into in accordance with~~
 3 ~~title V of the Agricultural Act of 1949, as amended;”~~

4 “(1) (A) service performed in connection with the
 5 production or harvesting of any commodity defined as an
 6 agricultural commodity in section 15 (g) of the Agri-
 7 cultural Marketing Act, as amended (46 Stat. 1550 § 3;
 8 12 U. S. C. 1141j);

9 “(B) service performed by foreign agricultural
 10 workers under contracts entered into in accordance with
 11 title V of the Agricultural Act of 1949, as amended (65
 12 Stat. 119; 7 U. S. C. 1461-1468);”.

13 (b) Section ~~1426 3121~~ (b) of the Internal Revenue
 14 Code of 1954 is amended by striking out paragraph (3)
 15 and redesignating paragraphs (4), (5), (6), (7), (8),
 16 (9), (10), (11), (12), (13), and (14), and any refer-
 17 ences thereto contained in such code, as paragraphs (3),
 18 (4), (5), (6), (7), (8), (9), (10), (11), (12), and
 19 (13), respectively.

20 (c) The paragraph of section ~~1426 3121~~ (b) of the
 21 Internal Revenue Code of 1954 herein redesignated as
 22 paragraph (4) is amended by striking out “if the individual
 23 is employed on and in connection with such vessel or
 24 aircraft when outside the United States” and inserting in lieu
 25 thereof: “if (A) the individual is employed on and in

1 connection with such vessel or aircraft when outside the
 2 United States and (B) (i) such individual is not a citizen of
 3 the United States or (ii) the employer is not an American
 4 employer”.

5 ~~(d) (1) Subparagraph (B) of the paragraph of sec-~~
 6 ~~tion 1426 (b) of the Internal Revenue Code herein redesig-~~
 7 ~~nated as paragraph (6) is amended—~~

8 (A) by inserting “by an individual” after “Serv-
 9 ice performed,” and by inserting “and if such service
 10 is covered by a retirement system established by such
 11 instrumentality;” after “December 31, 1950;”;

12 (B) by inserting “a Federal Home Loan Bank,”
 13 after “a Federal Reserve Bank,” in clause (ii); and

14 (C) by striking out “or” at the end of clause (iii),
 15 by adding “or” at the end of clause (iv), and by adding
 16 at the end of the subparagraph the following new clause:

17 “~~(v) service performed by a civilian employee,~~
 18 ~~not compensated from funds appropriated by the~~
 19 ~~Congress, in the Coast Guard Exchanges or other~~
 20 ~~activities, conducted by an instrumentality of the~~
 21 ~~United States subject to the jurisdiction of the Sec-~~
 22 ~~retary of the Treasury, at installations of the Coast~~
 23 ~~Guard for the comfort, pleasure, contentment, and~~
 24 ~~mental and physical improvement of personnel of~~
 25 ~~the Coast Guard;”.~~

1 ~~(2)~~ Subparagraph ~~(C)~~ of such paragraph is amended
2 to read as follows:

3 ~~“(C)~~ Service performed in the employ of the
4 United States or in the employ of any instrumentality of
5 the United States, if such service is performed—

6 ~~“(i)~~ as the President or Vice President of the
7 United States or as a Member, Delegate, or Resi-
8 dent Commissioner of or to the Congress;

9 ~~“(ii)~~ in the legislative branch;

10 ~~“(iii)~~ in a penal institution of the United States
11 by an inmate thereof;

12 ~~“(iv)~~ by any individual as an employee in-
13 cluded under section 2 of the Act of August 4, 1947
14 (relating to certain interns, student nurses, and
15 other student employees of hospitals of the Federal
16 Government; 5 U. S. C., sec. 1052);

17 ~~“(v)~~ by any individual as an employee serving
18 on a temporary basis in case of fire, storm, earth-
19 quake, flood, or other similar emergency; or

20 ~~“(vi)~~ by any individual to whom the Civil
21 Service Retirement Act of 1930 does not apply be-
22 cause such individual is subject to another retire-
23 ment system (other than the retirement system of
24 the Tennessee Valley Authority);”.

25 ~~(c)~~ The paragraph of section 1426 ~~(b)~~ of the Internal

1 Revenue Code herein redesignated as paragraph ~~(8)~~ is
2 amended to read as follows:

3 ~~“(8) (A) Service performed in the employ of a~~
4 ~~religious, charitable, educational, or other organization~~
5 ~~exempt from income tax under section 101 (6), other~~
6 ~~than service performed by a duly ordained, commis-~~
7 ~~sioned, or licensed minister of a church in the exercise of~~
8 ~~his ministry or by a member of a religious order in the~~
9 ~~exercise of duties required by such order; but this sub-~~
10 ~~paragraph shall not apply to service performed during~~
11 ~~the period for which a certificate, filed pursuant to sub-~~
12 ~~section (1) (1), is in effect, if such service is performed~~
13 ~~by an employee (i) whose signature appears on the list~~
14 ~~filed by such organization under such subsection, or (ii)~~
15 ~~who became an employee of such organization after the~~
16 ~~certificate was filed and after such period began;~~

17 ~~“(B) Service performed in the employ of a reli-~~
18 ~~gious, charitable, educational, or other organization ex-~~
19 ~~empt from income tax under section 101 (6), by a duly~~
20 ~~ordained, commissioned, or licensed minister of a church~~
21 ~~in the exercise of his ministry or by a member of a~~
22 ~~religious order in the exercise of duties required by such~~
23 ~~order; but this subparagraph shall not apply to service~~
24 ~~performed by a duly ordained, commissioned, or licensed~~
25 ~~minister of a church or a member of a religious order,~~

1 other than a member of a religious order who has taken
 2 a vow of poverty as a member of such order, during the
 3 period for which a certificate, filed pursuant to sub-
 4 section ~~(1)~~ ~~(2)~~, is in effect, if such service is performed
 5 by an employee ~~(i)~~ whose signature appears on the list
 6 filed by such organization under such subsection, or ~~(ii)~~
 7 who became an employee of such organization after the
 8 certificate was filed and after such period began;”

9 ~~(f)~~ ~~(d)~~ Section 1426 3121 (b) of the Internal Revenue
 10 Code of 1954 is further amended by striking out paragraph
 11 (15) and redesignating paragraphs (16) and (17), and
 12 any references thereto contained in such code, as paragraphs
 13 (14) and (15), respectively.

14 ~~(g)~~ ~~(e)~~ The amendments made by subsections ~~(e)~~, ~~(d)~~,
 15 ~~(e)~~, and ~~(f)~~ ~~(c)~~ and ~~(d)~~ shall be applicable only with re-
 16 spect to services performed after 1954. The amendments
 17 made by subsections (a) and (b) shall be applicable only
 18 with respect to services (whether performed after 1954 or
 19 prior to 1955) for which the remuneration is paid after
 20 1954.

21 *AMENDMENT RELATING TO COLLECTION OF EMPLOYEE*

22 *TAX*

23 *SEC. 205. Section 3102 (a) of the Internal Revenue*
 24 *Code of 1954 is amended by adding at the end thereof*
 25 *the following new sentence: “An employer who in any calen-*

1 *dar quarter pays to an employee cash remuneration to which*
 2 *paragraph (7) (B) or (C), (8) (B), or (10) of section*
 3 *3121 (a) is applicable may deduct an amount equivalent*
 4 *to such tax from any such payment of remuneration, even*
 5 *though at the time of payment the total amount of such*
 6 *remuneration paid to the employee by the employer in the*
 7 *calendar quarter is less than \$50."*

8 **AMENDMENT TO DEFINITION OF EMPLOYEE**

9 **SEC. 206.** (a) Subparagraph (C) of section ~~1426~~ 3121
 10 (d) (3) of the Internal Revenue Code of 1954 is amended
 11 by striking out " , if the performance of such services is
 12 subject to licensing requirements under the laws of the State
 13 in which such services are performed".

14 (b) The amendment made by subsection (a) shall be
 15 applicable only with respect to services performed after
 16 1954.

17 **WAIVER OF TAX EXEMPTION BY NONPROFIT ORGANIZA-**
 18 **TIONS WITH RESPECT TO MINISTERS IN THEIR EMPLOY.**

19 **SEC. 207.** (a) Paragraph (1) of section ~~1426~~ (1) of the
 20 Internal Revenue Code is amended by inserting "(other
 21 than service performed by a duly ordained, commissioned, or
 22 licensed minister of a church in the exercise of his ministry or
 23 by a member of a religious order in the exercise of duties
 24 required by such order)" after "service" in the first sentence,
 25 by striking out "two-thirds of its employees" and inserting

1 in lieu thereof "two-thirds of its employees performing serv-
2 ice to which this paragraph is applicable" in such sentence;
3 and by deleting so much of such paragraph as follows the first
4 sentence.

5 (b) Such section 1426 (1) is amended by redesignating
6 paragraphs (2) and (3) as paragraphs (6) and (7);
7 respectively, and by adding after paragraph (1) the follow-
8 ing new paragraphs:

9 " (2) WAIVER OF EXEMPTION IN THE CASE OF
10 MINISTERS.—An organization exempt from income tax
11 under section 101 (6) may file a certificate (in such
12 form and manner, and with such official, as may be pre-
13 scribed by regulations made under this subchapter)
14 certifying that it desires to have the insurance system
15 established by title II of the Social Security Act ex-
16 tended to service performed by its employees who are
17 duly ordained, commissioned, or licensed ministers of a
18 church or churches and perform such service in the
19 exercise of their ministry or who are members of a re-
20 ligious order or orders (other than a member of a
21 religious order who has taken a vow of poverty as a
22 member of such order) and perform such service in the
23 exercise of duties required by such order or orders, and
24 that at least two-thirds of such employees concur in the
25 filing of the certificate. Notwithstanding the preceding

1 sentence of this paragraph, a certificate may not be filed
2 by an organization pursuant to such sentence unless (A)
3 such organization does not have any employees with
4 respect to whom a certificate may be filed pursuant to
5 paragraph (1), or (B) such organization has filed a
6 certificate pursuant to paragraph (1) with respect to
7 such employees.

8 “(3) LIST TO ACCOMPANY CERTIFICATE.—A cer-
9 tificate may be filed pursuant to paragraph (1) or para-
10 graph (2) only if it is accompanied by a list containing
11 the signature, address, and social security account num-
12 ber (if any) of each employee who concurs in the filing
13 of the certificate. Such list may be amended at any time
14 by filing with the prescribed official a supplemental list
15 or lists containing the signature, address, and social se-
16 curity account number (if any) of each additional em-
17 ployee who concurs in the filing of the certificate. The
18 list and any supplemental list shall be filed in such form
19 and manner as may be prescribed by regulations made
20 under this subchapter.

21 “(4) EFFECTIVE PERIOD OF WAIVER.—A certifi-
22 cate filed pursuant to paragraph (1) or paragraph (2)
23 shall be in effect (for the purposes of subsection (b) (8)
24 of this section and for the purposes of section 210 (a)
25 (8) of the Social Security Act)—

1 ~~“(A) in the case of a certificate filed pursuant~~
2 ~~to paragraph (1), for the period beginning with the~~
3 ~~first day of the calendar quarter in which such cer-~~
4 ~~tificate is filed or the first day of the succeeding cal-~~
5 ~~endar quarter, as may be specified in the certificate;~~
6 ~~or~~

7 ~~“(B) in the case of a certificate filed pur-~~
8 ~~suant to paragraph (2), for the period beginning~~
9 ~~with the first day of whichever of the following~~
10 ~~calendar quarters may be specified in the certificate;~~
11 ~~(i) the quarter in which such certificate is filed;~~
12 ~~or (ii) the succeeding quarter, or (iii) if the cer-~~
13 ~~tificate is filed during the calendar year 1955, any~~
14 ~~quarter in such year prior to the quarter in which it~~
15 ~~is filed;~~

16 ~~except that, in the case of service performed by an~~
17 ~~individual whose name appears on a supplemental list~~
18 ~~filed after the first month following the first calendar~~
19 ~~quarter for which the certificate is in effect (as deter-~~
20 ~~mined under subparagraph (A) or (B), whichever is~~
21 ~~applicable) or following the calendar quarter in which~~
22 ~~the certificate was filed, whichever is later, and to whom~~
23 ~~subparagraph (A) or (B) of subsection (b) (8) of~~
24 ~~this section would otherwise apply, the certificate shall~~
25 ~~be in effect, for purposes of such subsection (b) (8)~~

1 and for purposes of section 210 (a) (8) of the Social
2 Security Act, only with respect to service performed
3 by such individual after the calendar quarter in which
4 such supplemental list is filed.

5 “(5) TERMINATION OF WAIVER PERIOD BY OR-
6 GANIZATION.—The period for which a certificate filed
7 pursuant to paragraph (1) of this subsection is effective
8 may be terminated by the organization, effective at the
9 end of a calendar quarter, upon giving two years’
10 advance notice in writing, but only if, at the time of
11 the receipt of such notice, the certificate has been in
12 effect for a period of not less than eight years and only
13 if such notice applies also to the period for which the
14 certificate, if any, filed by such organization pursuant to
15 paragraph (2) is effective. The period for which a
16 certificate filed pursuant to paragraph (2) is effective
17 may also be terminated by the organization, effective at
18 the end of a calendar quarter, upon giving two years’
19 advance notice in writing, but only if, at the time of the
20 receipt of such notice, the certificate has been in effect
21 for a period of not less than eight years. The notice of
22 termination may be revoked by the organization by
23 giving, prior to the close of the calendar quarter specified
24 in the notice of termination, a written notice of such
25 revocation. Notice of termination or revocation thereof

1 shall be filed in such form and manner, and with such
2 official, as may be prescribed by regulations made under
3 this subchapter.”

4 (c) The paragraph of such section 1426 (1) herein
5 redesignated as paragraph (6) is amended by adding at the
6 end thereof the following new sentence: “If the period
7 covered by a certificate filed pursuant to paragraph (1) of
8 this subsection is terminated under this paragraph, the period
9 covered by the certificate, if any, filed by the same organiza-
10 tion pursuant to paragraph (2) shall also be terminated
11 at the same time.”

12 (d) The paragraph of such section 1426 (1) herein
13 redesignated as paragraph (7) is amended to read as
14 follows:

15 “(7) NO RENEWAL OR WAIVER.—In the event the
16 period covered by a certificate filed pursuant to para-
17 graph (1) or (2) of this subsection is terminated by
18 the organization, no certificate may again be filed by
19 such organization pursuant to such paragraph.”

20 (e) The amendments made by this section shall become
21 effective January 1, 1955. Nothing in this section shall
22 be construed as affecting the validity of any certificate filed
23 prior to January 1, 1955, under section 1426 (1) of the
24 Internal Revenue Code. If a certificate filed during the
25 calendar year 1955 pursuant to section 1426 (1) (2) of

1 the Internal Revenue Code is in effect for any calendar
 2 quarter in 1955 which precedes the quarter during which
 3 the certificate was filed, the return and payment of the taxes
 4 for any such preceding calendar quarter with respect to
 5 service which constitutes employment by reason of the filing
 6 of such certificate shall be deemed to be timely made if made
 7 on or before the last day of the first month following the
 8 calendar quarter in which the certificate is filed.

9 CHANGES IN TAX SCHEDULES

10 SEC. ~~208~~ 207. (a) Section ~~480~~ 1401 of the Internal
 11 Revenue Code of 1954 is amended by striking out paragraph
 12 ~~(5)~~ (4) and inserting in lieu thereof the following:

13 “~~(5)~~ ~~In~~ (4) in the case of any taxable year begin-
 14 ning after December 31, 1969, and before January 1,
 15 1975, the tax shall be equal to $5\frac{1}{4}$ per centum percent of
 16 the amount of the self-employment income for such
 17 taxable ~~year~~ year;

18 “~~(6)~~ ~~In~~ (5) in the case of any taxable year begin-
 19 ning after December 31, 1974, the tax shall be equal to
 20 6 per centum percent of the amount of the self-employ-
 21 ment income for such taxable year.”

22 (b) Section ~~1400~~ 3101 of the Internal Revenue Code
 23 of 1954 is amended by striking out paragraph ~~(6)~~ (4) and
 24 inserting in lieu thereof the following:

25 “~~(6)~~ ~~With~~ (4) with respect to wages received dur-

1 ing the calendar years 1970 to 1974, both inclusive,
2 the rate shall be $3\frac{1}{2}$ ~~per centum~~ percent;

3 “~~(7)~~ ~~With~~ (5) with respect to wages received after
4 December 31, 1974, the rate shall be 4 ~~per centum~~
5 percent.”

6 (c) Section ~~1410~~ 3111 of the Internal Revenue Code
7 of 1954 is amended by striking out paragraph ~~(6)~~ (4) and
8 inserting in lieu thereof the following:

9 “~~(6)~~ ~~With~~ (4) with respect to wages paid during
10 the calendar years 1970 to 1974, both inclusive, the
11 rate shall be $3\frac{1}{2}$ ~~per centum~~ percent;

12 “~~(7)~~ ~~With~~ (5) with respect to wages paid after
13 December 31, 1974, the rate shall be 4 ~~per centum~~
14 percent.”

15 FOREIGN SUBSIDIARIES OF AMERICAN EMPLOYER

16 DOMESTIC CORPORATION

17 SEC. ~~209~~ 208. Section ~~1426~~ 3121 of the Internal Revenue
18 Code of 1954 is amended by adding at the end thereof
19 the following new subsection:

20 “~~(m)~~ (l) AGREEMENTS ENTERED INTO BY DOMESTIC
21 CORPORATIONS WITH RESPECT TO FOREIGN SUBSID-
22 IARIES.—

23 “(1) AGREEMENT WITH RESPECT TO CERTAIN
24 EMPLOYEES OF FOREIGN SUBSIDIARIES.—The Secretary
25 or his delegate shall, at the request of any domestic cor-

1 poration, enter into an agreement (in such form and
2 manner as may be prescribed by the Secretary or his
3 delegate) with any such corporation which desires to
4 have the insurance system established by title II of the
5 Social Security Act extended to service performed out-
6 side the United States in the employ of any one or more
7 of its foreign subsidiaries (as defined in paragraph ~~(7)~~
8 (8)) by all employees who are citizens of the United
9 States, except that the agreement shall not be applicable
10 to any service performed by, or remuneration paid to, an
11 employee if such service or remuneration would be
12 excluded from the ~~terms~~ term 'employment' or 'wages',
13 ~~respectively~~, as defined in this section, had the service
14 been performed in the employ of the domestic corpora-
15 ~~tion~~ United States. Such agreement may be amended
16 at any time so as to be made applicable, in the same
17 manner and under the same conditions, ~~in the case of~~
18 *with respect to* any other foreign subsidiary of such
19 domestic corporation. Such agreement shall be applica-
20 ble with respect to citizens of the United States who,
21 *on or* after the effective date of the agreement, ~~become~~
22 *are* employees of and perform services outside the
23 United States for any foreign subsidiary specified in the
24 agreement. Such agreement shall provide—

25 “(A) ~~That~~ *that* the domestic corporation shall

1 pay to the Secretary or his delegate, at such time or
2 times as the Secretary *or his delegate* may by regu-
3 lations prescribe, amounts equivalent to the sum of
4 the taxes which would be imposed by sections 1400
5 and 1410, including interest and penalties, if the
6 services of employees covered by the agreement had
7 constituted employment as defined in section 1426
8 3101 and 3111 (including amounts equivalent to the
9 interest, additions to the taxes, additional amounts,
10 and penalties which would be applicable) with re-
11 spect to the remuneration which would be wages if
12 the services covered by the agreement constituted em-
13 ployment as defined in this section; and

14 “(B) ~~That~~ *that* the domestic corporation will
15 comply with such regulations relating to payments
16 and reports as the Secretary *or his delegate* may
17 prescribe to carry out the purposes of this subsec-
18 tion.” *subsection.*

19 “(2) EFFECTIVE PERIOD OF AGREEMENT.—An
20 agreement entered into pursuant to paragraph (1) shall
21 be in effect for the period beginning with the first day of
22 the calendar quarter in which such agreement is entered
23 into or the first day of the succeeding calendar quarter,
24 as may be specified in the agreement, but in no case

1 prior to January 1, 1955; except that in case such
2 agreement is amended to include the services performed
3 for any other subsidiary and such amendment is executed
4 after the first month following the first calendar quarter
5 for which the agreement is in effect, the agreement shall
6 be in effect with respect to service performed for such
7 other subsidiary only after the calendar quarter in which
8 such amendment is executed.

9 “(3) TERMINATION OF PERIOD BY A DOMESTIC
10 CORPORATION.—The period for which an agreement
11 entered into pursuant to paragraph (1) of this subsec-
12 tion is effective may be terminated with respect to any
13 one or more of its foreign subsidiaries by the domestic
14 corporation, effective at the end of a calendar quarter,
15 upon giving two years' advance notice in writing, but
16 only if, at the time of the receipt of such notice, the
17 agreement has been in effect for a period of not less than
18 eight years. The notice of termination may be revoked
19 by the domestic corporation by giving, prior to the close
20 of the calendar quarter specified in the notice of termi-
21 nation, a written notice of such revocation. Notice of
22 termination or revocation thereof shall be filed in such
23 form and manner as may be prescribed by regulations.
24 Notwithstanding any other provision of this subsection,
25 the period for which any such agreement is effective

1 with respect to any foreign *subsidiary corporation* shall
2 terminate at the end of any calendar quarter in which
3 the ~~domestic foreign~~ corporation, at any time in such
4 quarter, ~~owns 50 per centum or less of the voting stock~~
5 ~~of such subsidiary ceases to be a foreign subsidiary as~~
6 ~~defined in paragraph (8).~~

7 “(4) TERMINATION OF PERIOD BY SECRETARY.—

8 If the Secretary or his delegate finds that any domestic
9 corporation which entered into an agreement pursuant
10 to this subsection has failed to comply substantially with
11 the terms of such agreement, the Secretary or his dele-
12 gate shall give such domestic corporation not less than
13 sixty days' advance notice in writing that the period
14 covered by such agreement will terminate at the end
15 of the calendar quarter specified in such notice. Such
16 notice of termination may be revoked by the Secretary
17 or his delegate by giving, prior to the close of the calen-
18 dar quarter specified in the notice of termination, written
19 notice of such revocation to the domestic corporation.
20 No notice of termination or of revocation thereof shall be
21 given under this paragraph to a domestic corporation
22 without the prior concurrence of the Secretary of
23 Health, Education, and Welfare.

24 “(5) NO RENEWAL OF AGREEMENT.—If any
25 agreement entered into pursuant to paragraph (1) of

1 this subsection is terminated in its entirety (A) by a
2 notice of termination filed by the domestic corporation
3 pursuant to paragraph (3), or (B) by a notice of termi-
4 nation given by the Secretary or his delegate pursuant
5 to paragraph (4), the domestic corporation may not
6 again enter into an agreement pursuant to such para-
7 graph paragraph (1). If any such agreement is termi-
8 nated with respect to any foreign subsidiary, such agree-
9 ment may not thereafter be amended so as again to make
10 it applicable with respect to such subsidiary.

11 “(6) DEPOSITS IN TRUST FUND.—All amounts
12 received by the Secretary pursuant to an agreement
13 entered into under paragraph (1) of this subsection
14 shall be regarded for purposes of section 201 of the
15 Social Security Act as taxes collected pursuant to this
16 subchapter. For purposes of section 201 of the Social
17 Security Act, relating to appropriations to the Federal
18 Old-Age and Survivors Insurance Trust Fund, such
19 remuneration—

20 “(A) paid for services covered by an agreement
21 entered into pursuant to paragraph (1) as would
22 be wages if the services constituted employment,
23 and

24 “(B) as is reported to the Secretary or his dele-
25 gate pursuant to the provisions of such agreement or

1 *of the regulations issued under this subsection,*
2 *shall be considered wages subject to the taxes imposed*
3 *by this chapter.*

4 “(7) OVERPAYMENTS AND UNDERPAYMENTS.—

5 “(A) If more or less than the correct amount
6 due under an agreement entered into pursuant to
7 this subsection is paid with respect to any payment
8 of remuneration, proper adjustments with respect
9 to the amounts due under such agreement shall be
10 made, without interest, in such manner and at such
11 times as may be required by regulations prescribed
12 by the Secretary *or his delegate.*

13 “(B) If an overpayment cannot be adjusted
14 under subparagraph (A), the amount thereof shall
15 be paid by the Secretary or his delegate, through
16 the Fiscal Service of the Treasury Department,
17 but only if a claim for such overpayment is filed
18 with the Secretary or his delegate within two years
19 from the time such overpayment was made.

20 “(8) DEFINITION OF FOREIGN SUBSIDIARY.—For
21 purposes of this subsection and section 210 (a) of the
22 Social Security Act, a foreign subsidiary of a domestic
23 corporation is—

24 “(A) ~~A~~ a foreign corporation more than 50

1 ~~per centum~~ *percent* of the voting stock of which is
2 owned by such domestic corporation; or

3 “(B) ~~A~~ a foreign corporation more than 50
4 ~~per centum~~ *percent* of the voting stock of which is
5 owned by the foreign corporation described in sub-
6 paragraph ~~(A)~~.” (A).

7 “(9) *DOMESTIC CORPORATION AS SEPARATE*
8 *ENTITY.—Each domestic corporation which enters into*
9 *an agreement pursuant to paragraph (1) of this sub-*
10 *section shall, for purposes of this subsection and section*
11 *6413 (c) (2) (C), relating to special refunds in the*
12 *case of employees of certain foreign corporations, be*
13 *considered an employer in its capacity as a party to such*
14 *agreement separate and distinct from its identity as a*
15 *person employing individuals on its own account.*

16 “~~(9)~~ (10) *REGULATIONS.—Regulations of the*
17 *Secretary or his delegate to carry out the purposes of*
18 *this subsection shall be designed to make the require-*
19 *ments imposed on domestic corporations with respect to*
20 *services covered by an agreement entered into pursuant*
21 *to this subsection the same, so far as practicable, as those*
22 *imposed upon employers pursuant to subchapter A or*
23 *E of chapter 9 of this title pursuant to this title with*
24 *respect to the taxes imposed by this chapter.”*

1 DEDUCTIONS FROM GROSS INCOME FOR PAYMENTS WITH
2 RESPECT TO EMPLOYEES OF CERTAIN FOREIGN
3 CORPORATIONS

4 ~~SEC. 210.~~ Section 23 of the Internal Revenue Code
5 ~~(relating to deductions from gross income)~~ is amended by
6 inserting at the end thereof the following new subsection:

7 “~~(gg)~~ PAYMENTS WITH RESPECT TO EMPLOYEES OF
8 CERTAIN FOREIGN CORPORATIONS.—In the case of a
9 domestic corporation, amounts ~~(to the extent not com-~~
10 ~~pensated for)~~ paid or incurred pursuant to an agreement
11 entered into under section 1426 ~~(m)~~ with respect to services
12 performed by United States citizens employed by foreign
13 subsidiary corporations. Any reimbursement of any amount
14 previously allowed as a deduction for income tax purposes
15 under this subsection shall be included in gross income for
16 the taxable year in which received.”

17 *SEC. 209. (a) The Internal Revenue Code of 1954*
18 *is amended by inserting after section 175 thereof the following*
19 *new section:*

20 “*SEC. 176. PAYMENTS WITH RESPECT TO EMPLOYEES OF CER-*
21 *TAIN FOREIGN CORPORATIONS.*

22 *“In the case of a domestic corporation, there shall be*
23 *allowed as a deduction amounts (to the extent not compen-*
24 *sated for) paid or incurred pursuant to an agreement entered*

1 *into under section 3121 (l) with respect to services performed*
 2 *by United States citizens employed by foreign subsidiary cor-*
 3 *porations. Any reimbursement of any amount previously*
 4 *allowed as a deduction under this section shall be included*
 5 *in gross income for the taxable year in which received."*

6 (b) *The table of sections to part VI of subchapter B*
 7 *of chapter 1 of subtitle A of the Internal Revenue Code of*
 8 *1954 is amended by adding at the end thereof the following:*

*"Sec. 176. Payments with respect to employees of certain
 foreign corporations."*

9 TITLE III—PROVISIONS RELATING TO PUBLIC
 10 ASSISTANCE

11 TEMPORARY EXTENSION OF 1952 MATCHING FORMULA

12 SEC. 301. Section 8 (e) of the Social Security Act
 13 Amendments of 1952 (Public Law 590, Eighty-second Con-
 14 gress) is amended by striking out "September 30, 1954"
 15 and inserting in lieu thereof "September 30, ~~1955~~ 1956".

16 TEMPORARY EXTENSION OF SPECIAL PROVISION RELATING
 17 TO STATE PLANS FOR AID TO THE BLIND

18 SEC. 302. Section 344 (b) of the Social Security Act
 19 Amendments of 1950 (Public Law 734, Eighty-first Con-
 20 gress) is amended by striking out "June 30, 1955" and
 21 inserting in lieu thereof "June 30, 1957".

22 TECHNICAL AMENDMENTS

23 SEC. 303. (a) Sections 3 (b) (1), 403 (b) (1), and
 24 1003 (b) (1) of the Social Security Act are each amended

1 by striking out "one-half" and inserting in lieu thereof "the
2 State's proportionate share".

3 (b) Section 3 (b) of such Act is amended (1) by
4 striking out "clause (1) of subsection (a)" wherever it ap-
5 pears and inserting in lieu thereof "subsection (a)", ~~and (2)~~
6 *(2) by striking out "such clause" in paragraph (1) and in-*
7 *serting "such subsection" in lieu thereof, and (3) by striking*
8 *out "increased by five per centum" immediately before the*
9 *period at the end of paragraph (3).*

10 TITLE IV—MISCELLANEOUS PROVISIONS

11 AMENDMENTS PRESERVING RELATIONSHIP BETWEEN
12 RAILROAD RETIREMENT AND OLD-AGE AND SUR-
13 VIVORS INSURANCE

14 SEC. 401. (a) Section 1 (q) of the Railroad Retire-
15 ment Act of 1937, as amended, is amended by striking out
16 "1952" and inserting in lieu thereof "1954".

17 (b) Section 2 (c) of the Railroad Retirement Act of
18 1937, as amended, is amended by striking out "six" and
19 inserting in lieu thereof "twelve"; and subsection (5) (j)
20 of such Act, as amended, is amended by striking out "sixth"
21 and inserting in lieu thereof "twelfth". The amendments
22 made by this subsection shall be applicable only in the case
23 of applications for annuities under the Railroad Retirement

1 Act filed after the month following the month in which this
2 Act is enacted *August 1954*; except that no individual shall,
3 by reason of such amendment, be entitled to any annuity for
4 any month prior to the ~~fifth month~~ before the month in
5 which ~~this Act~~ is enacted *February 1954*.

6 (c) Section 5 (1) (9) of the Railroad Retirement Act
7 of 1937, as amended, is amended by striking out "\$3,600"
8 the second time it appears and inserting in lieu thereof
9 "\$4,200".

10 (d) Section 5 (i) (1) (ii) of the Railroad Retirement
11 Act of 1937, as amended, is amended to read as follows:

12 " (ii) will have been under the age of ~~seventy five~~
13 *seventy-two* and for which month he is charged with any
14 earnings under section 203 (e) of the Social Security
15 Act or in which month he engaged on seven or more dif-
16 ferent calendar days in noncovered remunerative activity
17 outside the United States (as defined in section 203 (k)
18 of the Social Security Act) ; and for purposes of this
19 subdivision the Board shall have the authority to make
20 such determinations and such suspensions of payment
21 of benefits in the manner and to the extent that the
22 Secretary of Health, Education, and Welfare would be
23 authorized to do so under section 203 (g) (3) of the
24 Social Security Act if the individuals to whom this sub-

1 division applies were entitled to benefits under section
2 202 of such Act;”.

3 **CROSS REFERENCES TO REDESIGNATED PROVISIONS**

4 **SEC. 402.** References in the Internal Revenue Code of
5 *1939, the Internal Revenue Code of 1954*, the Railroad
6 Retirement Act of 1937, as amended, or any other law of
7 the United States to any section or subdivision of a section
8 of the Social Security Act redesignated by this Act, and
9 references in the Social Security Act, the Railroad Retirement
10 Act of 1937, as amended, or any other law of the
11 United States to any section or subdivision of a section of
12 the Internal Revenue Code redesignated by this Act, Act
13 shall be deemed to refer to such section or subdivision of a
14 section as so redesignated.

Passed the House of Representatives June 1, 1954.

Attest:

LYLE O. SNADER,

Clerk.

Calendar No. 2004

83^d CONGRESS
2^d SESSION

H. R. 9366

[Report No. 1987]

AN ACT

To amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

JUNE 2 (legislative day, MAY 13), 1954

Read twice and referred to the Committee on Finance

JULY 27 (legislative day, JULY 2), 1954

Reported with amendments

GPO 861-630

[COMMITTEE PRINT]

COMMITTEE ON FINANCE
UNITED STATES SENATE
EUGENE D. MILLIKIN, CHAIRMAN

MAJOR DIFFERENCES IN THE PRESENT
SOCIAL SECURITY LAW AND H. R. 9366
AS REPORTED BY THE COMMITTEE
ON FINANCE
RELATING TO
OLD-AGE AND SURVIVORS INSURANCE
AND
PUBLIC ASSISTANCE



JUNE 27, 1954

Printed for the use of the Committee on Finance

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1954

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(II)

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(Parenthetical references are to pages in Senate Finance Committee report)

OLD-AGE AND SURVIVORS INSURANCE

I. COVERAGE

Item	Present law	H. R. 9366
A. Self-employed.....	<p>Covers all self-employed for years in which they have net earnings from self-employment of \$400 or more except:</p> <p>(1) Specified professional groups—physicians, lawyers, dentists, osteopaths, veterinarians, chiropractors, naturopaths, optometrists, architects, Christian Science practitioners, professional engineers, funeral directors, and certain public accountants.</p> <p>(2) Farm operators.</p> <p>(3) Ministers.</p> <p>(4) Public officials and employee newsboys under age 18.</p> <p>(5) Certain types of income, such as dividends, interest, and rentals from real estate, unless received by dealers in real estate and securities in the course of business dealings.</p> <p>(6) Certain gains and losses, such as sale of capital asset.</p>	<p>The following coverage provisions are, in general, effective Jan. 1, 1955.</p> <p>Same as present law. (Pp. 39, 119-123.)</p> <p>(3) Coverage of ministers is provided on a self-employed voluntary basis regardless whether the minister is, in fact, an employee or self-employed. (Pp. 3, 8-9, 38, 122.)</p> <p>(4) Continues exclusion of public officials and employee newsboys under age 18.</p> <p>(5) No change.</p> <p>(6) Excludes certain coal royalties which are now covered under the Social Security Act but excluded under the Internal Revenue Code.</p>
B. Employees in commerce and industry.	<p>Covers all employees except:</p> <p>(1) Fishermen not employed on vessels of more than 10 net tons and not engaged in commercial halibut or salmon fishing.</p> <p>(2) Domestic service performed by students in local college clubs and fraternities.</p> <p>(3) Certain close relatives working for members of family.</p> <p>(4) Certain students, student nurses, and interns.</p> <p>(5) Newsboys under 18.</p> <p>Certain homeworkers who are not subject to State licensing laws are excluded as employees but may be covered as self-employed persons.</p>	<p>Same as present law except:</p> <p>(1) Covers all fishermen now excluded. (Pp. 4, 10, 38, 117.)</p> <p>(2) No change.</p> <p>(3) No change.</p> <p>(4) No change.</p> <p>(5) No change.</p> <p>Homeworkers who are not subject to State licensing laws are covered on the same basis as those who are. (Pp. 4, 6, 38-39, 118.)</p>

I. COVERAGE—Continued

Item	Present law	H. R. 9366
C. Agricultural workers..	<p>Covers only those who are "regularly employed" by 1 employer and who receive cash wages of \$50 or more in a calendar quarter from that employer. In general, after a farm-worker has worked for 1 employer continuously for an entire calendar quarter, he is "regularly employed" in the next quarter and in succeeding quarters if he works for that employer on a full-time basis for at least 60 days during the quarter.</p> <p>The following are specifically excluded from coverage:</p> <p>(1) Mexican contract workers.</p> <p>(2) Workers in cotton ginning and gum naval stores.</p> <p>(3) Noncash remuneration for agricultural work.</p>	<p>Covers agricultural workers if paid \$50 or more in cash wages by one employer in a calendar quarter. (Pp. 3, 7-8, 35-36, 110.)</p> <p>(1) No change.</p> <p>(2) Workers in cotton ginning covered as agricultural workers; workers in gum naval stores continue to be excluded from coverage. (Pp. 7-8, 36, 111.)</p> <p>(3) No change.</p>
D. Domestic workers in private homes.	<p>Covers only those workers in nonfarm homes who work for a single employer on at least 24 days and are paid at least \$50 in cash wages by that employer during a calendar quarter. Noncash remuneration is excluded.</p>	<p>Covers all domestic workers in private homes who are paid \$50 or more in cash wages by an employer during a calendar quarter. (Pp. 3, 8, 34, 110.)</p> <p>No change.</p>
E. Work not in the course of the employer's trade or business.	<p>Covers such work if the individual works for a single employer on at least 24 days and is paid at least \$50 in cash wages by that employer during a calendar quarter. Noncash remuneration is excluded.</p>	<p>Covers such work if the individual is paid \$50 or more in cash wages by an employer during a calendar quarter. (Pp. 3, 8, 34-35, 36, 110.)</p>
F. State and local government employees.	<p>Covers State and local government employees (except those specified below) provided individual State enters into an agreement with Federal Government.</p> <p>Following employees are excluded:</p> <p>(1) Employees who are in positions covered under a State or local retirement system (other than the Wisconsin retirement fund) at the time coverage is made applicable to the coverage group to which they belong.</p>	<p>No change.</p> <p>Same as present law except:</p> <p>(1) Makes coverage available, by means of Federal-State agreements to employees in positions covered by a State or local retirement system (except policemen and firemen) provided a referendum is held in which the majority of eligible employees under the retirement system vote in favor of coverage. Employees of institutions of higher learning under a retirement system are a separate coverage group, and 1 or more political subdivisions may be considered as a separate coverage group even though employees are under a statewide retirement system. In addition employees whose positions are covered by a retirement system but who are not themselves eligible for membership in the system could be covered without a referendum. Employees in positions which</p>

I. COVERAGE—Continued

Item	Present law	H. R. 9366
F. State and local government employees—Con.	<p>Following employees are excluded—Continued</p> <p>(4) Individuals employed on work relief projects.</p> <p>(5) Patients and inmates of institutions who perform work for such institutions.</p> <p>Employees of certain State and local transportation systems taken over from private ownership after 1936 are covered compulsorily (no Federal-State agreement necessary).</p> <p>State agreement cannot cover services of the types which would be excluded by the general coverage provisions of the law if they were performed for a private employer, except that agricultural and student services in this category may be covered at the option of the State.</p> <p>State also has the option of covering or excluding employees in any class of elective, part-time, or fee-basis positions, and emergency services.</p>	<p>Same as present law except—Continued</p> <p>were covered by a retirement system on the date the agreement was made applicable to the coverage group but which, by reason of action taken prior to the date of enactment of the bill, are no longer covered by a retirement system on the date when the agreement is made applicable to such services, may also be covered without a referendum at any time prior to Jan. 1, 1958. (Pp. 3, 6-7, 39-49, 142-150.)</p> <p>(2) Provision is made for coverage under a State agreement, at the option of the State, of services of inspectors of agricultural products employed to perform services in connection with agreements between States and the U. S. Department of Agriculture. (Pp. 46, 143-144.)</p> <p>(3) Special provision is made for coverage under the Utah agreement of employees performing services for certain enumerated units of the State in positions covered by a retirement system who are precluded from coverage under present law. (Pp. 46-47, 150.)</p> <p>(4) No change.</p> <p>(5) No change.</p> <p>No change.</p> <p>No change. (Pp. 37, 145.)</p>
G. Employees of nonprofit organizations.	<p>Covers employees of certain nonprofit organizations which file a certificate showing that the organization waives exemption from social-security tax and that at least $\frac{2}{3}$ of employees have signed in favor of coverage, except that the following employees are specifically excluded from coverage:</p>	<p>Same as present law except that State could, when bringing in groups of employees other than members of a retirement system, exclude those in positions covered by a retirement system but ineligible for membership in such system. (Pp. 43-44, 144-145.)</p> <p>No change.</p>

I. COVERAGE—Continued

Item	Present law	H. R. 9366
G. Employees of nonprofit organizations.—Con.	<p>Following employees are excluded—Continued.</p> <p>(2) Persons employed by the organization when coverage begins who do not sign the original, or a supplemental, certificate before the 1st wage report is due.</p> <p>(3) Employees of any organization exempt from income tax earning less than \$50 in a calendar quarter.</p>	<p>Same as present law except—Continued</p> <p>(2) No change.</p>
H. Federal civilian employees.	<p>Covers employees of the Federal Government and of certain of its instrumentalities including wholly owned corporations; national farm loan associations; production credit associations; Federal Reserve banks; Federal credit unions; State, county, and community committees under the Production and Marketing Administration; and, with respect to civilian employees only, post exchanges under the Department of Defense.</p>	<p>Same as present law, except prohibits the use of Federal service credited under old-age and survivors insurance for benefit purposes under any other Federal retirement system. (Pp. 10-11, 37-38, 79.)</p>
I. Members of Armed Forces.	<p>Not covered under the regular contributory provisions of the program but granted social security wage credits of \$160 per month for active service in the Armed Forces during the World War II period (Sept. 16, 1940-July 24, 1947) and for the postwar period (July 25, 1947-June 30, 1955). These wage credits are not given if benefits are payable to veteran under a Federal program other than those administered by the Veterans' Administration.</p>	<p>Same as present law.</p>
J. Railroad employees----	<p>Under coordination provisions contained in Railroad Retirement Act, railroad employment covered jointly under railroad retirement and old-age and survivors insurance. In all cases except retirement cases in which the individual had 10 years or more of railroad employment benefits are payable under one program or the other based on combined railroad compensation and old-age and survivors insurance wages. Provisions for financial interchange are such as to place the old-age and survivors insurance trust fund in the same position it would have been in if railroad employment were covered by old-age and survivors insurance.</p>	<p>Amendments made to the Railroad Retirement Act to preserve the present relationship between the 2 programs; otherwise, no change. (Pp. 93, 163-165.)</p>
K. Geographical scope----	<p>Covers persons within continental United States, Alaska, Hawaii, Puerto Rico, and Virgin Islands regardless of citizenship or residence except:</p> <p>(1) Nonresident aliens engaged in self-employment.</p> <p>(2) Employees of foreign governments and their instrumentalities.</p> <p>(3) Employees of international organizations entitled to certain privileges under the International Organizations Immunities Act.</p>	<p>Same as present law.</p>

I. COVERAGE—Continued

Item	Present law	H. R. 9366
K. Geographical scope— Continued	<p>Coverage in other areas is limited to:</p> <p>(1) American citizens either self-employed or employed by an American employer (except on vessels and aircraft of foreign registry).</p> <p>(2) All persons employed on American vessels and aircraft.</p>	<p>Same as present law except:</p> <p>(1) Covers American citizens employed by an American employer on vessels and aircraft of foreign registry. In addition makes coverage available to citizens of the United States employed outside the United States by foreign subsidiaries of American corporations under voluntary agreements between the Federal Government and the parent American company. The domestic corporation could include some or all of its foreign subsidiaries in the agreement; it would have to agree to pay the equivalent of both employer and employee taxes on behalf of the subsidiaries included. (Pp. 4, 9, 10, 37, 49, 111.)</p> <p>(2) No change.</p>

II. CREDITABLE EARNINGS

	<p>All remuneration for services in covered work is covered except:</p> <p>(1) Earnings in excess of \$3,600.</p> <p>(2) Certain types of payments for retirement and payments under a plan or system providing benefits on account of sickness or accident disability, etc.</p> <p>(3) Sick pay under certain circumstances.</p> <p>(4) Payment by the employer of the employee tax under the Federal Insurance Contributions Act or under a State unemployment compensation law.</p>	<p>Same as present law except:</p> <p>(1) Earnings in excess of \$4,200, rather than earnings in excess of \$3,600 as in present law, are excluded, effective Jan. 1, 1955. (Pp. 4, 11-12, 70-71, 109.)</p> <p>(2) No change.</p> <p>(3) No change.</p> <p>(4) No change.</p>
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III. INSURED STATUS

A. Fully insured-----	<p>1 quarter of coverage (acquired at any time after 1936) for every 2 calendar quarters elapsing after 1950 (or after quarter in which age 21 was attained, if later) and before quarter of death or attainment of age 65, whichever first occurs. For persons who died before September 1950, elapsed time is counted from 1936. Minimum requirement 6 quarters of coverage; maximum 40.</p> <p>Fully insured status qualifies for old-age, dependents, and survivors benefits; both fully and currently insured status required for dependent husbands' and dependent widowers' benefits.</p>	<p>See sec. IX for preservation of benefit rights of permanently and totally disabled. Otherwise same as present law except:</p> <p>(1) As alternative to present requirements. Individual fully insured if he has quarters of coverage in all quarters after 1954 and before July 1956 or, if later (i) the quarter of death or (ii) attainment of age 65, whichever occurs first. (Pp. 4-5, 19, 76-79, 124-125.)</p> <p>(2) Deaths before Sept. 1, 1950. For purposes of survivor benefits (other than for widower or former wife divorced), individual who died before Sept. 1, 1950, with at least 6 quarters of coverage is fully insured. (Pp. 5, 77, 124.)</p> <p>Same as present law.</p>
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III. INSURED STATUS—Continued

Item	Present law	H. R. 9366
B. Currently insured-----	6 quarters of coverage within 13 quarters ending with quarter of death or entitlement to old-age insurance benefits (defined as primary insurance benefits before 1950 amendments). Currently insured status qualifies for child's, widowed mother's, and lump-sum benefits.	Same as present law.
C. Quarter of coverage defined.	(1) Quarter in which individual received at least \$50 in wages or was credited with at least \$100 of self-employment income. (2) Each quarter in any calendar year in which wages are \$3,600 or more and each quarter in a taxable year in which combined wages and self-employment income equal at least \$3,600. (3) 4 quarters of coverage credited for minimum \$400 of self-employment income for year. (4) No quarter counted as quarter of coverage before it begins, or after the quarter of death.	(1) Same as present law. (2) After 1954, each quarter in any calendar year in which wages are \$4,200 or more, and each quarter in a taxable year in which combined wages and self-employment income equal at least \$4,200. (Pp. 71, 123-124.) (3) Same as present law. (4) Same as present law.

IV. BENEFIT CATEGORIES

A. Old age-----	Payable at age 65 and over to fully insured individual.	No change.
B. Wife-----	Payable to wife of old-age beneficiary if at least age 65 or regardless of her age if she has in her care a child entitled to benefits on her husband's record.	No change
C. Husband-----	Payable to dependent husband of old-age beneficiary at age 65 or over if wife currently insured at time of her entitlement and she was furnishing half his support.	No change
D. Child-----	Payable to unmarried child under age 18 of old-age beneficiary or of individual who died either currently or fully insured, if child deemed dependent on such person.	No change.
E. Widow-----	Payable at age 65 or over to widow of fully insured worker.	No change.
F. Widower-----	Payable at age 65 or over to dependent widower of woman who died both fully and currently insured, if she was furnishing at least half his support.	No change.
G. Mother-----	Payable to widow or former wife divorced of worker who died either fully or currently insured, if she has in her care an entitled child of the worker. Former wife divorced must have been receiving half her support from deceased pursuant to court order or agreement, and the child must be her child entitled to benefits on the former husband's wage record.	No change.
H. Parent-----	Payable at age 65 or over to parent of deceased fully insured worker, if worker had furnished half or more of parent's support, and was not survived by widow, widower, or child eligible for benefits on his record.	No change.

IV. BENEFIT CATEGORIES—Continued

Item	Present law	H. R. 9366
I. Lump sum.....	Payable on death of fully or currently insured worker to widow or widower living with the worker at the time of his death, or if no such spouse survives, as reimbursement for funeral expenses, irrespective of the payment of monthly benefits.	No change.

V. BENEFIT AMOUNTS

A. Average monthly wage.	<p>In general, an individual's average monthly wage for computing his monthly old-age insurance benefit amount is determined by dividing the total of his wages and self-employment income after the applicable starting date and up to the applicable closing date, by the number of months involved. Starting dates may be 1936, 1950, or if later, the quarter of attainment of age 22. Closing dates for wages may be 1st day of 2d quarter preceding quarter of death or entitlement to benefits, whichever first occurred. Where either event occurred after individual first became eligible for benefits, alternative closing date of 1st day of 2d quarter before the quarter of first eligibility may be used if that will yield a larger benefit. Special closing dates are applicable for self-employment income. The closing date used for the divisor is the later of the wage and self-employment income closing dates.</p> <p>The applicable starting and closing dates used are those which yield the highest benefit amount. The minimum divisor is 18 months. (The average monthly wage is reduced under this method of computation for periods in the elapsed time when the individual is not in covered employment.)</p>	<p>Generally the same as present law, except for the dropout of low years—see C below—and for technical amendments to provide standard annual starting and closing dates for periods over which average monthly wage is computed. Special midyear closing date in 1956 permitted for deaths or entitlements in that year, if individual has 6 quarters of coverage after 1954. Also see the provisions in sec. IX preserving the benefit rights of permanently and totally disabled persons. (Pp. 11, 50-52, 60-61, 131-132.)</p>
B. Benefit formula.....	<p>An individual may have his benefit computed under the following methods provided he meets the conditions therein prescribed. If more than 1 method is applicable, the 1 yielding the higher benefit amount will be used.</p> <p>(1) 55 percent of the first \$100 of average monthly wage plus 15 percent of the next \$200, based on average monthly wage after 1950, or after age 22, if later. (Formula provided by 1952 amendments.)</p>	<p>After the close of the month following the month of enactment, an individual may have his benefit computed under the following methods provided he meets the conditions therein prescribed. If more than 1 method is applicable, the 1 yielding the highest benefit amount will be used. (Pp. 4, 50-56, 125-131.)</p> <p>(1) 55 percent of the first \$110 of average monthly wage plus 20 percent of the next \$240, based on average monthly wage after 1950, or after age 22, if later. (Pp. 4, 13, 50, 125-126.)</p>

V. BENEFIT AMOUNTS—Continued

Item	Present law	H. R. 9366
C. Dropout of low years--	<p><i>Condition:</i> 6 quarters of coverage after 1950.</p> <p>(2) 1939 benefit formula (40 percent of 1st \$50 of average monthly wage plus 10 percent of next \$200, plus 1 percent of the sum thus obtained for each year of coverage prior to 1951, based on average monthly wage after 1936). The amount obtained is increased by the conversion table in present law. See D below.</p> <p>No provision.</p>	<p><i>Conditions:</i></p> <p>(a) 6 quarters of coverage after June 1953, or</p> <p>(b) First eligible for old-age insurance benefits after effective date, or dies after effective date and before eligible for old-age insurance benefits, provided he has 6 quarters of coverage after 1950.</p> <p>(2) (a) 1952 benefit formula (see present law (1)) with benefit amount increased through conversion table in the bill.</p> <p><i>Condition:</i> 6 quarters of coverage after 1950.</p> <p>(b) 1939 benefit formula (see present law (2)) with benefit amount increased through conversion table in the bill. (Pp. 50-56, 126-131.)</p> <p>In computing average monthly wage under (1) and (2) (b), above, up to 4 years (5 years, if individual has 20 quarters of coverage) of lowest (or no) earnings may be dropped. To be eligible for a dropout under (2) (b) must meet conditions specified in (1) (b) above, except the one relating to 6 quarters of coverage after 1950. (Pp. 11, 12-13, 52, 126-127.)</p> <p>The dropout provision is also applicable to benefit recomputations under certain circumstances after the effective date. (Pp. 56-61, 132-137.)</p>

V. BENEFIT AMOUNTS—Continued

TABLE 1.—Illustrative monthly benefits for retired workers

ASSUMING LEVEL EARNINGS

Average monthly wage		Present law		Bill	
On basis of present law	With drop-out as provided in bill	Single	Married ¹	Single	Married ¹
\$50	\$50	\$27. 50	² \$41. 30	² \$32. 50	² \$48. 80
100	100	55. 00	⁴ 80. 00	² 60. 00	² 90. 00
150	150	62. 50	93. 80	68. 50	102. 80
200	200	70. 00	105. 00	78. 50	117. 80
250	250	77. 50	116. 30	88. 50	132. 80
300	300	85. 00	127. 50	98. 50	147. 80
350	350	(⁵)	(⁵)	108. 50	162. 80

ASSUMING SPECIFIED INCREASE IN EARNINGS ARISING FROM DROPOUT PROVIDED IN BILL ⁶

\$50	\$70	\$27. 50	² \$41. 30	\$38. 50	⁷ \$57. 80
100	120	55. 00	⁴ 80. 00	62. 50	93. 80
150	170	62. 50	93. 80	72. 50	108. 80
200	220	70. 00	105. 00	82. 50	123. 80
250	270	77. 50	116. 30	92. 50	138. 80
300	310	85. 00	127. 50	100. 50	150. 80
350	350	(⁵)	(⁵)	108. 50	162. 80

¹ With wife aged 65 or over.² Application of 80 percent maximum may not reduce benefits below \$45.³ These amounts produced by the 1952 benefit formula and conversion table; with level average monthly wage amounts below \$130, amounts are higher if the conversion table used.⁴ Reduced to 80 percent of average wage.⁵ Present law includes earnings only up to \$300 a month.⁶ These assumed increases in earnings arising from the dropout provisions in regard to computation of average wage are merely illustrative. Actually the dropout will produce varying results which may be lower or higher than those shown.⁷ Application of 80 percent maximum may not reduce benefits below 1½ times primary insurance amount.

V. BENEFIT AMOUNTS—Continued

TABLE 2.—Illustrative monthly benefits for survivors of insured workers

ASSUMING LEVEL EARNINGS

Average monthly wage		Aged widow or widower ¹		Widow and 1 child ²		Widow and 2 children		Widow and 3 children	
On basis of present law	With dropout as provided in bill	Present law	Bill	Present law	Bill	Present law	Bill	Present law	Bill
\$50	\$50	\$20. 70	³ \$30. 00	⁴ \$41. 30	^{5,6} \$48. 00	⁴ \$45. 00	⁵ \$50. 00	⁴ \$45. 00	⁵ \$50. 00
100	100	41. 30	⁶ 45. 00	⁷ 80. 00	^{8,9} 90. 00	⁷ 80. 00	^{8,9} 90. 00	⁷ 80. 00	^{8,9} 90. 00
150	150	46. 90	51. 40	93. 80	102. 80	⁷ 120. 00	⁷ 120. 00	⁷ 120. 00	⁷ 120. 00
200	200	52. 50	58. 90	105. 00	117. 80	140. 00	157. 00	⁷ 160. 00	⁷ 160. 00
250	250	58. 20	66. 40	116. 30	132. 80	155. 00	177. 00	⁹ 168. 80	⁹ 200. 00
300	300	63. 80	73. 90	127. 50	147. 80	⁹ 168. 80	197. 00	⁹ 168. 80	⁹ 200. 00
350	350	(¹⁰)	81. 40	(¹⁰)	162. 80	(¹⁰)	⁹ 200. 00	(¹⁰)	⁹ 200. 00

ASSUMING SPECIFIED INCREASE IN EARNINGS ARISING FROM DROPOUT PROVIDED IN BILL ¹¹

\$50	\$70	\$20. 70	³ \$30. 00	⁴ \$41. 30	⁸ \$57. 80	⁴ \$45. 00	⁸ \$57. 80	⁴ \$45. 00	⁸ \$57. 80
100	120	41. 30	46. 90	⁷ 80. 00	93. 80	⁷ 80. 00	⁷ 96. 00	⁷ 80. 00	⁷ 96. 00
150	170	46. 90	54. 40	93. 80	108. 80	⁷ 120. 00	⁷ 136. 00	⁷ 120. 00	⁷ 136. 00
200	220	52. 50	61. 90	105. 00	123. 80	140. 00	165. 00	⁷ 160. 00	⁷ 176. 00
250	270	58. 20	69. 40	116. 30	138. 80	155. 00	185. 00	⁹ 168. 80	⁹ 200. 00
300	310	63. 80	75. 40	127. 50	150. 80	⁹ 168. 80	⁹ 200. 00	⁹ 168. 80	⁹ 200. 00
350	350	(¹⁰)	81. 40	(¹⁰)	162. 80	(¹⁰)	⁹ 200. 00	(¹⁰)	⁹ 200. 00

¹ Also single surviving parent or child.² Also 2 aged parents.³ Application of \$30 minimum family benefit.⁴ Application of 80 percent maximum may not reduce benefits below \$45.⁵ Application of 80 percent maximum may not reduce benefits below \$50.⁶ These amounts produced by the 1952 benefit formula and the conversion table; with level average monthly wage amounts below \$130, the benefit is higher if the conversion table is used.⁷ Reduced to 80 percent of average wage.⁸ Application of 80 percent maximum may not reduce benefits below 1½ times primary insurance amount.⁹ Dollar maximum on benefits.¹⁰ Maximum average wage under present law is \$300.¹¹ These assumed increases in earnings arising from the dropout provisions in regard to computation of average wage are merely illustrative. Actually, the dropout will produce varying results which may be lower or higher than those shown.

V. BENEFIT AMOUNTS—Continued

Item	Present law	H. R. 9366																																								
D. On rolls prior to effective date.	<p>(1) For persons on rolls prior to 1952 amendments whose benefits were computed under 1939 formula, primary insurance amount was determined by means of a conversion table. Examples of the increase in benefits resulting under the conversion table are shown below:</p> <table data-bbox="344 541 848 835"> <thead> <tr> <th data-bbox="344 541 621 594">If primary insurance benefit under 1939 law was—</th> <th data-bbox="636 541 848 621">The present primary insurance amount is—</th> </tr> </thead> <tbody> <tr><td data-bbox="390 625 621 646">\$10.....</td><td data-bbox="686 625 768 646">\$25. 00</td></tr> <tr><td data-bbox="390 653 621 674">\$15.....</td><td data-bbox="686 653 768 674">35. 00</td></tr> <tr><td data-bbox="390 680 621 701">\$20.....</td><td data-bbox="686 680 768 701">42. 00</td></tr> <tr><td data-bbox="390 707 621 728">\$25.....</td><td data-bbox="686 707 768 728">52. 40</td></tr> <tr><td data-bbox="390 735 621 756">\$30.....</td><td data-bbox="686 735 768 756">60. 80</td></tr> <tr><td data-bbox="390 762 621 783">\$35.....</td><td data-bbox="686 762 768 783">66. 60</td></tr> <tr><td data-bbox="390 789 621 810">\$40.....</td><td data-bbox="686 789 768 810">72. 00</td></tr> <tr><td data-bbox="390 816 621 837">\$45 or over.....</td><td data-bbox="686 816 768 837">77. 10</td></tr> </tbody> </table>	If primary insurance benefit under 1939 law was—	The present primary insurance amount is—	\$10.....	\$25. 00	\$15.....	35. 00	\$20.....	42. 00	\$25.....	52. 40	\$30.....	60. 80	\$35.....	66. 60	\$40.....	72. 00	\$45 or over.....	77. 10	<p>(1) Retired workers on the rolls prior to the effective date of the bill, whether their primary insurance amount was computed by the benefit formula in present law or through the old conversion table, will have their benefits for months following the month after month of enactment increased by a new conversion table as shown below:</p> <table data-bbox="873 541 1389 888"> <thead> <tr> <th data-bbox="873 541 1146 594">If present primary insurance amount is—</th> <th data-bbox="1165 541 1389 621">New primary insurance amount would be—</th> </tr> </thead> <tbody> <tr><td data-bbox="919 625 1146 646">\$25. 00.....</td><td data-bbox="1215 625 1297 646">\$30. 00</td></tr> <tr><td data-bbox="919 653 1146 674">\$35. 00.....</td><td data-bbox="1215 653 1297 674">40. 00</td></tr> <tr><td data-bbox="919 680 1146 701">\$42. 00.....</td><td data-bbox="1215 680 1297 701">47. 00</td></tr> <tr><td data-bbox="919 707 1146 728">\$52. 40.....</td><td data-bbox="1215 707 1297 728">57. 40</td></tr> <tr><td data-bbox="919 735 1146 756">\$60. 80.....</td><td data-bbox="1215 735 1297 756">66. 30</td></tr> <tr><td data-bbox="919 762 1146 783">\$66. 60.....</td><td data-bbox="1215 762 1297 783">73. 90</td></tr> <tr><td data-bbox="919 789 1146 810">\$72. 00.....</td><td data-bbox="1215 789 1297 810">81. 10</td></tr> <tr><td data-bbox="919 816 1146 837">\$77. 10.....</td><td data-bbox="1215 816 1297 837">88. 50</td></tr> <tr><td data-bbox="919 844 1146 865">\$81. 00.....</td><td data-bbox="1215 844 1297 865">93. 10</td></tr> <tr><td data-bbox="919 871 1146 892">\$85. 00.....</td><td data-bbox="1215 871 1297 892">98. 50</td></tr> </tbody> </table> <p>(Pp. 4, 12-13, 14-15, 52-56, 127-132.)</p>	If present primary insurance amount is—	New primary insurance amount would be—	\$25. 00.....	\$30. 00	\$35. 00.....	40. 00	\$42. 00.....	47. 00	\$52. 40.....	57. 40	\$60. 80.....	66. 30	\$66. 60.....	73. 90	\$72. 00.....	81. 10	\$77. 10.....	88. 50	\$81. 00.....	93. 10	\$85. 00.....	98. 50
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	<p>(2) Dependents given proportionate increases, subject to family maximum provisions.</p>	<p>(2) Dependents given proportionate increases, subject to family maximum provisions. (Pp. 15-16, 61-62, 100.)</p>																																								
E. Minimum primary insurance amount.	\$25	<p>\$30, after month following month of enactment. (Pp. 4, 15-16, 53, 127-130.)</p>																																								
F. Maximum family benefits.	<p>(1) The maximum amount payable on a single wage record is the lesser of \$168.75 or 80 percent of the insured person's average monthly wage. The 80-percent limitation, however, cannot reduce the total family benefits below \$45.</p> <p>(2) Reductions necessary to bring total family benefits within the applicable limitations are made proportionately against all benefits except the insured worker's benefit, which is never reduced.</p>	<p>(1) Dollar maximum raised to \$200. The 80-percent maximum cannot reduce total family benefits below the larger of \$50 or 1½ times the primary insurance amount. (Pp. 4, 16, 61-62, 100.)</p> <p>(2) Same as present law.</p>																																								
G. Dependents' and survivors' benefits.	(Subject to maximum limitations on total family benefits.)	(Subject to maximum limitations on total family benefits.)																																								
1. Wife or husband of old-age beneficiary.	½ of primary insurance amount.	Same as present law.																																								
2. Child of living old-age beneficiary.	½ of primary insurance amount.	Same as present law.																																								
3. Widow, widower, former wife divorced, or parent of deceased insured person.	¼ of primary insurance amount.	Same as present law, except minimum benefit is \$30 if individual is sole beneficiary entitled. (Pp. 4, 15, 64, 99.)																																								
4. Child of deceased insured person.	If only 1 child is entitled, ¼ of primary insurance amount. If more than 1 child entitled, each child gets ½ of primary insurance amount plus an equal share in an additional ¼ of primary insurance amount.	Same as present law, except minimum is \$30 if a child is sole beneficiary entitled. (Pp. 4, 15, 64, 99.)																																								
5. Lump-sum death payment.	3 times the primary insurance amount.	No change (P. 16.)																																								

V. BENEFIT AMOUNTS—Continued

Item	Present law	H. R. 9366
H. Retroactive application for benefits.	Benefits payable retroactively for 6 months prior to month of application.	Retroactive period extended to 12 months for application filed after month following month of enactment (but period may not extend back further than 5 months prior to month of enactment). (Pp. 71, 99.)
I. Recomputation of benefits after entitlement.	<p>Recomputation to take account of wages earned in 2 quarters preceding quarter of entitlement or death. (Initial computation based on earnings up to the second quarter preceding the quarter of death or entitlement—beginning of lag period.)</p> <p>Recomputation of benefit rate if individual has 6 quarters of coverage after 1950 and 12 benefit suspensions on account of work within a 3-year period after August 1950 and after last computation or recomputation.</p> <p>Individuals age 75 and over with 6 quarters of coverage after 1950 eligible for 1 recomputation to base benefits on earnings since 1950.</p>	<p>Recomputation to take account of earnings in year of death or entitlement. (Pp. 52, 59, 136-137.)</p> <p>Recomputation if individual has 6 quarters of coverage after 1950 and \$1,200 of earnings in calendar year after 1953 and after individual's last computation. Applies also for beneficiaries age 72 and over. (Pp. 5, 22-23, 56-57, 132-133.)</p> <p>Restriction deleted.</p>

VI. RETIREMENT TEST

	<ol style="list-style-type: none"> 1. Applies only to covered work. 2. Separate tests for employed and self-employed persons. <ol style="list-style-type: none"> (a) Employed persons: <p>No benefit is payable to a beneficiary under age 75 (or to any dependent drawing on his record) for any month in which he earns wages of more than \$75 in covered employment.</p> <p>Penalties imposed for failure to report wages of more than \$75 prior to accepting a benefit for the 2d month following the month in which the earnings occurred.</p> (b) Self-employed persons: <p>1 month's benefit is withheld from the beneficiary under age 75 (and from any dependent drawing on his record) for each unit of \$75 (or fraction thereof) by which annual covered net earnings exceed \$900. However, benefits are not withheld for any month in which the self-employed person did not render "substantial services" in a covered trade or business.</p> <p>Where the taxable year is less than 12 months, the basic exempt amount is reduced in proportion to the number of months in the taxable year.</p> 	<ol style="list-style-type: none"> 1. No change. (P. 19.) 2. Same annual test of earnings for both employed and self-employed persons. (Pp. 4, 18-19, 65-70, 100-107.) <p>1 month's benefit withheld from the beneficiary under age 72 (and from any dependent drawing on his record) for each unit of \$80 (or fraction thereof) by which annual earnings from covered employment and self-employment exceed \$1,200. However, benefits not withheld for any month during which the individual neither rendered services for wages in excess of \$80 nor rendered substantial services in a trade or business.</p> <p>Where the taxable year is less than 12 months, the basic exempt amount is reduced in proportion to the number of months in the taxable year.</p>
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VI. RETIREMENT TEST—Continued

Item	Present law	H. R. 9366
	<p>2. Separate tests for employed and self-employed persons—Continued</p> <p>(b) Self-employed persons—Continued</p> <p>Beneficiaries required to file annual reports of net earnings from self-employment in excess of \$75 times the number of months in the year. Reports must be filed on or before the 15th day of the 3d month following the close of the year. Penalties imposed for failure to file timely reports.</p> <p>Estimates of net earnings (and other information) may be requested from the beneficiary during the course of the year.</p> <p>Temporary suspensions of benefits may be made during the course of the year, until it is determined whether deductions apply.</p> <p>3. No test for noncovered work outside the United States.</p> <p>4. Benefits are not suspended because of work or earnings for months during which the beneficiary is age 75 or over.</p>	<p>2. Same annual test of earnings for both employed and self-employed persons—Continued</p> <p>Beneficiaries required to file annual reports of earnings in excess of \$1,200, or the proportionate amount for taxable years of less than 12 months. Penalties imposed for failure to file timely reports of earnings, unless the failure to file on time was for "good cause."</p> <p>Estimates of earnings (and other information) may be requested from the beneficiary during the course of the year.</p> <p>Temporary suspensions of benefits, similar to those now applicable to the self-employed, may be made during the course of a year until it is determined whether deductions apply.</p> <p>These provisions effective for taxable years beginning after 1954.</p> <p>3. Test for noncovered work outside the United States.</p> <p>Deductions made from the benefits for any month in which a beneficiary under age 72 engages in a noncovered remunerative activity (whether employment or self-employment) outside the United States on 7 or more calendar days. If deductions are made for any month for this reason, deductions also made from the benefits of any dependent drawing benefits on the basis of the individual's wage record.</p> <p>Provisions effective for months after December 1954.</p> <p>4. Benefits are not suspended because of work or earnings if beneficiary is age 72 or over. (Pp. 65, 100-101.)</p>

IX. DISABILITY "FREEZE"

<p>A. Effect of provision-----</p> <p>B. Eligibility requirements-----</p>	<p>No provision.</p> <p>(NOTE.—An inoperative provision similar to disability freeze in H. R. 9366 was included in sec. 3 of Public Law 590, Social Security Act amendments of 1952.)</p>	<p>When an individual for whom a period of disability has been established dies or retires his period of disability will be disregarded in determining his insured status and in figuring any benefits due him or his family.</p> <p>The dropout provision (see sec. V C) will apply after a period of disability has been excluded from consideration. (Pp. 20-22, 71-76, 137-139.)</p> <p>(1) An individual must be precluded from engaging in any substantial gainful activity by reason of a physical or mental impairment. The impairment must be medically determinable and one which can be expected to be of long-continued and indefinite duration or to</p>
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IX. DISABILITY "FREEZE"—Continued

Item	Present law	H. R. 9366
B. Eligibility requirements—Continued		<p>result in death. An individual is disabled, within the meaning of the law, if he is blind as that term is defined. (Pp. 20-22, 73-74, 137-139.)</p> <p>(2) A period of disability cannot be established unless it has lasted at least 6 full calendar months. (Pp. 21, 73, 138.)</p> <p>(3) To be eligible for the freeze, an individual must have acquired at least 20 quarters of coverage out of the last 40 calendar quarters ending with the quarter in which the period of disability begins. In addition he must have acquired 6 quarters of coverage out of the last 13 calendar quarters ending with the quarter in which the period of disability begins. (Pp. 20, 74, 139.)</p> <p>(4) He must be alive and still disabled at the time application for a disability freeze is filed. (Pp. 22, 73, 138.)</p>
C. Effective dates		<p>(1) Jan. 1, 1955, is the 1st day on which a disability "freeze" application may be accepted. The individual must be alive, however, on July 1, 1955, to establish a period of disability. (Pp. 22, 76, 139.)</p> <p>(2) July 1955 is the 1st month for which an individual can be paid a benefit computed with the exclusion of a period of disability. (Pp. 22, 76.)</p> <p>(3) All applications filed before July 1, 1957, are fully retroactive, insofar as the start of a period of disability is concerned, i. e., the period of disability extends from the earliest date on which the individual was disabled and met the quarters of coverage requirements described in B (3). (Pp. 22, 76, 139.)</p> <p>(4) For applications filed after June 30, 1957, retroactivity of the period of disability is limited to 1 year. (Pp. 73, 138.)</p>
D. Disability determinations.		<p>(1) The Secretary is directed to enter into contractual agreements under which State vocational rehabilitation agencies or other appropriate State agencies will make determinations of disability. (Pp. 21-22, 75, 151-152.)</p> <p>(2) The Secretary is authorized to make determinations of disability for individuals who are not covered by State agreements. (Pp. 22, 75, 152.)</p> <p>(3) The Secretary may, on his own motion, review a State agency determination that a disability exists and may, as a result of such review, find that no disability exists or that the disability began later than determined by the State agency. (Pp. 75, 151.)</p> <p>(4) Any individual who is dissatisfied with a determination, whether made by a State agency or by the Secretary, has the right to a hearing and to judicial review, as provided in present law. (Pp. 75, 151.)</p>

IX. DISABILITY "FREEZE"—Continued

Item	Present law	H. R. 9366
E. Administrative expenses.		Appropriations are authorized from the trust fund to reimburse State agencies for necessary costs incurred in making disability determinations. (Pp. 75, 152.) The policy of Congress is stated that disabled persons applying for the disability freeze be promptly referred to vocational rehabilitation agencies for necessary rehabilitation services. (Pp. 76, 152.) Technical amendments are included to permit using (a) wage credits for service in the Armed Forces and (b) railroad compensation, for purposes of determining an individual eligibility for a period of disability. (Pp. 74, 139, 141, 164-165.)
F. Rehabilitation.		
G. Military service credits and railroad compensation.		

X. FINANCING

A. Maximum taxable amount.	\$3,600 a year.			\$4,200 a year after 1954.				
B. Tax rates	Years	Employee	Employer	Self-employed	Years	Employee	Employer	Self-employed
	1951-53	1½%	1¼%	2¼%	1951-53	Same as present law.		
	1954-59	2	2	3	1954-59	Same as present law.		
	1960-64	2½	2½	3%	1960-64	Same as present law.		
	1965-69	3	3	4½	1965-69	Same as present law.		
	1970 and thereafter	3½	3½	4%	1970-74	3½%	3½%	5¼%
					1975 and thereafter	4	4	6
					(Pp. 5, 23-33, 89, 166-167.)			

PUBLIC ASSISTANCE

A. Temporary extension of 1952 matching formula.	<p>Temporary increase in Federal matching shares for State public assistance programs expires Sept. 30, 1954.</p> <p>Under such temporary increase, formula for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is ¼ of the 1st \$25 of a State's average monthly payment plus ½ of the remainder up to a maximum of \$55.</p> <p>Under such temporary increase, formula for aid to dependent children is ¼ of the 1st \$15 of a State's average monthly payment plus ½ of the remainder within individual maximums of \$30 for the adult, \$30 for the 1st child, and \$21 for each additional child in a family.</p>	Expiration date postponed until Sept. 30, 1956. (Pp. 5, 33, 92-93, 94-96.)
B. Temporary extension of special 1950 provisions relating to State aid-to-the-blind plans.	Temporary provision for approval of certain State plans for aid to the blind which do not meet requirements of clause 8 of sec. 1002 (a) of Social Security Act (relating to consideration of income and resources in determining need) expires June 30, 1955.	Expiration date postponed until June 30, 1957. (Pp. 5, 33, 92.)



July 20, 1954

Dear Mr. Chairman:

This letter is in response to your request of June 4, for a report on H.R. 9366, a bill "To amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes."

The Department strongly endorses the basic provisions of H.R. 9366, which provide much-needed improvements in the protection afforded by the old-age and survivors insurance program. These provisions, which we supported in testimony before your Committee on this bill, include: (1) extension of coverage to most groups now outside the system; (2) elimination of up to five years in which the worker's earnings are lowest (or he has no earnings) in computing the average monthly wage so that benefits of the newly covered as well as those previously covered will more nearly reflect their usual earnings; (3) modification of the insured status requirements to enable newly covered older workers to become fully insured during a temporary period after enactment of the bill when they could not otherwise meet present requirements for fully insured status; (4) an increase in the maximum creditable earnings from \$3600 to \$4200 a year to take account of the rise in earnings levels; (5) a revised benefit formula to bring benefits in line with current economic conditions; (6) improvement of the retirement test by placing it on an annual basis for combined wage and self-employment earnings and by raising the exempt amount; and (7) protection of the benefit rights of persons with a total and extended disability.

The amendments made by this bill would very substantially carry out the recommendations of the President and this Department. H.R. 9366 does, however, differ in some aspects from the recommendations under the President's program. The Department wishes to offer special comment on the following points:

In two areas, the coverage provisions of H.R. 9366 are more restrictive than the President's recommendations. First, H.R. 9366 would cover farm workers on the basis of cash wages of \$200 or more in a year from one employer, rather than on the basis of cash wages of \$50 in a quarter from an employer. The annual test is more restrictive than the quarterly test. It would exclude a large number of migratory workers who, although working regularly, do not work for an extended period for any employer. In our judgment the broader coverage which our original recommendation would provide is feasible and is to be preferred.

Secondly, H.R. 9366 is more restrictive in that it would continue the exclusion of self-employed physicians. There is no question as to the administrative feasibility of covering physicians. Moreover, the desirability of retirement and survivor protection for this group is comparable to that in the case of other self-employed groups who would be covered under H.R. 9366 and of the self-employed and the wage earners who are now covered under the law. We strongly recommend, therefore, that self-employed physicians be covered by old-age and survivors insurance.

H.R. 9366 also makes certain amendments in the benefit provisions recommended by the President. These amendments place a maximum of \$255 on the lump sum payable on the worker's death; raise the minimum monthly benefit to \$30 where only one survivor beneficiary is entitled; raise the maximum family benefit from \$168.75 to \$200 (instead of \$190); and provide that where family benefits must be reduced to bring them to 80 percent of the worker's average monthly wage, the reduction could not bring family benefits below the larger of \$50 or 1 1/2 times the worker's primary insurance amount.

Although the provisions for making the \$30 minimum applicable to single survivors, and for the \$200 maximum on family benefits would add slightly to overall program costs, the differences are small. The Department would not oppose these amendments nor the amendment limiting the lump sum to \$255. We would not, however, favor the exception to the principle of the 80 percent maximum which the guarantee of 1 1/2 times the primary insurance amount would bring about.

H.R. 9366 would add three provisions not included in the President's original recommendations, with respect to payments of benefits abroad and in the case of certain aliens.

First, benefits for an insured worker's dependents or survivors would not be payable while they are residing outside the United States unless they met certain requirements as to prior residence in the United States, or unless the insured person on whose record the benefits were payable was currently insured at death or first eligibility for old-age benefits on the basis of military wage credits or employment outside the United States. We do not believe the place of residence of the dependents or survivors of an insured worker should be a criterion resulting in loss of the protection available to them on the basis of a wage record legally acquired and contributions paid. The Department therefore recommends against enactment of this provision.

Second, earnings during periods of unlawful residence could not be used in the determination of an individual's insured status or benefit amounts. While the Department endorses the objective of this amendment, after some study we have concluded that the administrative burden that would be involved would be disproportionate to the results obtained. In 1953, for example, about 900,000 notifications would have been received from the Attorney General as to persons illegally in this country who departed voluntarily under proceedings.* With respect to many of these persons, it will be difficult or impossible to identify them for the purpose of deleting their earnings. Almost all of these are Mexican nationals, most of whom are migrant agricultural laborers who would have little or no coverage under the system during their stay here. Only a very few were working in trade or industry when they were apprehended. Hence, most of those who depart voluntarily will not have achieved insured status under the old-age and survivors insurance program.

We believe the objective that no benefits be paid on the basis of earnings during periods of unlawful residence can be substantially realized without the administrative burdens which would result from enactment of the provision in the bill. This result could be achieved if earnings during unlawful residence were deleted from the wage record only in those cases in which notification is received from the Attorney General that the individual has been deported.

Third, no benefits would be paid on the earnings record of an individual who is deported because of illegal entry, conviction of a crime, or subversive activity. We have no objection to this provision as it applies to the deported individual. In the case of his dependents and survivors who are legally in this country and remain here, however, we believe they should not be penalized by reason of his action except, of course, to the extent that their benefits may be lost or reduced by deletion of this earnings during the period when he

* These figures and related factual data were not presented to the House Ways and Means Committee, since they had not been developed at the time the amendment in question was proposed in executive session.

was unlawfully resident here. Therefore, we propose that the dependents and survivors of the deported individual should not have their benefit rights terminated if they remain in this country.

We wish to call your attention to an anomalous situation, undoubtedly inadvertent, with respect to the deportation provision as now drafted. As this provision is now written, all benefit rights including those of dependents and survivors would be terminated when it is the worker who is deported, but deported persons who were eligible for benefits as dependents or survivors of non-deported workers could continue to be paid. We believe that benefits should be terminated whenever an individual beneficiary is deported, whether it is the worker himself or the dependent or survivor.

To finance the increased costs arising out of the amendments to the old-age and survivors insurance program proposed by the Administration, the President had recommended an increase in the scheduled contribution rates for employers and employees from 3 1/4 percent to 3 1/2 percent each in 1970 and thereafter. Under H.R. 9366 further action is taken to increase the rates by providing that for 1975 and thereafter employers and employees would each pay 4 percent. (Corresponding changes would be made for the self-employed.) This action was designed to take account of extra costs under H.R. 9366 and also of the fact that the latest actuarial estimates for the present system, when projected to the year 2050, indicate a slight imbalance in the financing of the present program. Future experience may indicate that the system could remain self-supporting on the basis of a lower schedule of rates. It is a matter of judgment, of course, as to whether action should be taken now to raise the 1975 rates. We agree that the utmost care should be exercised to keep the system in actuarial balance and believe the House action is justifiable.

The provisions of the Social Security Act Amendments of 1952 with respect to temporary increases in Federal payments to States for old-age assistance, aid to the blind, aid to dependent children, and aid to the permanently and totally disabled, now scheduled to expire on September 30, 1954, would be extended through September 30, 1955 by H.R. 9366. We believe in the desirability of a temporary extension of the 1952 provisions. However, since the budgets of most States and the Federal Government are on a fiscal year basis ending on June 30 of each year, we believe that it would be in the interest of orderly and efficient budgeting and administrative planning to extend the present public assistance provisions until June 30, 1955.

Under the present old-age assistance matching formula, the Federal Government, out of general revenues, matches on a 50-50 basis that part of old-age assistance payments which exceeds \$25, up to the maximum of \$55. If the old-age and survivors insurance benefits are increased and coverage made virtually universal as proposed in the bill, it would seem reasonable in those old-age assistance cases where the individual is receiving a Federal old-age and survivors insurance benefit that all matching of supplementary payments from the general revenues of the Federal Government be at the 50-50 rate rather than at the higher rates applicable to the first \$25 of old-age assistance payment. We recommend such a change in the matching formula for old-age assistance cases coming on the rolls after December 31, 1954, where the individual also receives old-age and survivors insurance. We recommend that the Committee give favorable consideration to this proposal for an integrated approach to those two programs. *

At the appropriate time in the consideration of this bill by your Committee, we have certain perfecting amendments and suggestions for minor changes which we would like to submit for your consideration.

The Bureau of the Budget advises that enactment of H.R. 9366 with the modifications suggested above would be in accord with the program of the President.

Sincerely yours,

/S/ Oveta Culp Hobby

Secretary

Hon. Eugene D. Millikin
Chairman, Committee on Finance
United States Senate

* It should be noted that an Administration proposal to achieve this objective (of an integrated approach) is contained in H.R. 7200, which has not been acted on by the House Ways and Means Committee.

**BILL AND RESOLUTION PASSED
OVER**

The bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code, so as to extend coverage under the Old-Age and Survivors' Insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes, was announced as next in order.

Mr. SMATHERS. Over.

The PRESIDING OFFICER. The bill will be passed over.

SOCIAL SECURITY AMENDMENTS
OF 1954

Mr. KNOWLAND. Mr. President, merely in order to make the social-security bill the unfinished business, I now move that the Senate proceed to the consideration of Calendar No. 2004, House bill 9366, amending the Social Security Act and the Internal Revenue Code, and for other purposes. Notice has previously been given of the proposed consideration of the bill, and I have consulted about it with the minority leader. We shall not ask to have the Senate proceed further with the bill today, after it has been made the unfinished business.

The PRESIDING OFFICER. The bill will be read by title for the information of the Senate.

The CHIEF CLERK. A bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from California.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Finance with amendments.

SOCIAL SECURITY AMENDMENTS
OF 1954

The Senate resumed the consideration of the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code, so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

Mr. WILLIAMS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. WILLIAMS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MILLIKIN. Mr. President, H. R. 9366, as amended by the Committee on Finance, is designed to improve the old-age and survivors insurance system—the system which President Eisenhower has called “the cornerstone of the Government’s programs to promote the economic security of the individual.”

In his message to Congress of January 14, 1954, the President recommended the expansion and improvement of old-age and survivors insurance and the preservation of the basic principles of the system. He cited two principles as the most important. These are:

First. The contributory aspect of the system under which the worker and his employer make payments during the years of active work, and

Second. The benefits received are related in part to the individual’s earnings.

The provisions of the pending bill follow the President’s recommendations.

Contributory social insurance continues to be basic in our governmental system for affording protection against the economic hazards resulting from old age and premature death. In my opinion, it is in the public interest for us to expand and improve the existing program which has been in operation since 1937.

Currently about 6½ million individuals—more than 5 million of whom are past 65 years of age—are on the benefit rolls. Studies conducted by the Bureau of Old-Age and Survivors Insurance indicate that a vast majority of the beneficiaries depend upon their monthly old-age and survivors insurance benefits to meet their day-by-day living expenses. If it were not for the contributory social insurance system, many of these beneficiaries would have to turn to public assistance for at least part of their bread and butter, shelter, and health needs.

In 1950 when I supported the 1950 Social Security Act amendments, I said:

History shows that as a nation becomes predominantly industrial, less and less security for more and more people is to be found in the cellar. The close ties of most people in less complicated agrarian economies with

SOCIAL SECURITY AMENDMENTS
OF 1954

The PRESIDING OFFICER (Mr. PURTELL in the chair). The Chair lays before the Senate the unfinished business, H. R. 9366.

The Senate resumed the consideration of the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code, so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

SOCIAL SECURITY AMENDMENTS OF
1954

The Senate resumed the consideration of the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code, so as to extend coverage under the old age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

Mr. MILLIKIN obtained the floor.

Mr. MARTIN. Mr. President, will the Senator from Colorado yield for a unanimous-consent request?

Mr. MILLIKIN. I yield.

the protection and sustaining power of the land are severed and security must be found in the pay envelope, in the ability of the worker to buy his security from that which is in his pay envelope, and which by the nature of his employment in industrial areas cannot be found in the cellar.

Perfectionist theories for preserving individual security are shattered as to millions of people away from the land, due to the preventable and unpreventable disasters to payrolls caused by cyclical swings and numerous types of maladjustment in the economy, and often due to plain human frailty or catastrophic personal tragedies—all beyond the cure of lectures and stern admonitions by our Spartanists. The wide-scale junking of workers in mass-production industries even before middle age has been reached may prove too much even for the most rugged of the rugged individualists.

There are several principal reasons which justify our support of the contributory social insurance system. The reasons include:

Benefits are provided as a matter of right without a means test—a test which I have always disliked.

The cost is met by the production of the worker and his employer through the payroll tax or, if he is self-employed, the self-employment tax, and thus assuring a continuing interest in the program on the part of management, labor, and the general public.

The enactment of H. R. 9366 would improve old-age and survivors insurance so that in most respects the system would afford the protection recommended by the Advisory Council on Social Security to the Committee on Finance, appointed in 1947 pursuant to a Senate resolution adopted by the 80th Congress. This resolution was sponsored jointly by the senior Senator from Georgia and by the junior Senator from Colorado, and it directed the Senate Finance Committee "to make a full and complete investigation of old-age and survivors insurance and all other aspects of the existing social-security system particularly in respect to coverage, benefits, and taxes relative thereof."

The Council consisted of 17 men and women of high standing, broad experience, and especially qualified to protect the interests of the worker, employer, and the public. The late Edward R. Stettinius, Jr., then rector of the University of Virginia and formerly Secretary of State, was the chairman, and Dr. Sumner H. Slichter, Lamont University professor, was the cochairman.

The findings and recommendations of the Advisory Council were very helpful to your committee in formulating the 1950 Social Security Act amendments. Again this year, in determining policy decisions before the committee, in connection with the pending bill, the findings of the Council were taken into consideration. I am happy to state that the pending bill, along with the 1950 social security amendments, would carry out nearly all the recommendations made by the Council regarding old-age and survivors insurance. The major omission in the bill, when measured against the old-age insurance program recommended by the Council, relates to coverage.

Farm operators and the self-employed members of the professions excluded under present law would not be covered

by H. R. 9366. In considering the extension of coverage to additional groups, your committee was guided by both the administrative feasibility of coverage and the wishes of the members of these groups as expressed by their spokesmen in testimony before the committee. Your committee found that there was a division of opinion among farm operators and the professional self-employed.

In the interest of securing as broad coverage as possible under the program, consideration was given to the possibility of allowing individuals working in such occupations to elect coverage on a voluntary basis. In this way the problem of diverse opinion on entrance into the program could have been resolved. Your committee concluded, however, that extension of coverage on an individual voluntary basis involved grave dangers with respect to the financing of the system, as well as discrimination against the great majority of workers covered under the program on a compulsory basis. Therefore when the committee found that substantial agreement did not exist among representatives of farmers and self-employed professionals as to whether they desired to be covered, the committee concluded that it would be wiser to continue the exclusion of these groups rather than allow the election of coverage as to individuals.

The old-age and survivors insurance system contains benefit provisions which allow for the payment of benefits in individual cases that are considerably in excess of the value of the contributions paid. Thus workers retiring in the early years after their coverage under the program started are permitted to draw full-rate benefits on the basis of a short period of work and contributions. Also, the survivors' insurance protection to individuals with large families is especially valuable. These provisions are necessary to the effective fulfillment of the purposes of the system in preventing dependency. They would, however, make the program vulnerable to adverse selection if coverage were to be made available on the basis of individual choice. Those who would elect coverage under a voluntary option are primarily those who could expect the largest return for a relatively small contribution. The deficit in their contributions would have to be made up by increasing the contribution rate for the covered groups as a whole. The result would be that those who are compulsorily covered along with their employers would have to bear a large part of the cost of the difference between what the select group pays and what it receives.

Your committee is convinced that the compulsory character of the system must be preserved, and that in the absence of overriding considerations of a special character, as is present in the case of members of the clergy, any extension of coverage must be on a mandatory basis with respect to individuals.

There are many provisions in the pending bill which I should like to discuss in detail and emphasize their importance for the economic security of American families. However, in order to conserve time, and as each Member of the Senate has not only been fur-

nished the committee report—No. 1987—which consists of 183 pages, but also a document entitled "Major Differences in the Present Social Security Law and H. R. 9366 as Reported by the Committee on Finance," I shall summarize the principal provisions in the bill.

The provisions relating to old-age and survivors insurance would broaden coverage, bring benefits more in line with present-day price and wage levels, prevent reduction in benefits for workers who because of total disability cannot continue to work, and liberalize the existing retirement test so as to allow beneficiaries greater freedom to accept part-time or seasonal employment.

In summary the principal old-age and survivors' insurance provisions are:

First. Extension of coverage: Old-age and survivors' insurance coverage would be afforded to approximately 7 million persons who work during the course of a year in jobs now excluded from the program. The groups brought into the program under the bill are as follows:

(a) Employees of State and local governments who are covered by State and local retirement systems, other than policemen and firemen, under voluntary agreements between the State and the Federal Government, if a majority of the members of the system vote in a referendum in favor of coverage. There are about 3.5 million of those persons.

(b) Farmworkers who are paid at least \$50 in cash wages by one employer in a calendar quarter. There are about 2.6 million of those persons.

(c) Domestic workers in private homes (and others who perform work not in the course of the employer's trade or business) who are paid \$50 in cash wages by an employer in a calendar quarter, regardless of the 24-day test required in the present law. There are about 250,000 persons in that category.

(d) Ministers and members of religious orders, whether self-employed or employees, if they elect individually for coverage as self-employed persons. There are about 260,000 of those persons.

That is the group to which I referred a while ago, who labor under special circumstances, which caused the committee to feel that they should be considered a justified exception.

(e) American citizens employed outside the United States by foreign subsidiaries of American companies. Under voluntary agreements between the Federal Government and the parent American concern there are about 100,000 citizens affected by this provision.

(f) Homeworkers who are now excluded from coverage as employees—whether or not they are now covered as self-employed persons—because their services are not subject to State licensing laws. There are about 100,000 of those persons.

(g) Employees engaged in fishing and related activities, on vessels of 10 net tons or less or on shore. There are about 50,000 persons affected by this provision.

(h) American citizens employed by American employers on vessels and aircraft of foreign registry. There is a very small number of those.

Second. Computation of average monthly wage: Up to 5 years in which earnings were lowest or nonexistent could be dropped from the computation of the average monthly wage.

Third. Earnings base: The total annual earnings on which benefits would be computed and contributions paid would be raised from \$3,600 to \$4,200.

Fourth. Increase in benefits: (a) More than 6.5 million persons now on the benefit rolls would have their benefits increased. The average increase for retired workers would be about \$6 a month with proportionate increases for dependents and survivors. The range in primary insurance amounts for those now on the rolls would be \$30 to \$98.50 as compared to \$25 to \$85 under present law.

(b) Persons who retire or die in the future would, in general, have their benefits computed by the following new formula: 55 percent of the first \$110 of average monthly wage, rather than \$100 as in the present law, plus 20 percent of the next \$240, rather than 15 percent of the next \$200. Under this formula, the maximum monthly benefit for a retired worker would be \$108.50 and \$54.25 for his aged wife, or a total of \$162.75.

(c) The maximum monthly family benefit of \$168.75 would be increased to \$200.

(d) The minimum monthly benefit amount for a retired worker would be \$30, and the minimum amount payable where only one survivor is entitled to benefits on the deceased insured person's earnings, would be \$30.

Fifth. Limitation on earnings of beneficiaries: The earnings limitation would be removed at age 72. For beneficiaries under age 72 the earnings limitation would be made the same for wage earners and self-employed persons. A beneficiary could earn as much as \$1,200 in a year from covered work without loss of benefits. He would lose 1 month's benefit for each unit of \$80, or fraction thereof, of covered earnings in excess of \$1,200, but in no case would he lose benefits for months in which he neither earned more than \$80 in wages nor rendered substantial services in self-employment.

Mr. MORSE. Mr. President, will the Senator yield for a question at that point?

Mr. MILLIKIN. I yield.

Mr. MORSE. What does that represent by way of a change from the previous provisions?

Mr. MILLIKIN. At the present time, the age limit is 75. This brings the age limit down to 72.

Mr. MORSE. What is the change as to the amount?

Mr. MILLIKIN. As to the amount it is \$75 a month, which is the key amount.

A beneficiary could earn as much as \$1,200 a year from covered work without loss of benefits. He would lose 1 month's benefit for each unit of \$80 or fraction thereof of covered earnings in excess of \$1,200. In other words, he could earn up to \$1,200.

Mr. MORSE. That is the new provision?

Mr. MILLIKIN. Yes.

Mr. MORSE. In contrast to the old provision.

Mr. MILLIKIN. \$75 is the present law. Thank you, sir.

Mr. MORSE. Thank you.

Mr. MILLIKIN. Beneficiaries engaged in noncovered work outside the United States would have their benefits withheld for any month in which they worked on 7 or more days.

Sixth. Eligibility for benefits: (a) As an alternative to the present requirements for fully insured status, an individual would be fully insured if all the quarters elapsing after 1954 and up to the quarter of his death or attainment of age 65 were quarters of coverage, provided he had at least 6 quarters of coverage after 1954.

Seventh. Preservation of benefit rights for disabled: The period during which an individual was under an extended total disability would be excluded in determining his insured status and the amount of benefits payable to him upon retirement or to his survivors in the event of his death. Only disabilities lasting more than 6 months would be taken into account. Determinations of disabilities generally would be made by State vocational rehabilitation agencies or other appropriate State agencies pursuant to agreements with the Secretary of Health, Education, and Welfare.

Eighth. Recomputation of benefits for work after entitlement: An individual may have his benefit recomputed to take into account additional earnings after entitlement if he has covered earnings of more than \$1,200 in a calendar year after 1953 and after the year in which his benefit was last computed.

Ninth. Contribution rates: Employers and employees will continue to share equally, with the rates on each being as follows:

Calendar years:	Rate (percent)
1954-59.....	2
1960-64.....	2½
1965-69.....	3
1970-74.....	3½
1975 and after.....	4

The self-employed would pay 1½ times the above rates.

Although the pending bill relates primarily to the old-age and survivors program your committee has not been unmindful of the needs of the recipients of the State-Federal public assistance programs.

The bill extends through September 30, 1956, the provisions of the 1952 amendments—presently scheduled to expire on September 30, 1954—with respect to Federal payments to States for public-assistance programs.

That relates, in a word, to what we call the McFarland amendment.

Until that date, the Federal share in old-age assistance, aid to the blind, and aid to the permanently and totally disabled will continue to be four-fifths of the first \$25 of a State's average monthly payment per recipient, plus one-half of the remainder, within individual maximums of \$55. For aid to dependent children the Federal share will be four-fifths of the first \$15 of a State's average monthly payment per recipient, plus one-half of the remainder within individual

maximums of \$30 for the adult, \$30 for the first child, and \$21 for each additional child in a family.

In making this recommendation for the State-Federal public assistance programs your committee was of the opinion that by September 30, 1956, sufficient time would elapse to enable the Congress to give consideration to basic amendments in the Federal matching formulas.

The cost of continuing the increased Federal payments is about \$400 million for the 24-month period.

By having the Federal Government continue to provide the extra Federal matching initiated in 1952, the States should be able to meet adequately the needs of State-Federal public assistance recipients. I should like to remind my colleagues that the liberalizations contained in the provisions in the bill relating to the old-age and survivors insurance will decrease the number of individuals who will require public assistance payments.

I urge the adoption of the measure before us.

Mr. President, I ask unanimous consent that the committee amendments be agreed to en bloc, and that the bill as amended be considered as the original text, for the purpose of further amendment.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request?

The Chair hears none, and it is so ordered.

The amendments agreed to en bloc are as follows:

On page 3, line 7, after the word "calendar" to strike out "year" and insert "quarter"; at the beginning of line 9, to strike out "year" and insert "quarter"; in line 10, after the word "than" to strike out "\$200" and insert "\$50"; after line 12, to insert:

"(1) (A) Service performed 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;"

At the beginning of line 17, to strike out "(1)" and insert "(B)"; on page 4, after line 17, to strike out:

"CERTAIN FEDERAL EMPLOYEES

"(c) (1) Subparagraph (B) of the paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (6) is amended—

"(A) by inserting 'by an individual' after 'Service performed', and by inserting 'and if such service is covered by a retirement system established by such instrumentality;' after 'December 31, 1950,';

"(B) by inserting 'a Federal Home Loan Bank,' after 'a Federal Reserve Bank,' in clause (ii); and

"(C) by striking out 'or' at the end of clause (iii), by adding 'or' at the end of clause (iv), and by adding at the end of the subparagraph the following new clause:

"(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 the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard;"

"(2) Subparagraph (C) of such paragraph is amended to read as follows:

"(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 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

"(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 the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system (other than the retirement system of the Tennessee Valley Authority);

"(3) Section 205 (p) (3) of such Act is amended by adding at the end thereof the following new sentence: "The provisions of paragraphs (1) and (2) shall be applicable also in the case of 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 the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of paragraphs (1) and (2) the Secretary of the Treasury shall be deemed to be the head of such instrumentality."

"MINISTERS

"(d) (1) The paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (8) is amended to read as follows:

"(8) (A) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6) of the Internal Revenue Code, other than 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; but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 1426 (1) (1) of the Internal Revenue Code, is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section, or (ii) who became an employee of such organization after the certificate was filed and after such period began;

"(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6) of the Internal Revenue Code, 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; but this subparagraph shall not apply to service performed by a duly ordained, commissioned, or licensed minister of a church or a member of a religious order, other than a member of a religious order who has taken a vow of poverty as a member of such order, during the period for which a certificate, filed pursuant to section 1426 (1) (2) of the Internal Revenue Code, is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section, or (ii) who became an employee of such organization after the certificate was filed and after such period began;".

"(2) Section 211 (c) of such Act is amended by striking out paragraph (4).

"(3) Nothing in subsection (a) of section 210 of the Social Security Act, as amended by this Act, or in subsections (b) and (1) of section 1426 of the Internal Revenue Code, as so amended, shall be construed to mean that any minister is an employee of an organization for any purpose other than the purposes of such sections."

At the top of page 9, to insert:

"MINISTERS

"(c) (1) Paragraph (2) of subsection (c) of section 211 of the Social Security Act is amended by inserting "and other than service described in paragraph (4) of this subsection" after "eighteen".

"(2) Such subsection is further amended by adding at the end thereof the following new sentence: "The provisions of paragraph (4) 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 during the period for which a certificate filed by such individual under section 1402 (e) of the Internal Revenue Code of 1954 is in effect."

At the beginning of line 15, to strike out "(e)" and insert "(d)"; at the beginning of line 21, to strike out "(f)" and insert "(e)"; at the top of page 10, to strike out:

"FARMERS AND PROFESSIONAL SELF-EMPLOYED

"(g) (1) Subsection (a) of section 211 of the Social Security Act is amended by striking out paragraph (2) and redesignating paragraphs (3), (4), (5), (6), and (7), and any references thereto contained in such Act, as paragraphs (2), (3), (4), (5), and (6), respectively, and by adding at the end of such subsection the following new sentence: "In the case of any trade or business which is carried on by an individual who reports his income on a cash receipts and disbursements basis, and in which, if it were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f), (1) if the gross income derived from such trade or business by such individual is not more than \$1,800, the net earnings from self-employment derived by him therefrom may, at his option, be deemed to be 50 per centum of such gross income in lieu of his net earnings from self-employment from such trade or business computed as provided under the preceding provisions of this subsection, or (ii) if the gross income derived from such trade or business by such individual is more than \$1,800 and the net earnings from self-employment derived by him therefrom, as computed under the preceding provisions of this subsection, are less than \$900, such net earnings may instead, at the option of such individual, be deemed to be \$900. For the purpose of the preceding sentence, gross income derived from such trade or business shall mean 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 preceding provisions of this subsection."

"(2) Paragraph (1) of such section 211 (a) is amended to read as follows:

"(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;".

"(3) The paragraph of such section 211 (a) herein redesignated as paragraph (3) is amended by striking out 'cutting or disposal of timber' and inserting in lieu thereof 'cutting of timber, or the disposal of timber or coal;'.

"(4) Section 211 (c) of such Act is amended by striking out paragraph (5), by inserting 'or' at the end of paragraph (3), and by adding after paragraph (3) the following new paragraph:

"(4) The performance of service by an individual in the exercise of his profession as a physician, or the performance of such service by a partnership."

At the top of page 12, to insert:

"COAL ROYALTIES

"(f) Paragraph (4) of section 211 (a) of the Social Security Act is amended by striking out 'cutting or disposal of timber' and inserting in lieu thereof 'cutting of timber, or the disposal of timber or coal;'. "

At the beginning of line 8, to strike out "(h)" and insert "(g)"; in line 9, after the word "Exclusion" to strike out "Of" and insert "of"; in line 10, after the word "by" to strike out "striking out 'on the date such agreement is made applicable to such coverage group'" and inserting in lieu thereof "either (A) on the date such agreement is made applicable to such coverage group, or (B) on the date of the 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 the 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))." and insert "adding at the end thereof the following sentence:"; in line 23, after the amendment just above stated, to strike out "The" and insert "The"; on page 13, line 5, to strike out "system." and insert "system."; after line 5, to insert:

"(B) Such section 218 (d) is amended by striking out 'on the date such agreement is made applicable to such coverage group' and inserting in lieu thereof '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)).'"

On page 14, line 19, after "(C)" to strike out "Ninety" and insert "Not less than ninety"; in line 23, after the word "him" to insert "and"; on page 15, at the beginning of line 1, to strike out "such referendum" and insert "favor of including service in such positions under an agreement under this section"; in line 2, after the amendment just above stated, to strike out the semicolon and "and"; after line 2, to strike out:

"(F) Two-thirds or more of the employees who voted in such referendum voted in favor of including service in such positions under an agreement under this section."

In line 24, after the word "after" to strike out "any prior" and insert "the last previous"; on page 17, line 19, after the word "to" to strike out "each political subdivision" and insert "any one or more of the political subdivisions"; in line 23, after the word "State" to insert "or with respect to the State and any one or more of the political subdivisions concerned. 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 be deemed to be a separate retirement system for the employees of each such institution of higher learning. For the purposes of this paragraph, the term 'institutions of higher learning' includes junior colleges and teachers' colleges." on page 21, line 19, after the

word "subsection", to insert "other than paragraph (1) (B)"; in the subhead beginning in line 21, after the word "Units" to insert "And Certain State Inspectors"; in line 23 to change the subsection letter from "(i)" to "(h)"; on page 22, after line 8, to insert:

"(2) Effective January 1, 1955, such paragraph is further amended by adding after the sentence added by paragraph (1) of this subsection the following new sentence: '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.'

In line 22, to change the subsection number from "(2)" to "(3)"; on page 23, after line 5, to insert:

"CERTAIN EMPLOYEES OF THE STATE OF UTAH

"(1) Effective as of January 1, 1951, section 218 of the Social Security Act is amended by adding after subsection (n) (added by subsection (g) (8) of this section) the following new subsection:

"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."

On page 24, at the beginning of line 20, to strike out "shall be deemed to have been imposed, but only for purposes of determining whether, on the basis of an application filed after the month in which this Act is enacted and prior to January 1, 1956, any person is entitled to a recomputation, under section 215 (f) of the Social Security Act, of the primary insurance amount of the individual who performed such services. For purposes of any such recomputation the individual who performed such services shall be deemed to have filed an application for recomputation in the month for which the last of the deductions is deemed to have been made under this paragraph, or in the first month thereafter (and prior to the month in which this Act is enacted) in which his benefits under section 202 (a) of the Social Security Act were no longer subject to deductions under paragraph (1) or (2) of section 203 (b) of such Act, whichever results in a higher primary insurance amount for such individual. Any such recomputation shall be made as provided in the Social Security Act prior to the enactment of this Act, and shall be effective for and after the month in which the application referred to in the first sentence of this paragraph is filed. This paragraph shall not be applicable in the case of any such individual if his primary in-

urance amount has been recomputed under section 215 (f) (2) of the Social Security Act prior to the month in which this Act is enacted," and insert "shall be deemed to have been imposed, but only for purposes of section 215 (f) (2) (A) or section 215 (f) (4) (A) of such Act as in effect prior to the enactment of this Act. An individual with respect to whose services the preceding sentence is applicable, or in the case of his death, his survivors entitled to monthly benefits under section 202 of the Social Security Act on the basis of his wages and self-employment income, shall be entitled to a recomputation of his primary insurance amount under such section 215 (f) (2) (A) or section 215 (f) (4) (A), as the case may be, if the conditions specified therein are met and if, with respect to a recomputation under such section 215 (f) (2) (A), such individual files the application referred to in such section after August 1954 and prior to January 1956 or, with respect to a recomputation under such section 215 (f) (4) (A), such individual died prior to January 1956 and any of such survivors entitled to monthly benefits files an application, in addition to the application filed for such monthly benefits, for a recomputation under such section 215 (f) (4) (A).

"(2) For purposes of a recomputation made by reason of paragraph (1) of this subsection, the primary insurance amount of the individual who performed the services referred to in such paragraph shall be computed under subsection (a) (2) of section 215 of the Social Security Act, as amended by this Act (but, for such purposes, without application of subsection (d) (4) of such section, as in effect prior to the enactment of this Act or as amended by this Act) and as though he became entitled to old-age insurance benefits in whichever of the following months yields the highest primary insurance amount:

"(A) the month following the last month for which deductions are deemed, pursuant to paragraph (1) of this subsection, to have been made; or

"(B) the first month after the month determined under subparagraph (A) (and prior to September 1954) in which his benefits under section 202 (a) of the Social Security Act were no longer subject to deductions under section 203 (b) of such Act; or

"(C) the first month after the last month (and prior to September 1954) in which his benefits under section 202 (a) of the Social Security Act were subject to deductions under section 203 (b) of such Act; or

"(D) the month in which such individual filed his application for recomputation referred to in paragraph (1) of this subsection or, if he died without filing such application and prior to January 1, 1956, the month in which he died, and in any such case (but, if the individual is deceased, only if death occurred after August 1954) the amendments made by subsections (b) (1), (e) (1) and (e) (3) (B) of section 102 of this Act shall be applicable.

"Such recomputation shall be effective for and after the month in which the application required by paragraph (1) of this subsection is filed. The provisions of this subsection shall not be applicable in the case of any individual if his primary insurance amount has been recomputed under section 215 (f) (2) of the Social Security Act on the basis of an application filed prior to September 1954."

On page 28, line 4, to change the subsection number from "(2)" to "(3)"; in line 23, after the word "section" to strike out "1426 (m)" and insert "3121 (1)"; in line 24, after the word "Code" to insert "of 1954"; on page 29, line 1, after the word "section", to strike out "3797 (a)" and insert "7701"; in the same line, after the word "Code" to insert "of 1954"; in line 3, after the word "section" to strike out "1426 (m)" and insert "3121 (1)"; in line 4, after the word

"Code" to insert "of 1954"; in line 7, after the word "by" to strike out "paragraph (3) of"; in line 8, after the word "subsection" to strike out "(g)" and insert "(f)"; at the beginning of line 10, to strike out "paragraphs (1), (2), and (4) of such subsection and by paragraph (2) of"; in line 11, after the word "subsection" to strike out "(d)" and insert "(c)"; in line 20, after the numerals "1954," to strike out "The amendment made by paragraph (3) of subsection (c) shall become effective January 1, 1955."; in line 23, after the word "subsections" to insert "(g)"; on page 30, line 1, after the word "by" to strike out "paragraphs (1), (2), and (4) of subsection (g) and by paragraph (2) of subsection (d)" and insert "subsection (c) of this section"; in line 4, after the word "to" to insert "net earnings from"; in the same line, after "self-employment" to strike out "income"; in line 5, after the word "of" to insert "net earnings from"; in line 6, after "self-employment", to strike out "income"; in line 11, after the word "subsection" to insert "net earnings from"; in line 12, after "self-employment" to strike out "income"; in line 20, after the word "after" to strike out "the last date of the month following the month in which the Social Security Amendments of 1954 are enacted," and insert "August 1954"; in line 23, after the word "such" to strike out "day" and insert "month"; on page 32, line 5, after the word "computed" to insert "(including a computation after the application of paragraph (4))"; in line 12, after the word "higher" to strike out "average monthly wage" and insert "primary insurance amount"; in line 15, after the word "higher" to strike out "average monthly wage" and insert "primary insurance amount."; on page 33, line 4, after the word "higher" to strike out "average monthly wage" and insert "primary insurance amount"; after line 7, to strike out:

"(2) Subsection (b) of such section is further amended by striking out paragraph (4) and inserting in lieu thereof the following new paragraph:"

And insert:

"(2) Paragraph (4) of such subsection (b) is amended to read as follows:"

In line 14, after the word "after" to strike out "the year in which occurs"; on page 34, line 3, after the word "who" to strike out "had" and insert "has" in line 4, after the word "coverage" to strike out "in the period ending with the calendar quarter preceding his closing date"; on page 36, line 13, after the word "and" to strike out "(ii)" and insert "(iii)"; on page 40, line 4, after "(3)" to strike out "(C)." and insert "(C); and"; in line 5, after "(2)" to strike out "(A)"; at the beginning of line 14, to strike out "not less than \$1,000" and insert "more than \$1,200"; in line 15, after the numerals "1953" to insert "not taking into account any year prior to the calendar year in which the last previous recomputation, if any, of his primary insurance amount was effective"; in line 22, after "(5)" to insert "(B)"; on page 41, after line 10, to strike out:

"(B) Except as provided in subparagraph (C) a recomputation pursuant to subparagraph (A) shall be made only as provided in subsection (a) (1) (other than subparagraph (B) thereof) of this section, taking into account only such wages and self-employment income which would be taken into account under subsection (b) if the month in which he filed the application under subparagraph (A) were deemed to be the month in which he became entitled to old age insurance benefits, except that, of the provisions of paragraph (3) of such subsection, only the provisions of subparagraph (A) shall be applicable."

And insert:

"(B) A recomputation pursuant to subparagraph (A) shall be made as provided in subsection (a) of this section and as though

the individual first became entitled to old-age insurance benefits in the month in which he filed the application for such recomputation, but only if the provisions of subsection (b) (4) were not applicable to the last previous computation of his primary insurance amount. If the provisions of subsection (b) (4) were applicable to such previous computation, the recomputation under subparagraph (A) of this paragraph shall be made only as provided in subsection (a) (1) (other than subparagraph (B) thereof) and for such purposes his average monthly wage shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed the application for recomputation under subparagraph (A), except that, of the provisions of paragraph (3) of subsection (b), only the provisions of subparagraph (A) thereof shall be applicable."

On page 42, after line 13, to strike out:

"(C) If such recomputation is the first recomputation under subparagraph (A), such recomputation shall be made as though the individual first became entitled to old-age insurance benefits on the day he filed application for such recomputation. For purposes of this subparagraph a recomputation under section 102 (e) (5) (B) or 102 (f) (2) (B) of the Social Security Amendments of 1954 shall be deemed to be a recomputation under subparagraph (A) of this paragraph."

In line 25, at the beginning of the line, to insert "(3)"; on page 43, line 3, after the word "after" to strike out "the effective date" and insert "August, 1954"; in line 9, after the word "recomputed" to strike out "for the first time under" and insert "as provided in the first sentence of"; in line 10, after "(2)" to insert "(B)"; in line 11, after the word "after" to strike out "the effective date" and insert "August 1954"; on page 44, line 10, after the word "filed", to strike out "As used in this subparagraph and subparagraph (B), the term 'effective date' means the last day of the month following the month in which the Social Security Amendments of 1954 are enacted."; after line 13, to strike out:

"(B) Upon application by a person entitled to monthly benefits or a lump sum death payment on the basis of the wages and self-employment income of an individual who died after the effective date and who, if he was entitled to an old-age insurance benefit before he died, would, upon the filing of an application in the month of his death, have been entitled to a recomputation of his primary insurance amount under subparagraph (A) of this paragraph, 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 for computation of such amount, except that his closing date for purposes of subsection (b) shall be the first day of the year following the year in which he died or in which he filed his application for the last previous computation of his primary insurance amount under any provision of law referred to in clause (i), (ii), or (iii) of the first sentence of subparagraph (A), whichever first occurred."

And insert "In the case of an individual who dies after August 1954—

"(i) who, at the time of death, was not entitled to old-age insurance benefits under section 202 (a), or who became entitled to old-age insurance benefits under section 202 (a) after August 1954, or whose primary insurance amount was recomputed under paragraph (2) or (4) of this subsection, or section 102 (e) (5) or section 102 (f) (2) (B) of the Social Security Amendments of 1954, on the basis of an application filed after August 1954; and

"(ii) with respect to whom the last previous computation or recomputation of his primary insurance amount was based upon a closing date determined under subparagraph

(A) or (B) of subsection (b) (3) of this section,

the Secretary shall recompute his primary insurance amount upon the filing of an application by a person entitled to monthly benefits or a lump-sum death payment on the basis of his wages and self-employment income. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount, except that his closing date for purposes of subsection (b) shall be the day following the year of death in case he died without becoming entitled to old-age insurance benefits, or, in case he was entitled to old-age insurance benefits, the day following the year in which was filed the application for the last previous computation of his primary insurance amount or in which the individual died, whichever first occurred."

On page 48, line 15, after the word "therefor" to strike out "on or"; in the same line, after the word "before" to strike out "the effective date" and insert "September 1954"; on page 49, at the beginning of line 11, to insert "or if the individual died without filing the application for recomputation, the month in which he died"; in line 13, after the word "which" to strike out "the individual" and insert "he"; in line 14, after the word "benefits.", to strike out "Such" and insert "In the case of monthly benefits, such"; in line 17, after the word "filed" to insert "or, if the individual has died without filing the application, for and after the month in which the person filing the application for monthly survivor benefits becomes entitled to such benefits."

On page 50, at the beginning of line 2, to strike out "the effective date" and insert "August 1954, or who died after such"; at the beginning of line 3, to strike out "and with respect to whom either less than six of the quarters elapsing after 1950 and prior to the day following the effective date are quarters of coverage or the twelfth month referred to in such subparagraph (A) occurred after the effective date, and

"(i) any individual who is entitled to a recomputation under section 215 (f) (2) (B) of the Social Security Act on the basis of an application filed after the effective date and with respect to whom less than six of the quarters elapsing after 1950 and prior to the day following the effective date are quarters of coverage or who did not attain the age of seventy-five prior to the date following the effective date" and insert "month leaving any survivors entitled to a recomputation under section 215 (f) (4) of the Social Security Act as in effect prior to the enactment of this Act on the basis of his wages and self-employment income, and whose sixth quarter of coverage after 1950 was acquired after August 1954 or with respect to whom the twelfth month referred to in such subparagraph (A) occurred after such month, and

"(ii) any individual who is entitled to a recomputation under section 215 (f) (2) (B) of the Social Security Act as in effect prior to the enactment of this Act on the basis of an application filed after August 1954, or who died after August 1954 leaving any survivors entitled to a recomputation under section 215 (f) (4) of the Social Security Act as in effect prior to the enactment of this Act on the basis of his wages and self-employment income, and whose sixth quarter of coverage after 1950 was acquired after August 1954 or who did not attain the age of seventy-five prior to September 1954," on page 51, line 18, after the word "recomputation" to insert "or, if he has died, in the month in which he dies"; in the same line, after the amendment just above stated, to strike out "Such" and insert "In the case of monthly benefits, such"; in line 21, after the word "filed" to insert "or, if the individual has died without filing the application, for and after the month in which the person

filing the application for monthly survivors benefits becomes entitled to such benefits." in line 24, after the amendment just above stated, to strike out "As used in this subparagraph and the succeeding subsections of this section, the 'effective date' is the last day of the month following the month in which this Act is enacted.

"(C) No individual shall be entitled to a recomputation under section 215 (f) (2) of the Social Security Act as in effect prior to the date of the enactment of this Act unless" and insert "An individual or, in case of his death, his survivors entitled to a lump-sum death payment or to monthly benefits under section 202 of the Social Security Act on the basis of his wages and self-employment income shall be entitled to a recomputation of his primary insurance amount under section 215 (f) (2) or section 215 (f) (4) of the Social Security Act as in effect prior to the date of enactment of this Act only if"; on page 53, line 5, after the word "his", to strike out "closing date shall be July 1, 1956, instead of the day specified in section 215 (b) (3) of such Act" and insert "primary insurance amount shall be computed by this Act, with a starting date of December 31, 1954, and a closing date of July 1, 1956"; on page 55, line 2, after the word "to" to strike out "the day following the effective date" and insert "September 1954"; in line 14, after the word "after" to strike out "the effective date" and insert "August 1954"; in line 16, after the word "benefits" to insert "for months after August 1954,"; at the beginning of line 18 to insert "in the case of death after August 1954"; in line 21, after the word "after" to strike out "the effective date" and insert "August 1954"; in line 22, after the word "after" to strike out "such effective date" and insert "August 1954"; on page 56, line 5, after the word "who" to strike out "files, after the effective date," and insert "files"; in line 8, after the word "after" to strike out "the effective date" and insert "August 1954"; in line 10, after "(f)" to strike out "(7)" and insert "(6)"; in line 21, after the word "for" to strike out "the month in which the effective date occurs" and insert "August 1954"; on page 57, line 4, after the word "after" to strike out "the effective date" and insert "August 1954"; in line 19, after the word "effective" to strike out "for and after the month in which the application therefor was filed by such individual or" and insert "(i) if the application is filed by such individual, for and after the twelfth month before the month in which the application therefor was filed by such individual but in no case before the first month of the quarter which is such individual's sixth quarter of coverage acquired after June 30, 1953, or (ii)"; on page 58, line 17, after the word "after" to strike out "the effective date" and insert "August 1954"; in line 18, after the word "after" to strike out "the effective date" and insert "August 1954"; in line 20, after the word "after" to strike out "the effective date" and insert "August 1954"; on page 59, line 9, after the word "after" to strike out "the effective date" and insert "August 1954"; in line 11, after the word "subsection" to strike out "(i)" and insert "(e)"; in line 12, after "(2)" to insert "of this subsection"; in line 15, after the word "Effective" to strike out "with the beginning of the second month following the month in which this Act is enacted" and insert "September 1, 1954"; in line 22, to strike out "the month following the month in which the Social Security Amendments of 1954 are enacted" and insert "August 1954"; on page 60, line 4, after the word "for" to strike out "the month in which the effective date occurs" and insert "August 1954"; on page 61, at the beginning of line 2, to strike out "the month in which the effective date occurs" and insert "August 1954"; in line 11, after the word "for" to strike out "the month in which the effective date occurs" and insert "August 1954"; in line 22, after the word "for" to

strike out "the month in which the effective date occurs" and insert "August 1954"; on page 62, line 17, after "(1)": to strike out "(1)"; on page 63, after line 3, to strike out:

"(2) The first sentence of subsection (i) of such section 202 is amended by inserting ', or an amount equal to \$255, whichever is the smaller' after 'primary insurance amount.'"

On page 63, at the beginning of line 13, to strike out "seventy-five" and insert "seventy-two"; at the beginning of line 20, to strike out "seventy-five" and insert "seventy-two"; on page 64, line 3, after the word "of" to strike out "seventy-five" and insert "seventy-two"; in line 11, after the word "of" to strike out "seventy-five" and insert "seventy-two"; in line 24, after the word "than", to strike out "\$1,000" and insert "\$1,200"; on page 65, line 2, after the word "of" to strike out "one-twelfth of \$1,000" and insert "\$100"; in line 7, after the word "of" where it occurs the second time, to strike out "\$1,000" and insert "\$1,200"; in line 8, after the word "of" where it occurs the second time, to strike out "\$1,000" and insert "\$1,200"; in line 17, after the word "of" to strike out "one-twelfth of \$1,000" and insert "\$100"; on page 66, line 8, after the word "subsection" to strike out "(b), or in subsection (m)," and insert "(b)"; in line 9, after the word "age" to strike out "seventy-five" and insert "seventy-two"; on page 67, line 18, after the word "individual's" to strike out "net earnings from self-employment and his"; in line 22, after the word "section" to strike out "211, other than paragraphs (1) and (4) of subsection (c)," and insert "211"; in line 24, after the word "any" to strike out "excess of income over deductions resulting from such a computation shall be his net earnings from self-employment and any"; on page 68, line 1, after the word "income" to strike out "so"; in line 2, after the word "resulting", to insert "from such a computation"; in line 6, after the word "in" to strike out "subsections (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, 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" and insert "section 209 (a)"; on page 69, line 7, after the word "subsection" to strike out "(b), (c), or (m)" and insert "(b) or (c)"; in line 15, after the word "subsection" to strike out "(b), (c), or (m)," and insert "(b) or (c)"; on page 70, line 2, after the word "of" where it occurs the second time, to strike out "one-twelfth of \$1,000" and insert "\$100"; after line 6, to insert:

"(3) The third sentence of paragraph (1) of such section 203 (g) is amended by striking out 'seventy-five' and inserting in lieu thereof 'seventy-two'."

In line 10, to change the subsection number from "(3)" to "(4)"; on page 71, line 20, to change the subsection number from "(4)" to "(5)"; on page 72, after line 14, to insert:

"(6) The heading of section 203 (j) of such Act is amended by striking out 'seventy-five' and inserting in lieu thereof 'seventy-two' and such section is amended by striking out 'seventy-five' and inserting in lieu thereof 'seventy-two'."

On page 73, line 15, after the word "section" to strike out "23" and insert "162"; in line 16, after the word "Code" to insert "of 1954"; on page 74, after line 3, to strike out:

"(1) (1) Section 203 of such Act is further amended by adding after subsection (i) (added by subsection (h) of this section) the following new subsection:

"*Deductions From Benefits of Dependents and Survivors Residing Abroad*

"(m) (1) Deductions shall be made from any benefits to which a dependent or survivor is entitled under subsection (b), (c),

(d), (e), (f), (g), or (h) of section 202 on the basis of the wages and self-employment income of an insured individual until the total of such deductions equals such dependent's or survivor's benefit or benefits under such subsection for any month during no part of which he is a resident of the United States unless—

"(A) such dependent or survivor resided in the United States for three years during the five years immediately preceding the first month for which he was eligible for such benefits or any other monthly benefits under such section 202 based on the wages and self-employment income of such insured individual; or

"(B) such insured individual would be a currently insured individual at the time he became eligible for or entitled to old age insurance benefits or primary insurance benefits or, if he died without becoming so eligible or entitled, at the time of his death, even if no wages were counted for such purpose except his wages (if any) for service referred to in clause (B) of so much of section 210 (a) as precedes paragraph (1) and his wages (if any) deemed paid pursuant to subsection (a) or (c) of section 217; or

"(C) in the case of a child entitled to child's insurance benefits, such child first became eligible for such benefit (on the basis of the wages and self-employment income of such insured individual) prior to the month in which he attained the age of three and such child was born in the United States.

"(2) For purposes of paragraph (1)—

"(A) an individual shall be deemed eligible for benefits under any subsection of section 202 for any month if he was, or would have been upon filing application therefor in such month, entitled to such benefits for such month;

"(B) a dependent is a wife, husband, or child of an individual entitled to old age insurance benefits; and

"(C) a survivor is a widow, widower, child, former wife divorced, or parent (of a deceased individual) entitled to monthly benefits under subsection (d), (e), (f), (g), or (h) of section 202."

"(2) The first sentence of section 203 (d) of such Act is amended by striking out '(b) and (c)' and inserting in lieu thereof '(b), (c), and (m)'."

"(3) Section 214 (b) of such Act is amended by striking out 'or' before clause (3) and by inserting immediately before the period at the end thereof: ', or (4) for purposes of section 203 (m) only, the first quarter in which he was, or would have been upon filing application therefor in such quarter, entitled to old age insurance benefits or primary insurance benefits'."

"(4) Subsections (a) (1) and (e) (1) of section 217 of such Act are each amended by adding at the end thereof the following new sentence: 'The provisions of clause (B) shall also not apply for purposes of section 203 (m) (1) (B)'."

"(5) The amendments made by this subsection shall be applicable in the case of any individual who (A) is entitled to benefits under any subsection of section 202 of the Social Security Act (other than subsection (a) thereof), on the basis of the wages and self-employment income of an insured individual, after the month in which this Act is enacted, and (B) was not, and would not have been upon filing application therefor in such month, entitled (without the application of subsection (j) (1) of such section 202) to benefits under the same or any other subsection of such section 202 on the basis of such insured individual's wages and self-employment income for the month in which this Act is enacted or any prior month."

On page 77, line 4, to change the subsection letter from "(j)" to "(i)"; on page 78, after line 18, to insert:

"(3) Subsections (b) (1), (b) (2), (c), (e), and (j) of section 203 of the Social

Security Act as in effect prior to the enactment of this Act, to the extent they are in effect with respect to months after 1954, are each amended by striking out 'seventy-five' and inserting in lieu thereof 'seventy-two', but only with respect to such months after 1954." on page 81, line 5, after "212" to strike out "and" and insert a period; at the beginning of line 13, to strike out "the month following the month in which this Act is enacted" and insert "August 1954"; in line 16, after the word "to", to strike out "the fifth month before the month in which this Act is enacted" and insert "February 1954"; on page 83, line 12, after the word "after" to strike out "quarter" and insert "quarters"; on page 88, line 2, after the word "by" to strike out "inserting ', or for purposes of section 216 (1) (3) immediately before the period at the end of the last sentence thereof (added by section 103 (1) (4) of this Act.'" adding at the end thereof the following new sentence: "The provisions of clause (B) shall also not apply for purposes of section 216 (1) (3)."; on page 92, after line 9, to strike out:

"*DELETION OF EARNINGS DURING UNLAWFUL RESIDENCE IN THE UNITED STATES*

"Sec. 107. (a) Section 205 of the Social Security Act is amended by redesignating subsection (n) as subsection (m) and inserting after such subsection the following new subsection:

"*Earnings During Unlawful Residence Deleted From Record*

"(n) (1) Notwithstanding the provisions of subsection (c), wages for service performed by an individual during any period that he is unlawfully in the United States, and self-employment income derived by him during such period, shall be deleted from the Secretary's records for such individual and shall not be counted for purposes of determining entitlement to or the amount of any benefits or lump sum death payments under section 202.

"(2) Upon application for benefits or a lump sum death payment on the basis of the wages and self-employment income of any individual the Secretary shall make a decision without regard to paragraph (1) unless he has been notified by the Attorney General that such individual was unlawfully in the United States during any period of time. If the Attorney General has made or makes a determination that there was such a period, he shall notify the Secretary thereof, and the Secretary shall certify no further benefits for payment or shall recompute the amount of any further benefits payable on the basis of such individual's wages and self-employment income, as may be required by paragraph (1). Any payment certified by the Secretary on the basis of the wages and self-employment income of such individual prior to receipt of such notice shall not be deemed by reason of this subsection to be an erroneous payment."

"(b) The amendment made by subsection (a) shall be applicable in the case of monthly benefits under title II of the Social Security Act for months after, and in the case of lump-sum death payments with respect to deaths occurring after, the month following the month in which this Act is enacted.

"*TERMINATION OF BENEFITS UPON DEPORTATION*

"Sec. 108. (a) Section 202 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"*Termination of Benefits Upon Deportation of Primary Beneficiary*

"(m) (1) Notwithstanding any other provision of this title, no monthly benefits under this section shall be paid on the basis of the wages and self-employment income of any individual for any month after such individual has been deported under paragraph (1), (2), (4), (5), (6), (7), (10), (11), (12), (14), (15), (16), (17), or (18) of section 241 (a) of the Immigration and Nationality

Act, and no lump sum death payment shall be made on the basis of such wages and self-employment income in case of death in or after such month.

"(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any individual, the Secretary shall make a decision without regard to paragraph (1) unless he has been notified by the Attorney General that such individual has been deported under one of the paragraphs of section 241 (a) of the Immigration and Nationality Act enumerated in paragraph (1) of this subsection. If such individual has been or is deported under any such paragraph, the Attorney General shall so notify the Secretary, and the Secretary shall certify no further benefits for payment on the basis of such individual's wages and self-employment income. Any payment certified by the Secretary on the basis of the wages and self-employment income of such individual, prior to receipt of such notice, shall not be deemed by reason of this subsection to be an erroneous payment."

"(b) The amendment made by subsection (a) shall be applicable in the case of monthly benefits under title II of the Social Security Act for months after, and in the case of lump-sum death payments with respect to deaths occurring after, the month following the month in which this Act is enacted."

On page 95, line 12, after "Sec." to strike out "109" and insert "107"; in the same line, after the amendment just above stated, to strike out "(a)"; in line 23, after the word "coverage" to insert "but only if there are not fewer than six of such quarters so elapsing"; after line 24, to strike out:

"(b) Subparagraph (B) of section 213 (a) (2) of such Act is amended by inserting '(except wages for agricultural labor)' after '\$50 or more in wages' in that part of such subparagraph which precedes clause (i), and by striking out clause (iv) and inserting in lieu thereof the following:

"(iv) If an individual is paid wages for agricultural labor in a calendar year, then, subject to clause (i), (a) 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 are less than \$300; (b) 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 (c) 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.

If, in the case of any individual who has attained retirement age or died and who has been paid wages for agricultural labor in a calendar year, 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."

On page 97, line 9, to change the section number from "110" to "108"; in line 20, after the word "such" to strike out "Act, except that, for" and insert "Act."; in the same line, after the amendment just above stated, to insert "For"; in line 21, after the word "of" where it occurs the second time, to strike out "paragraph (d) of subsection (d) of such

section (in lieu of the provisions of paragraph (3) of such subsection)" and insert "section 215 (d) (3) of such Act shall apply if such individual died a currently insured individual (under title II of such Act) and any other person was entitled on the basis of his wages to monthly benefits or a lump-sum death payment under section 202 of such Act; in all other cases the provisions of section 215 (d) (4)"; on page 98, line 5, after the word "applicable" to strike out "and"; in the same line, after the word "that" to strike out "his" and insert "such individual's"; in line 10, after the word "filed" to strike out "within two years after the first month following the month in which this Act is enacted" and insert "before September 1956"; in line 14, after the word "after" to strike out "the first month following the month in which this Act is enacted" and insert "August 1954"; at the beginning of line 17, to strike out "in which this Act is enacted"; in line 20, to change the section number from "111" to "109"; on page 99, line 22, to change the section number from "112" to "110"; on page 100, line 2, after the word "which" to strike out "derived," and insert "derived"; in line 6, to change the section number from "113" to "111"; in line 8, after the word "after" to strike out "the month in which this Act is enacted" and insert "August 1954"; in line 9, after the word "effective" to strike out "with the beginning of the month following the month in which this Act is enacted" and insert "September 1, 1954"; in line 16, after the word "after" to strike out "the month in which this Act is enacted" and insert "August 1954"; in line 18, after the word "effective" to strike out "with the beginning of the month following the month in which this Act is enacted" and insert "September 1, 1954"; on page 101, line 3, to change the section number from "114" to "112"; on page 102, line 22, after the word "this" to strike out "Act" and insert "section"; on page 103, line 8, after the word "Act" to insert "(as in effect before or after the enactment of this Act)"; in line 13, after the word "after" to strike out "the first month following the month in which this Act is enacted" and insert "August 1954"; in line 18, to change the section number from "115" to "113"; after line 20 to insert:

"COVERED EMPLOYMENT NOT COUNTED UNDER OTHER FEDERAL RETIREMENT SYSTEMS

"SEC. 114. Notwithstanding any other provision of law, in determining eligibility for or the amount of any benefit (other than a benefit under title II of the Social Security Act or the Railroad Retirement Act of 1937, as amended) under any retirement system established by the United States or any instrumentality thereof, there shall not be taken into account any service which constitutes employment (as defined in section 210 (a) of the Social Security Act) and is performed after 1954 by individuals as officers or employees of the United States or any instrumentality thereof."

On page 104, line 9, in the heading, after the word "Revenue", to strike out "Code" and insert "Codes of 1939 and 1954"; in line 11, after "Sec. 201. (a)", to strike out "(1) Paragraph (1) of section 481 (a) of the Internal Revenue Code is amended to read as follows:

"(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;".

"(2) Subsection (a) of section 481 of the Internal Revenue Code is amended by striking out paragraph (2) and redesignating paragraphs (3), (4), (5), (6), and (7), and any references thereto contained in such code, as paragraphs (2), (3), (4), (5), and (6), respectively, and by adding at the end of such subsection the following new sen-

tence: 'In the case of any trade or business which is carried on by an individual who reports his income on a cash receipts and disbursements basis, and in which, if it were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 1426 (h), (i) if the gross income derived from such trade or business by such individual is not more than \$1,800, the net earnings from self-employment derived by him therefrom may, at his option, be deemed to be 50 per centum of such gross income in lieu of his net earnings from self-employment from such trade or business computed as provided under the preceding provisions of this subsection, or (ii) if the gross income derived from such trade or business by such individual is more than \$1,800 and the net earnings from self-employment derived by him therefrom, as computed under the preceding provisions of this subsection, are less than \$900, such net earnings may instead, at the option of such individual, be deemed to be \$900. For the purpose of the preceding sentence, gross income derived from such trade or business shall mean 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 preceding provisions of this subsection.'

On page 105, at the beginning of line 1, to strike out "(b) (1)"; in the same line, after the word "section" to strike out "481" and insert "1402"; in line 2, after the word "code" to insert "of 1954"; in line 4, after "(1)" to strike out "That" and insert "that"; in line 6, after "(A)" to strike out "For" and insert "for"; in line 10, after "(B)" to strike out "For" and insert "for"; in line 14, at the beginning of the line, to strike out "(2)" and insert "(b)"; in the same line, after the word "Section" to strike out "481" and insert "1402"; in line 15, after the word "Code" to insert "of 1954"; in line 17, after the word "section" to strike out "1426 (m)" and insert "3121 (1)"; after line 19, strike out:

"(c) Section 481 (c) of the Internal Revenue Code is amended by striking out paragraphs (4) and (5), by inserting 'or' at the end of paragraph (3), and by adding after paragraph (3) the following new paragraph: "(4) The performance of service by an individual in the exercise of his profession as a physician, or the performance of such service by a partnership."

On page 107, after line 2, to insert: "(c) (1) Section 1402 (c) (2) of the Internal Revenue Code of 1954 is amended by inserting after '18' the following: 'and other than service described in paragraph (4) of this subsection'."

"(2) Section 1402 (c) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new sentence: "The provisions of paragraph (4) 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 during the period for which a certificate filed by such individual under subsection (e) is in effect."

"(3) Section 1402 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(e) **MINISTERS AND MEMBERS OF RELIGIOUS ORDERS.—**

"(1) **WAIVER CERTIFICATE.**—Any individual who is a duly ordained, commissioned, or licensed minister of a church or a member of a religious order (other than a member of a religious order who has taken a vow of poverty as a member of such order) 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 he elects to have the insurance system established by title II of the Social

Security Act extended to service, described in subsection (c) (4), performed by him.

"(2) TIME FOR FILING CERTIFICATE.—Any individual who desires to file a certificate pursuant to paragraph (1) must file such certificate on or before the due date of the return (including any extension thereof) for his second taxable year ending after 1954 for which he has net earnings from self-employment (computed without regard to paragraph (4) of subsection (c)) of \$400 or more, any part of which was derived from his performance of service described in such paragraph (4).

"(3) EFFECTIVE DATE OF CERTIFICATE.—A certificate filed pursuant to this subsection shall be effective for the first taxable year with respect to which it is filed (but in no case shall the certificate be effective for a taxable year with respect to which the period for filing a return has expired, or for a taxable year ending prior to 1955) and all succeeding taxable years. An election made pursuant to this subsection shall be irrevocable."

On page 109, line 4, after the word "section" to strike out "1401 (d) (3)" and insert "6414 (c) (1)"; in line 11, after the word "entitled" to insert "(subject to the provisions of section 31 (b))"; in line 13, after the numerals "1400" to insert "of the Internal Revenue Code of 1939"; in line 21, after the word "entitled", to insert "(subject to the provisions of section 31 (b))"; at the beginning of line 22, to insert "credit or"; in line 23, after the word "section" to strike out "1400" and insert "3101"; on page 110, line 4, after the word "Code" to insert "of 1939"; in line 6, after the word "modification" to insert "thereof"; in line 9, after the word "within" to strike out "a period of"; in line 10, after the word "after" to strike out "the end of"; in line 13, after the word "section" to strike out "1401 (d) (4)" and insert "6413 (c) (2)"; in line 14, after the word "Code" to insert "of 1954"; in line 15, after the word "follows" to strike out "Special Rules in the" and insert "Applicability in"; in line 18, after the word "Section" to strike out "1401 (d) (4) (A)" and insert "6413 (c) (2) (A)"; in line 19, after the word "Code" to insert "of 1954"; in line 23, after the word "Section" to strike out "1401 (d) (4)" and insert "6413 (c) (2)"; in line 24, after the word "Code" to insert "of 1954"; on page 111, line 2, after the word "For" to strike out "the"; in the same line, after the word "paragraph" to strike out "(3)" and insert "(1)"; in line 3, after the word "subsection" to strike out "in the case of remuneration received during any calendar year after the calendar year 1954"; in line 7, after the word "section" to strike out "1426 (m) of this subchapter" and insert "3121 (1)"; in line 11, after the word "section" to strike out "1426 (m)" and insert "3121 (1)"; in line 12, after the word "section" to strike out "1400" and insert "3101"; in line 14, after the word "section" to strike out "1426 (m)" and insert "3121 (1)"; in line 16, after the word "section" to strike out "1400" and insert "3101"; in line 18, after the word "section" to strike out "1426" and insert "3121"; at the beginning of line 19, to strike out "(3)" and insert "(1)"; in line 22, after the word "section" to strike out "1426 (n)" and insert "3121 (1)"; in line 24, after the word "section" to strike out "1420 (c)" and insert "3122"; in line 25, after the word "Code" to insert "of 1954"; in the same line, after the word "by" to strike out "inserting in the case of the calendar year 1951, 1952, 1953, or 1954, or the \$4,200 limitation in such section in the case of any calendar year after 1954" after "the \$3,600 limitation in section 1426 (a) (1)", and insert "striking out '\$3,600' and inserting in lieu thereof '\$4,200'"; on page 112, line 8, after the numerals "1954" to insert "The amendment made by subsection (a) (2) shall be effective as if it had been enacted as a part of section 203 (c) of the Social Security Act Amendments of 1950

which added section 1401 (d) (3) to the Internal Revenue Code of 1939."

After line 12, to strike out:

"COLLECTION AND PAYMENT OF TAXES WITH RESPECT TO COAST GUARD EXCHANGES

"SEC. 203. (a) Section 1420 (e) of the Internal Revenue Code is amended by adding at the end thereof the following new sentence: 'The provisions of this subsection shall be applicable also in the case of 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, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of this subsection the Secretary shall be deemed to be the head of such instrumentality.'

"(b) The amendment made by subsection (a) shall become effective January 1, 1955."

On page 113, line 6, to change the section number from "024" to "203"; in the same line, after the word "section" to strike out "1426" and insert "3121"; in line 7, after the word "Code" to insert "of 1954"; in line 10, after the word "section" to strike out "1426" and insert "3121"; in line 11, after the word "Code" to insert "of 1954"; in line 13, after "(B)" to strike out "Cash" and insert "cash"; in line 20, after the word "subsection" to strike out "(h)" and insert "(g)"; in line 21, after the word "Section" to strike out "1426" and insert "3121"; in line 22, after the word "Code" to insert "of 1954"; in line 24, after "(C)" to strike out "Cash" and insert "cash"; on page 114, line 5, after the word "this" to strike out "subparagraph" and insert "subparagraph"; in line 9, after the word "subsection" to strike out "(h)" and insert "(g)"; in line 10, after the word "Section" to strike out "1426" and insert "3121"; in line 11, after the word "Code" to insert "of 1954"; in line 14, after "(B)" to strike out "Cash" and insert "cash"; in line 15, after the word "calendar" to strike out "year" and insert "quarter"; in line 16, after the word "such" to strike out "year" and insert "quarter"; in line 18, after the word "than" to strike out "\$200" and insert "\$50"; in line 23, to change the section number from "205" to "304"; in the same line, after the word "Section" to strike out "1426" and insert "3121"; in line 24, after the word "Code" to insert "of 1954"; at the top of page 115, to strike out:

"(1) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended."

And insert in lieu thereof:

"(1) (A) service performed 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 (46 Stat. 1550 § 3; 12 U. S. C. (1141j);

"(B) service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended (65 Stat. 119; 7 U. S. C. 1461-1468)."

In line 13, after the word "Section" to strike out "1426" and insert "3121"; in line 14, after the word "Code" to insert "of 1954"; in line 20, after the word "section" to strike out "1426" and insert "3121"; in line 21, after the word "Code" to insert "of 1954"; on page 116, after line 4, to strike out:

"(d) (1) Subparagraph (B) of the paragraph of section 1426 (b) of the Internal Revenue Code herein redesignated as paragraph (6) is amended—

"(A) by inserting 'by an individual' after 'Service performed,' and by inserting 'and if such service is covered by a retirement system established by such instrumentality,' after 'December 31, 1950;'

"(B) by inserting 'a Federal Home Loan Bank,' after 'a Federal Reserve Bank,' in clause (ii); and

"(C) by striking out 'or' at the end of clause (iii), by adding 'or' at the end of clause (iv), and by adding at the end of the subparagraph the following new clause:

"(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 the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard;'

"(2) Subparagraph (C) of such paragraph is amended to read as follows:

"(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—

"(1) 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 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

"(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 the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system (other than the retirement system of the Tennessee Valley Authority);'

"(e) The paragraph of section 1426 (b) of the Internal Revenue Code herein redesignated as paragraph (8) is amended to read as follows:

"(8) (A) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6), other than 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; but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to subsection (1) (1), is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such subsection, or (ii) who became an employee of such organization after the certificate was filed and after such period began;

"(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6), 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; but this subparagraph shall not apply to service performed by a duly ordained, commissioned, or licensed minister of a church or a member of a religious order, other than a member of a religious order who has taken a vow of poverty as a member of such order, during the period for which a certificate, filed pursuant to subsection (1) (2), is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such subsection, or (ii) who became an employee of such organization after the certificate was filed and after such period began;'

On page 119, at the beginning of line 9, to strike out "(f)" and insert "(d)"; in the same line, after the word "Section" to strike out "1426" and insert "3121"; in line 10, after the word "Code" to insert "of 1954"; at the beginning of line 14, to strike out "(g)" and insert "(e)"; in the same line, after the word "subsections" to strike out "(c), (d), (e), and (f)" and insert "(c) and (d)"; after line 20, to insert:

"AMENDMENT RELATING TO COLLECTION OF EMPLOYEE TAX

"SEC. 205. Section 3102 (a) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new sentence: 'An employer who in any calendar quarter pays to an employee cash remuneration to which paragraph (7) (B) or (C), (8) (B), 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.'

On page 120, line 9, after the word "section" to strike out "1426" and insert "3121"; in line 10, after the word "Code" to insert "of 1954"; after line 16, to strike out:

"WAIVER OF TAX EXEMPTION BY NONPROFIT ORGANIZATIONS WITH RESPECT TO MINISTERS IN THEIR EMPLOY

"SEC. 207. (a) Paragraph (1) of section 1426 (1) of the Internal Revenue Code is amended by inserting '(other than 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)' after 'service' in the first sentence, by striking out 'two-thirds of its employees' and inserting in lieu thereof 'two-thirds of its employees performing service to which this paragraph is applicable' in such sentence, and by deleting so much of such paragraphs as follows the first sentence.

"(b) Such section 1426 (1) is amended by redesignating paragraphs (2) and (3) as paragraphs (6) and (7), respectively, and by adding after paragraph (1) the following new paragraphs:

"(2) **WAIVER OF EXEMPTIONS IN THE CASE OF MINISTERS.** An organization exempt from income tax under section 101 (6) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter) certifying that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees who are duly ordained, commissioned, or licensed ministers of a church or churches and perform such service in the exercise of their ministry or who are members of a religious order or orders (other than a member of a religious order who has taken a vow of poverty as a member of such order) and perform such service in the exercise of duties required by such order or orders, and that at least two-thirds of such employees concur in the filing of the certificate. Notwithstanding the preceding sentence of this paragraph, a certificate may not be filed by an organization pursuant to such sentence unless (A) such organization does not have any employees with respect to whom a certificate may be filed pursuant to paragraph (1), or (B) such organization has filed a certificate pursuant to paragraph (1) with respect to such employees.

"(3) **LIST TO ACCOMPANY CERTIFICATE.** A certificate may be filed pursuant to paragraph (1) or paragraph (2) only if it is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs in the filing of the certificate. Such list may be amended at any time 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 subchapter.

"(4) **EFFECTIVE PERIOD OF WAIVER.** A certificate filed pursuant to paragraph (1) or paragraph (2) shall be in effect (for the purposes of subsection (b) (8) of this section and for the purposes of section 210 (a) (8) of the Social Security Act)—

"(A) in the case of a certificate filed pursuant to paragraph (1), for the period beginning with the first day of the calendar quarter in which such certificate is filed or the first day of the succeeding calendar quarter, as may be specified in the certificate; or

"(B) in the case of a certificate filed pursuant to paragraph (2), for the period beginning with the first day of whichever of the following calendar quarters may be specified in the certificate; (i) the quarter in which such certificate is filed, or (ii) the succeeding quarter, or (iii) if the certificate is filed during the calendar year 1955, any quarter in such year prior to the quarter in which it is filed;

except that, in the case of service performed by an individual whose name appears on a supplemental list filed after the first month following the first calendar quarter for which the certificate is in effect (as determined under subparagraph (A) or (B), whichever is applicable) or following the calendar quarter in which the certificate was filed, whichever is later, and to whom subparagraph (A) or (B) of subsection (b) (8) of this section would otherwise apply, the certificate shall be in effect, for purposes of such subsection (b) (8) and for purposes of section 210 (a) (8) of the Social Security Act, only with respect to service performed by such individual after the calendar quarter in which such supplemental list is filed.

"(5) **TERMINATION OF WAIVER PERIOD BY ORGANIZATION.** The period for which a certificate filed pursuant to paragraph (1) of this subsection is effective may be terminated by the organization, effective at the end of a calendar quarter, upon giving two 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 eight years and only if such notice applies also to the period for which the certificate, if any, filed by such organization pursuant to paragraph (2) is effective. The period for which a certificate filed pursuant to paragraph (2) is effective may also be terminated by the organization, effective at the end of a calendar quarter, upon giving two 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 eight 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 subchapter.

"(c) The paragraph of such section 1426 (1) herein redesignated as paragraph (6) is amended by adding at the end thereof the following new sentence: 'If the period covered by a certificate filed pursuant to paragraph (1) of this subsection is terminated under this paragraph, the period covered by the certificate, if any, filed by the same organization pursuant to paragraph (2) shall also be terminated at the same time.'

"(d) The paragraph of such section 1426 (1) herein redesignated as paragraph (7) is amended to read as follows:

"(7) **NO RENEWAL OF WAIVER.** In the event the period covered by a certificate filed pursuant to paragraph (1) or (2) of this sub-

section is terminated by the organization, no certificate may again be filed by such organization pursuant to such paragraph.'

"(e) The amendments made by this section shall become effective January 1, 1955. Nothing in this section shall be construed as affecting the validity of any certificate filed prior to January 1, 1955, under section 1426 (1) of the Internal Revenue Code. If a certificate filed during the calendar year 1955 pursuant to section 1426 (1) (2) of the Internal Revenue Code is in effect for any calendar quarter in 1955 which precedes the quarter during which the certificate was filed, the return and payment of the taxes for any such preceding calendar quarter with respect to service which constitutes employment by reason of the filing of such certificate shall be deemed to be timely made if made on or before the last day of the first month following the calendar quarter in which the certificate is filed."

On page 126, line 10, to change the section number from "208" to "207"; in the same line, after the word "Section" to strike out "480" and insert "1401"; in line 11, after the word "Code" to insert "of 1954"; at the beginning of line 12, to strike out "(5)" and insert "(4)"; at the beginning of line 13, to strike out "(5) In" and insert "(4) in"; in line 15, after "5¼" to strike out "per centum" and insert "percent"; in line 17, after the word "taxable" to strike out "year." and insert "year;"; at the beginning of line 18, to strike out "(6) In" and insert "(5) in"; in line 20, after the numeral "6" to strike out "per centum" and insert "percent"; in line 22, after the word "Section" to strike out "1400" and insert "3101"; at the beginning of line 23, to insert "of 1954"; in the same line, after the word "paragraph" to strike out "(6)" and insert "(4)"; at the beginning of line 25 to strike out "(6) With" and insert "(4) with"; on page 27, line 2, after "3½" to strike out "per centum" and insert "percent"; at the beginning of line 3, to strike out "(7) With" and insert "(5) with"; in line 4, after the numeral "4" to strike out "per centum" and insert "percent"; in line 6, after the word "Section" to strike out "1410" and insert "3111"; at the beginning of line 7 to insert "of 1954"; in the same line, after the word "paragraph" to strike out "(6)" and insert "(4)"; at the beginning of line 9, to strike out "(6) With" and insert "(4) with"; in line 11, after "3½" to strike out "per centum" and insert "percent"; at the beginning of line 12, to strike out "(7) With" and insert "(5) with"; in line 13, after the numeral "4" to strike out "per centum" and insert "percent"; in line 15, after the word "of" to strike out "American Employer" and insert "Domestic Corporation"; in line 17, to change the section number from "209" to "208"; in the same line, after the word "Section" to strike out "1426" and insert "3121"; in line 18, after the word "Code" to insert "of 1954"; at the beginning of line 20, to strike out "(m)" and insert "(1)"; on page 128, line 7, after the word "paragraph" to strike out "(7)" and insert "(8)"; in line 12, after the word "the" to strike out "terms" and insert "term"; at the beginning of line 13, strike out "respectively,"; in line 14, after the words "in the" to strike out "employ c the domestic corporation" and insert "United States"; in line 17, after the word "conditions" to strike out "in the case of" and insert "with respect to"; in line 21, after the word "who" to insert "onor"; in the same line, after the word "agreement" to strike out "become" and insert "are"; in line 25, after "(A)" to strike out "That" and insert "that"; on page 129, line 2, after the word "Secretary" to insert "or his delegate"; in line 4, after the word "sections" to strike out "1400 and 1410, including interest and penalties, if the services of employees covered by the agreement had constituted employment as defined in section 1426" and insert "3101 and 3111 (including amounts equiva-

lent to the interest, additions to the taxes, additional amounts, and penalties which would be applicable) with respect to the remuneration which would be wages if the services covered by the agreement constituted employment as defined in this section"; in line 14, after "(B)" to strike out "That" and insert "that"; in line 16, after the word "Secretary" to insert "or his delegate"; in line 17, after the word "this" to strike out "subsection.""; and insert "subsection."; on page 131, line 1, after the word "foreign" to strike out "subsidiary" and insert "corporation"; in line 3, after the word "the?" to strike out "domestic" and insert "foreign"; in line 4, after the word "quarter" to strike out "owns 50 per centum or less of the voting stock of such subsidiary" and insert "ceases to be a foreign subsidiary as defined in paragraph (8)"; on page 132, line 1, after the word "entirety" to insert "(A) by a notice of termination filed by the domestic corporation pursuant to paragraph (3), or (B) by a notice of termination given by the Secretary or his delegate pursuant to paragraph (4)."; in line 6, after the word "to" to strike out "such paragraph" and insert "paragraph (1)"; in line 8, after the word "any" to insert "foreign"; in line 11, after the word "Fund", to strike out "All amounts received by the Secretary pursuant to an agreement entered into under paragraph (1) of this subsection shall be regarded for purposes of section 201 of the Social Security Act as taxes collected pursuant to this subchapter."; and insert "For purposes of section 201 of the Social Security Act, relating to appropriations to the Federal Old-Age and Survivors Insurance Trust Fund, such remuneration—

"(A) paid for services covered by an agreement entered into pursuant to paragraph (1) as would be wages if the services constituted employment, and

"(B) as is reported to the Secretary or his delegate pursuant to the provisions of such agreement or of the regulations issued under this subsection, shall be considered wages subject to the taxes imposed by this chapter."

On page 133, line 12, after the word "Secretary" to insert "or his delegate"; in line 24, after "(A)" to strike out "A" and insert "a"; on page 134, at the beginning of line 1, to strike out "per centum" and insert "percent"; in line 3, after "(B)" to strike out "A" and insert "a"; in line 6, after the word "paragraph" to strike out "(A)."; and insert "(A)"; after line 6, to insert:

"(9) DOMESTIC CORPORATION AS SEPARATE ENTITY.—Each domestic corporation which enters into an agreement pursuant to paragraph (1) of this subsection shall, for purposes of this subsection and section 6413 (c) (2) (C), relating to special refunds in the case of employees of certain foreign corporations, be considered an employer in its capacity as a party to such agreement separate and distinct from its identity as a person employing individuals on its own account."

At the beginning of line 16, to strike out "(9)" and insert "(10)"; in line 17, after the word "Secretary" to insert "or his delegate"; in line 22, after the word "employers" to strike out "pursuant to subchapter A or E of chapter 9 of this title" and insert "pursuant to this title with respect to the taxes imposed by this chapter"; on page 135, after line 3, to strike out:

"SEC. 210. Section 23 of the Internal Revenue Code (relating to deductions from gross income) is amended by inserting at the end thereof the following new subsection:

"(gg) PAYMENTS WITH RESPECT TO EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS. In the case of a domestic corporation, amounts (to the extent not compensated for) paid or incurred pursuant to an agreement entered into under section 1426 (m) with respect to services performed by United States citizens employed by foreign subsidiary corporations. Any reimbursement of

any amount previously allowed as a deduction for income tax purposes under this subsection shall be included in gross income for the taxable year in which received."

On page 135, after line 16, to insert:
"SEC. 209. (a) The Internal Revenue Code of 1954 is amended by inserting after section 175 thereof the following new section:

"SEC. 176. PAYMENTS WITH RESPECT TO EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS.

"In the case of a domestic corporation, there shall be allowed as a deduction amounts (to the extent not compensated for) paid or incurred pursuant to an agreement entered into under section 3121 (1) with respect to services performed by United States citizens employed by foreign subsidiary corporations. Any reimbursement of any amount previously allowed as a deduction under this section shall be included in gross income for the taxable year in which received."

"(b) The table of sections to part VI of subchapter B of chapter 1 of subtitle A of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following:

"Sec. 176. Payments with respect to employees of certain foreign corporations."

On page 136, line 15, after "September 30" to strike out "1955" and insert "1956"; on page 137, line 5, after "(a)" to strike out "and (2)" and insert "(2) by striking out 'such clause' in paragraph (1) and inserting 'such subsection' in lieu thereof, and (3)"; on page 138, line 1, after the word "after" to strike out "the month following the month in which this Act is enacted" and insert "August 1954"; in line 4, after the word "to" to strike out "fifth month before the month in which this Act is enacted" and insert "February 1954"; in line 12, after the word "of" to strike out "seventy-five" and insert "seventy-two"; on page 139, line 4, after the word "Code" to insert "of 1939, the Internal Revenue Code of 1954", and in line 8, after the word "this" to strike out "Act, and references in the Social Security Act, the Railroad Retirement Act of 1937, as amended, or any other law of the United States to any section or subdivision of a section of the Internal Revenue Code redesignated by this Act," and insert "Act".

Mr. THYE. Mr. President, I should like to ask the junior Senator from Colorado a question about offshore seasonal workers, such as might be brought in from the islands, who would be engaged in the harvesting of vegetables and fruit, and canning crops of various kinds. I did not note any particular reference to them. I noted that the Mexican worker was excluded.

Mr. MILLIKIN. He is excluded because we operate under an agreement with Mexico. Questions have been raised whether we should have similar arrangements with other countries.

Mr. THYE. That is correct. The question has also been raised with me. But, assuming that an offshore worker worked 5 months one season, then worked 4 months another year, and then did not return to the United States, how would such an account be handled and at what time would the records be closed on such an account? It poses a very serious problem from the standpoint of administrative function, and also for the employer of such seasonal workers.

Mr. MILLIKIN. Fiscally, the money received from that source would go into a trust fund. The Senator understands that any excess of collections over what

is paid out goes into a so-called trust fund.

Mr. THYE. Yes.

Mr. MILLIKIN. I do not like to call it a trust fund, but that is the only name I can think of.

Mr. THYE. The question, however, is this: Suppose I were the employer, and I brought someone in and employed him for a period of 5 months in the calendar year 1954, then I employed the same person for 4 months in 1955, and then I did not employ him for some time. In the event that person made application and was of sufficient age and was qualified to receive retirement pay, how would such an account be handled?

Mr. MILLIKIN. Is the Senator discussing the present law?

Mr. THYE. I am discussing the provisions in this new bill, H. R. 9766.

Mr. MILLIKIN. Under the circumstances which the Senator has described, the worker would not be qualified for benefits.

Mr. THYE. He would not be?

Mr. MILLIKIN. No.

Mr. THYE. Why?

Mr. MILLIKIN. Because he had not worked long enough to get on the rolls.

Mr. THYE. However, if a person worked 3 months in a quarter, that would be 1 quarter's coverage, and he would then be eligible, would he not?

Mr. MILLIKIN. He would not be eligible. He would be on the roll, but it would depend upon the future history of that worker whether he would finally become eligible for benefits.

Mr. THYE. That is what I am trying to establish. The question does not pertain to me. I used myself as an example. I am trying to establish a record that would guide the person who was bringing in offshore workers who work in the harvesting of apples, and who work in the harvesting of vegetables all along the eastern coast and also in Minnesota and on the west coast. I am trying to bring out some information that will make it crystal clear to a company which is engaged in the canning of peas or sweet corn or any other type of vegetable, how the account is to be handled if the company employs a person for 4 or 5 months a year over a period of years. If the worker is employed more than 60 days in a quarter, the tax payment has to be made. Is that not correct?

Mr. MILLIKIN. Yes; but I think the problem the Senator is posing is a bookkeeping problem. The employer has to keep track of the employees, he has to keep track of what he pays his employees, and he has certain accountability to make to the Government. If the Senator wants me to draw a graph with columns in the ledger, and so forth, I do not feel qualified to do it.

Mr. THYE. No.

Mr. MILLIKIN. I think once we give the direction of what the obligations are, the employer will set up the necessary bookkeeping system.

Mr. THYE. The Senator from Minnesota does not want the able and distinguished chairman to draw any graphs. He has enough problems without getting down to that detail. The question I

want to have made clear is, in the first place, what responsibility the Government has to the type of workers who come into the United States seasonally from an island which may be under British control, who are British subjects, not American citizens, and who do seasonal work in the United States for a period of 10 years, working 4 or 5 months of each year. Are social-security benefits provided for that kind of worker 10 years later?

Mr. MILLIKIN. The Senator has mentioned 10 years. Assuming the period is 10 years and assuming the other things he has mentioned, the worker would be qualified to receive benefits under the social-security system.

Mr. THYE. If he was a British subject who came into the United States and was employed by American employers, even though he did not become a citizen of the United States but still remained a British subject, could he live on a British-controlled island and draw old-age and survivor's insurance or retirement from the United States Treasury?

Mr. MILLIKIN. That is the way it is. There has been considerable complaint about it. I think before it can be changed, there will have to be some conferences with the foreign countries which are affected.

Mr. BUSH. The protection will have been paid for.

Mr. MILLIKIN. Yes, he has paid for his protection.

Mr. THYE. However, I bring this thought up: The employer will have made a certain payment and the employee will have made a certain payment to the Federal Government.

Mr. MILLIKIN. They have both paid, so that, in a sense, balances the accounts, but not completely. I think an additional element should be considered. This system provides certain benefits which the Government intends, as a matter of policy, to accrue to the beneficiaries under the system. Whether those extras were intended to benefit citizens of other countries is another question, and it is a large question. It is something we have handled in the case of workers from Mexico. We may have to handle it in the case of workers from other countries. It ought not to be done in a scattershot method on the Senate floor.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. MILLIKIN. I yield.

Mr. SMATHERS. The senior Senator from Florida [Mr. HOLLAND] and I have an amendment proposed to be offered by us to the bill, which will eliminate coverage of workers from Jamaica, Bahamas, and the British West Indies who are brought into our State every year on a temporary basis for a period of 3 to 4 months to perform agricultural labor. In these instances, the Department of Labor certifies that there is a shortage of domestic labor in Florida for that purpose, and employers in Florida get them to come into the State and send them back when they have finished their work. It was our feeling that they should not be covered by the Social Security Act. We have therefore pre-

pared an amendment to be offered at the proper time, the purpose of which is to eliminate from such coverage this class of agricultural workers who come into Florida from Jamaica, Bahamas, and the British West Indies.

Mr. MILLIKIN. Is the amendment limited to the British West Indies?

Mr. SMATHERS. It is.

Mr. MILLIKIN. I hope the Senator will offer the amendment. Personally, I should be willing to take it to conference. I think we should be very careful tonight not to shoot with buckshot, because many nations may be involved, and we do not know what our arrangements are with them. We have had no hearings on the proposal. I recognize the problem which the Senator raises.

Mr. THYE. The reason I was endeavoring to get this question clarified by the colloquy or discussion is primarily that the question has been raised with me that an American citizen employing Mexicans is exempt from paying the tax on the wages of the Mexican worker, while the citizen who brings in workers from the West Indies immediately has to pay a tax. If a man employing Mexican workers has the advantage of not paying a tax, he would naturally discriminate against American citizens who are seeking employment, on whose wages he would have to pay a tax.

These are questions which I think we should try to have made clear.

Mr. MILLIKIN. I understand the Senator's suggestions and thoughts. There is a great deal to what he says. As I understand, the amendments, which the Senator from Florida is about to propose, are limited in area. I have received some information from the staff. I cannot say exactly, but so far as the British are concerned I understand, there would be no objection. That is something that ought to be looked into by the State Department before we finalize that kind of legislation and make it universal.

Mr. KNOWLAND. Mr. President, will the Senator from Colorado yield, so that I may suggest the absence of a quorum, primarily for the purpose of proposing a unanimous-consent request?

Mr. MILLIKIN. Will the Senator withhold his request for a moment?

Mr. KNOWLAND. Certainly.

Mr. MILLIKIN. Why does not the Senator from Florida offer his amendments, while the going is good, so to speak?

Mr. SMATHERS. Mr. President, on behalf my distinguished senior colleague [Mr. HOLLAND] and myself, I offer two amendments to the pending bill.

The PRESIDING OFFICER (Mr. REYNOLDS in the chair). The Secretary will state the amendments.

The LEGISLATIVE CLERK. On page 3, in line 18, beginning with the word "workers", it is proposed to strike out all down to and including line 20, and insert in lieu thereof the following:

(i) workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended, or (ii) lawfully admitted to the United States from the Bahamas, Jamaica, and the British West Indies on a temporary basis to perform agricultural labor.

On page 115, line 10, beginning with the word "workers", strike out all down to and including line 12 and insert in lieu thereof the following:

(i) workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended (65 Stat. 119; 7 U. S. C. 1461-1468), or (ii) lawfully admitted to the United States from the Bahamas, Jamaica, and the British West Indies on a temporary basis to perform agricultural labor.

The PRESIDING OFFICER. The question is on agreeing to the amendments offered by the Senator from Florida.

Mr. THYE. Mr. President, I should like to direct a question to the able chairman of the committee before action is taken on the amendments. Why could we not apply amendments of that kind to all offshore workers?

Mr. MILLIKIN. It may be that it could be done, but I believe the subject should be reviewed in committee, and it should be reviewed by the State Department, so that we may avoid setting up what might well be an irritation in our relation with other countries.

Mr. THYE. Assuming the amendments are agreed to and that they apply only to the West Indies, employers who get offshore workers from other areas will say to those who represent them, "Why did you not do for us what the Senators from Florida did with respect to workers who come from the West Indies?"

We who represent other States would be faced with that kind of question. That is what would be asked if we were to permit something to happen with respect to offshore workers that is beneficial to one State but not to other States.

Therefore, I may well be faced with that kind of question. It does not seem fair or just to the employer in one area not to be able to bring in workers from some offshore islands while employers in other States get the benefit of employing workers from the West Indies. That poses a problem.

Mr. MILLIKIN. I do not represent that what I am about to say is 100 percent accurate, but I have received some information to the effect that the British have no objection to such agreements. The Senator's problem is to find out—and I hope to find out for him, although I cannot do it tonight—whether or not the people of the particular offshore countries from which his constituents get their labor will be resentful if the same procedure is applied with respect to their people.

Mr. THYE. Mr. President, will the Senator yield further?

Mr. MILLIKIN. I yield.

Mr. THYE. I should like to press that thought a little further. Has the Senator from Colorado any knowledge that any of the countries now involved would object if we were to deny them this coverage?

Mr. MILLIKIN. I do not; but I do not believe we should proceed at this time.

Mr. THYE. I thought perhaps the chairman and his committee had studied the subject sufficiently so that he would have information relative to other is-

lands, to the same extent that he has information with reference to Mexico and the West Indies.

Mr. MILLIKIN. This question arises for the first time on the floor. The chairman, after discussing the matter with the staff of the committee, has learned about the British situation. I can well understand how this situation would put some Senators somewhat on a spot, but I do not think we can avoid all spots that might involve Senators. In that connection, I should like to quote from an authority whom I seldom quote. President Truman used to say, "If you can't stand the heat, stay out of the kitchen."

Mr. THYE. To which I should like to add that if a person cannot stand the heat in the kitchen, he should either change the method of heating, or put in a different heating system. I propose to examine both possibilities. If it is possible to exempt the West Indies, I shall try to bring in an amendment that will take off the heat with respect to some other areas as well.

Mr. MILLIKIN. I promise the Senator that at the next session of Congress, next year, we will gladly hear from the Senator.

Mr. THYE. I will endeavor to draft an amendment and have it on the Senator's desk tomorrow morning.

Mr. MILLIKIN. That is the Senator's privilege. I hope tomorrow will be too late.

Mr. SMATHERS. I may not know my geography very well, but are there other areas than the British West Indies, Jamaica, the Bahamas, and Mexico from which offshore laborers come to this country?

Mr. THYE. I will endeavor to acquaint myself with that situation.

Mr. SMATHERS. I believe that by working out contracts which have already been worked out with Mexico and by adopting a provision with reference to persons lawfully admitted to the United States from Jamaica, Bahamas, and the British West Indies on a temporary basis to perform agricultural labor, we will have included practically all the labor with which the Senator from Minnesota is concerned.

I may say to the Senator that the problem with which we are concerned in our State is met by employers first obtaining a certificate from the Department of Labor certifying that there is a shortage of domestic labor in the area and asking that they be permitted to bring in x number of workers from Jamaica, Bahamas, and the British West Indies. When such labor is brought in they cannot remain in the country for more than 3 or 4 months, under the law, and can work only on the particular job for which they were brought into the country. They do not become transient workers and do not compete with other workers in our State. After they have completed the job for which they were brought into this country, they must return to their own country.

Mr. THYE. Some of the workers who come from offshore come up along the Atlantic coast and they wind up picking apples in Virginia.

Mr. SMATHERS. Those are not the ones which would come under the proposed amendment because the amendment is applicable only to those cases where a certification has been obtained from the Department of Labor stating that there is no available supply of domestic labor. In that way we stop them from competing with domestic labor or from becoming transients.

Mr. THYE. Mr. President, I thank the distinguished Senator.

Mr. MILLIKIN. I am very appreciative.

Mr. THYE. I am now going to proceed to see whether it is necessary for me to make requisition for a ventilating system.

Mr. MILLIKIN. If so, you will find very willing workers, if you find the answer in time.

Mr. KNOWLAND. Will the Senator now yield for the purpose of a quorum call and the propounding of a unanimous-consent agreement?

Mr. MILLIKIN. I yield to the Senator.

Mr. KNOWLAND. I ask unanimous consent that the Senator from Colorado [Mr. MILLIKIN] may yield for that purpose without losing the privilege of the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KNOWLAND. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KNOWLAND. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KNOWLAND. Mr. President, I send to the desk a proposed unanimous-consent agreement, which is presented on behalf of the majority leader and the minority leader.

The PRESIDING OFFICER. The Secretary will read the proposed unanimous-consent agreement.

The LEGISLATIVE CLERK. The proposed unanimous-consent agreement reads as follows:

Ordered, That during the further consideration of H. R. 9366, to amend the Social Security Act and the Internal Revenue Code, debate on any amendment or motion (including appeals) shall be limited to not exceeding 30 minutes, to be equally divided and controlled, respectively, by the mover of any such amendment or motion and the Senator from Colorado [Mr. MILLIKIN] in the event he is opposed to any such amendment or motion; otherwise, by the mover and the minority leader: *Provided*, That no amendment that is not germane to the subject matter of the said bill shall be received: *And provided further*, That debate upon the bill itself shall be limited to not exceeding 2 hours, to be equally divided and controlled, respectively, by the Senator from Colorado [Mr. MILLIKIN] and the Senator from Texas [Mr. JOHNSON].

The PRESIDING OFFICER. Is there objection to the unanimous-consent agreement? The Chair hears none, and it is so ordered.

Mr. IVES. Mr. President, have the amendments offered by the Senator from Florida been agreed to?

The PRESIDING OFFICER. They have not yet been agreed to.

Mr. IVES. I should like to offer an amendment if they have been agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendments offered by the Senator from Florida.

The amendments were agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. IVES. Mr. President, I call up my amendment 7-31-54-A, which I send to the desk.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. At the end of the bill it is proposed to add a new section, as follows:

SERVICE FOR CERTAIN EXEMPTION ORGANIZATIONS PRIOR TO ENACTMENT OF THIS ACT

SEC. 403. In any case in which—
(a) an individual has been employed, at any time subsequent to 1950 and prior to the enactment of this act, by an organization which is exempt from income tax under section 101 (6) of the Internal Revenue Code of 1939 but which has failed to file prior to the enactment of this act a waiver certificate under section 1426 (1) (1) of the Internal Revenue Code of 1939;

(b) the service performed by such individual as an employee of such organization during the period subsequent to 1950 and prior to 1955 would have constituted employment (as defined in section 210 of the Social Security Act and section 1426 (b) of the Internal Revenue Code of 1939) if such organization had filed prior to the performance of such service such a certificate accompanied by a list of the signatures of employees who concurred in the filing of such certificate and such individual's signature had appeared on such list;

(c) the taxes imposed by sections 1400 and 1410 of the Internal Revenue Code of 1939 have been paid with respect to any part of the remuneration paid to such individual by such organization for such service;

(d) part of such taxes have been paid prior to the enactment of this act;

(e) so much of such taxes as have been paid prior to the enactment of this act have been paid by such organization in good faith and upon the assumption that a waiver certificate had been filed by it under section 1426 (1) (1) of the Internal Revenue Code of 1939; and

(f) no refund of such taxes has been obtained,

the amount of such remuneration with respect to which such taxes have been paid shall, upon the request of such individual (filed in such form and manner, and with such official, as may be prescribed by regulations made under subchapter A of Chapter 9 of the Internal Revenue Code of 1939), be deemed to constitute remuneration for employment as defined in section 210 of the Social Security Act and section 1426 (b) of the Internal Revenue Code of 1939.

Mr. MILLIKIN. Mr. President, will the Senator from New York yield?

Mr. IVES. I yield to the Senator from Colorado.

Mr. MILLIKIN. I understand this is the precise amendment submitted to our staff?

Mr. IVES. This is the identical amendment.

Mr. MILLIKIN. So far as I am concerned—and I think the distinguished senior Senator from Georgia agrees with the amendment in principle—I am willing to take the amendment to conference.

The PRESIDING OFFICER. With-out objection, the amendment is agreed to.

Mr. IVES. Mr. President, I ask unanimous consent to have inserted in the RECORD a statement concerning the amendment.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR IVES

This proposed amendment is designed to alleviate the serious problem confronting certain charitable institutions such as a nonprofit corporation, the North Shore Hospital, in my own State of New York. This amendment would provide that such an organization could file, retroactively to the year 1951, certain certificates required by the Bureau of Internal Revenue as evidence of their waiver of immunity from the social-security taxes imposed under the Federal Insurance Contributions Act, if the failure to file such certificates was merely a ministerial or clerical omission on the part of the organization and if part of the taxes imposed by the Internal Revenue Code have been paid in good faith prior to the enactment of the bill and no refund of such taxes has been obtained.

I am advised that the problem which this proposed amendment is designed to resolve has arisen with respect to several other similar institutions. In the North Shore Hospital case, the board of directors of the hospital directed that the necessary steps be taken for the corporation to waive its immunity to the taxes imposed by the Federal Insurance Contributions Act and to secure for all corporation employees coverage under the old-age and survivors insurance program, established under title II of the Social Security Act, as amended in January 1951. Moreover, the employees of the hospital at that time understood that the corporation had waived its immunity from the aforesaid tax and they concurred in their being covered by the insurance program. However, this concurrence was not reduced to writing on Internal Revenue Form SS-15 (a) solely by reason of the failure on the part of the then administrative officials of the hospital to secure their signatures on said form.

During the period from January 1, 1951, to October 1953, the officers, directors, and employees of the corporation assumed that the necessary documents had been filed and that the taxes deducted under the Federal Insurance Contributions Act were paid in accordance with that act.

When the hospital first learned that there was a question concerning the coverage of its employees in the fall of 1953, it continued to withhold the employees' tax, as well as the employers' tax, and deposited the amount so withheld in a special trust account. The hospital has made every effort to resolve this serious problem administratively, but has been unable to do so.

If this proposed amendment is not favorably considered, many employees of the hospital will lose wage credits over a period of about 3½ years and the hospital will have the enormous burden and expensive obligation of locating and making refunds to each individual with respect to whom the social-security tax had been paid over the period beginning on January 1, 1951, and ending on June 20, 1954. Moreover, I am advised that this loss of wage credits would mean for some employees the difference between their qualifying or not qualifying for benefits under the social-security program.

Therefore, I urge the adoption of this proposed amendment to H. R. 9366 to resolve the serious problem confronting the North Shore Hospital and other like institutions which may be similarly affected.

Mr. MORSE. Mr. President, I offer a series of amendments which are some-

what of the same nature as that offered by the distinguished senior Senator from New York [Mr. IVES]. Probably the principle is somewhat in reverse, but they also involve an injustice which should be corrected. I understand that the chairman of the committee is willing to take the amendments to conference. I ask that the amendments be read.

The PRESIDING OFFICER. The clerk will state the amendments.

The CHIEF CLERK. On page 7, line 13, it is proposed to strike out "or."

On page 7, it is proposed to strike out all on line 15 and insert in lieu thereof the following: "began, or (iii) any part of whose remuneration for such service is deemed under section 1426 (1) (8) of the Internal Revenue Code to constitute remuneration for employment for the purposes of this subsection;"

On page 8, line 7, it is proposed to strike out "or."

On page 8, it is proposed to strike out all on line 9 and insert in lieu thereof the following: "such period began, or (iii) any part of whose remuneration for such service is deemed under section 1426 (1) (8) of the Internal Revenue Code to constitute remuneration for employment for the purposes of this subsection."

On page 104, line 15, it is proposed to strike out "or."

On page 104, line 17, it is proposed to strike out "began;" and insert in lieu thereof the following: "began, or (iii) any part of whose remuneration for such service is deemed under section 1426 (1) (8) to constitute remuneration for employment for the purposes of this subsection."

On page 105, line 8, it is proposed to strike out "or."

On page 105, line 10, it is proposed to strike out "began;" and insert in lieu thereof the following: "began, or (iii) any part of whose remuneration for such service is deemed under section 1426 (1) (8) to constitute remuneration for employment for the purposes of this subsection."

On page 111, line 3, it is proposed to insert "(1)" after "(d)."

On page 111, between lines 10 and 11, it is proposed to insert the following:

(2) Section 1426 (1) is further amended by adding at the end thereof the following new paragraph:

"(8) Individuals who failed to sign list: Notwithstanding the foregoing provisions of this subsection, in any case in which—

"(A) an individual has been employed by an organization which has filed a certificate under this subsection waiving its exemption from income tax under section 101 (6);

"(B) the service performed by such individual during the time he was so employed would have constituted employment (as defined in sec. 210 of the Social Security Act and sec. 1426 (b)) if such individual's signature had appeared on the list of signatures of employees who concurred in the filing of such certificate;

"(C) the taxes imposed by sections 1400 and 1410 have been paid with respect to any part of the remuneration paid to such individual by such organization for such service; and

"(D) no refund of such taxes has been obtained,

the amount of such remuneration with respect to which such taxes have been paid

shall, upon the request of such individual (filed in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter) be deemed to constitute remuneration for employment as defined in section 210 of the Social Security Act and section 1426 (b)."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered the junior Senator from Oregon. Without objection, the amendments will be considered en bloc.

Mr. MILLIKIN. Mr. President, in view of the fact that the amendment offered by the Senator from Oregon would remedy the situation where employees through mistake or misunderstanding failed to sign the employer's waiver certificate required for coverage of employees of nonprofit organizations, I am willing to take the amendment to conference.

I am informed that the distinguished senior Senator from Georgia [Mr. GEORGE], who is also familiar with the matter, is of the same opinion.

Unfortunately, existing law does not authorize any official of the Government to correct honest mistakes which work to the detriment of individuals who believed they had been brought in under the system and for whom taxes have been withheld and paid by the employer. It may be necessary in conference to modify the express language in the amendment offered by the Senator from Oregon, but we shall endeavor to fulfill the objective of his amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendments offered by the junior Senator from Oregon.

The amendments were agreed to.

Mr. MORSE. Mr. President, as an assistance to the committee of conference, I ask to have my statement in support of the amendments printed at this point in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR MORSE

This amendment is designed to furnish relief to a number of our elder citizens who have been deprived of benefits and exposed to economic hardship because of misunderstandings about the present law.

Prior to the Social Security Act amendments of 1950, services rendered for a nonprofit organization were not in covered employment. Under the provisions of the 1950 amendments nonprofit organizations were given an opportunity to qualify their employees for social-security coverage under the amended act. Section 210 (a) of the act reads in part, as follows:

"The term 'employment' means any services performed * * * by an employee for the person employing him * * * except that, in the case of services performed after 1950 such terms shall not include—

"(9) * * * (B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6) of the Internal Revenue Code, but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 1426 (1) of the Internal Revenue Code, is in effect if such service is performed by an employee (i) whose signature appears on the list filed by such organization after the calendar quarter in which the certificate was filed."

Pursuant to the above section, and with the intention of qualifying its employees for social-security coverage, the Emanuel Hospital of Portland, Oreg., a nonprofit organization, circulated a list to be signed by its employees in 1950.

At that time there were among the employees at Emanuel Hospital a Mrs. Hildur Peterson and a Hilda Peterson. When the hospital staff circulated the list of concurring employees required by section 210 (a) above, Hilda Peterson signed the list. A confusion of names resulted in the list not being submitted to Hildur Peterson for signature. Assuming, however, that Hildur Peterson had signed the list, deductions for old-age insurance were thereafter made from Mrs. Peterson's wages, and Mrs. Peterson in turn assumed that she was receiving social-security coverage.

Mrs. Peterson, who had been employed at Emanuel Hospital since 1945, terminated her employment in October 1952. In December of that year she applied for her social-security benefits. She was then informed that no wage credits would be given her for employment at the hospital because of her failure to sign the list, and that she would receive minimum benefits under the Social Security Act based on employment outside the hospital from 1937 to 1945.

Mrs. Peterson is now 72 years of age. She has been a widow for many years. She has supported and reared a fine family, but she was unable to set aside savings for her old age. Her son is now an overseas missionary, and she is being taken care of by her daughter, a person of very limited financial resources.

I am informed that there are probably 200 or more persons who have been denied social-security benefits in cases similar to that of Mrs. Peterson. The Treasury Department has advised me that representatives of that Department and the Department of Health, Education, and Welfare have been aware of many hardship cases and have discussed the problem at various times. Apparently no affirmative action has been taken to correct it.

The Treasury Department recently informed me of the case of an aged employee of an exempt organization who was confined in a hospital at the time the organization was circulating its list. When she returned to her employment she was informed that the signatures of the necessary two-thirds concurring employees had been obtained. She assumed that her signature was not required to qualify her individually for social-security coverage. Although in poor health, she continued to work for the organization for some time in the expectation of being able to build up enough wage credits to entitle her to benefits on retirement. When she terminated her employment and applied for benefits she was informed that she was not entitled to wage credits for her employment with the exempt organization because she had not signed the required list.

The distinguished Senator from Wyoming [Mr. BARRETT] has advised me that there has been referred to his office another case of hardship resulting from similar circumstances, and he is very much interested in the adoption of my amendment.

The purpose of my amendment is to give to the agency concerned the authority which it claims it lacks to authorize additions to or deletions from concurring lists in cases of excusable error, where taxes have been collected from a person who thereupon assumes that he or she is receiving social-security coverage.

On June 30, I submitted to the Committee on Finance a proposed amendment which the committee did not see fit to adopt. I have been advised that the reason that the committee did not favor my proposed amendment was that the amendment as submitted would have given the agency continuing au-

thority to authorize additions to or deletions from lists, and apparently the committee did not wish to "open up" the present law to that extent.

The amendment which I have submitted today authorizes the addition to or deletion from lists only in the cases occurring subsequent to 1950 and prior to enactment of this act. This would take care of persons who have been subjected to hardship by misunderstandings in the past, but it does not "open up" the law for continuing authorization for the agency to make changes in lists in the future.

Most of the persons who would be helped by adoption of this amendment are in great need of financial assistance, and I feel that it is urgent that they receive as soon as possible the social security benefits to which I am sure all of the Members of the Senate will agree they are entitled.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Senator from Colorado [Mr. MILLIKIN] may yield briefly to the Senator from Rhode Island [Mr. GREEN] without losing his right to the floor.

Mr. MILLIKIN. I so request.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

SOCIAL SECURITY AMENDMENTS OF
1954

The Senate resumed the consideration of the bill (H. R. 9369) to amend the Social Security Act and the Internal Revenue Code, so as to extend coverage under the old-age and survivors insurance pro-

gram, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

Mr. HILL. Mr. President, I wish to call the attention of the Senator from Colorado to a letter dated August 12, 1954, which I have received from the Department of Health, Education, and Welfare, signed by Hon. Oveta Culp Hobby, Secretary, in which she states her opinion with reference to the rehabilitation provision of H. R. 9366, as follows:

At the time the administration's bill on social security was introduced, I publicly stated that in order to qualify for the "disability freeze" provisions of the bill a person would not be required to accept rehabilitation services. I have reiterated this statement on several occasions.

However, in view of the question raised in your letter I have had the General Counsel of this Department again review section 106 and he informs me that there is no provision in the bill that would grant authority to the Secretary to deny the "disability freeze" to persons who refused rehabilitation services.

The purport of the remainder of the letter conforms with the two statements I have just read.

I desire to ask the chairman of the committee, the distinguished Senator from Colorado [Mr. MILLIKIN], if his views are in accord with the views stated by Secretary Hobby in the letter to which I have just referred.

Mr. MILLIKIN. I am glad to say that I am in complete accord with what Secretary Hobby has written to the distinguished Senator from Alabama in the letter from which he has read.

Mr. HILL. I thank the Senator from Colorado.

Mr. President, I ask unanimous consent to have the entire letter printed at this point in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE,
Washington, August 12, 1954.

HON. LISTER HILL,
United States Senate.

DEAR SENATOR HILL: This is in reply to your letter of August 5, 1954, requesting a statement on the Department's position with respect to whether the Secretary could require an individual to accept rehabilitation services under the authority of section 106 of H. R. 9366 providing for the preservation of insurance rights of disabled individuals.

At the time the administration's bill on social security was introduced, I publicly stated that in order to qualify for the "disability freeze" provisions of the bill a person would not be required to accept rehabilitation services. I have reiterated this statement on several occasions.

However, in view of the question raised in your letter I have had the General Counsel of this Department again review section 106 and he informs me that there is no provision in the bill that would grant authority to the Secretary to deny the "disability freeze" to persons who refused rehabilitation services. The only specific provision in the bill dealing with rehabilitation is the proposed new section 223 of the Social Security Act, entitled "Referral for Rehabilitation Services," which declares it to be the policy of the Congress that disabled individuals

applying for a determination of disability shall be promptly referred to rehabilitation agencies for necessary rehabilitation services to the end that the maximum number may be restored to productive activity. This provision is intended to afford individuals the opportunity to be considered for services under the Vocational Rehabilitation Act; the failure to accept such a referral, would not of itself authorize this Department to find that the individual was not under a disability.

Aside from this specific provision, there is a general provision in the bill (the proposed new section 216 (i) of the Social Security Act) which provides that "An individual shall not be considered to be under a disability unless he furnishes such proof of the existence thereof as may be required." The General Counsel has also considered whether this provision could be interpreted to require an individual to accept rehabilitation services. He assures me that this provision would not have the effect of making an individual's acceptance of rehabilitation services a condition to a finding that he is under a disability.

With regard to the general problem of rehabilitation in disability determinations, the Committee on Finance in its report to accompany H. R. 9366 (S. Rept. No. 1987) has stated:

"There are two aspects of disability evaluation: (1) There must be a medically determinable impairment of serious proportions which is expected to be of a long-continued and indefinite duration or to result in death, and (2) there must be a present inability to engage in substantial gainful work by reason of such impairment (recognizing, of course, that efforts toward rehabilitation will not be considered to interrupt a period of disability until the restoration of the individual to gainful activity is an accomplished fact * * * (p. 21).

Under the bill, therefore, whether an individual is under a disability as defined in the bill would be a question of fact. If he were suffering from an impairment of such severity as to be totally disabling for any substantially gainful work, the mere possibility that he may be offered rehabilitation services and that the successful conclusion of a course of such services might restore him to gainful activity would not preclude a present finding of disability. Therefore, if he meets the other conditions of eligibility specified in the disability provisions in section 106, his rights under title II of the act would be preserved.

Sincerely yours,

OVETA CULP HOBBY.

THE PRESIDING OFFICER. The bill is open to further amendment.

Mr. LEHMAN. Mr. President, I call up my amendment 8-3-54-A. I waive the reading of the amendment.

THE VICE PRESIDENT. Without objection the amendment in the nature of a substitute offered by the Senator from New York will be printed in the RECORD.

The amendment in the nature of a substitute offered by Mr. LEHMAN was to strike out all after the enacting clause and insert the following:

That this act may be cited as the "Social Security Amendments of 1954."

STATEMENT OF PURPOSE

SEC. 2. The Congress hereby finds and declares that, to promote the general welfare of the people of the United States, measures are needed to expand and improve the national social insurance program so that it will—

(1) permit all gainfully occupied individuals to maintain their self-reliance and self-respect and build up their future security

through benefits based on their own contributions and those of their employers;

(2) provide benefit amounts reasonably related to the wage or self-employment income that had determined an individual's standard of living, and to the current wage levels prevailing throughout the Nation;

(3) acknowledge individual effort, skill, and responsibility by the payment of variable benefit amounts related to past earnings, years of contributions, and the number of persons dependent on the individual's earnings;

(4) spread the risk of income loss arising from sickness and disability, as well as from old age and death, that the occurrence of these events may not impose an overwhelming burden on the families affected; and

(5) reduce the number of cases in which individuals or their families must resort to public assistance.

TITLE I—AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT

EXTENSION OF COVERAGE

DOMESTIC SERVICE, SERVICE NOT IN COURSE OF EMPLOYER'S BUSINESS, AND AGRICULTURAL LABOR

SEC. 101. (a) (1) Paragraph (2) of section 209 (g) of the Social Security Act is amended to read as follows:

"(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)."

(2) Section 209 (g) of such act is amended by adding at the end thereof the following new paragraph:

"(3) Cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer's trade or business, 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 '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)."

(3) Section 209 (h) of such act is amended by inserting "(1)" after "(h)" and by adding at the end thereof the following new paragraph:

"(2) Cash remuneration paid by an employer in any calendar quarter to an employee for agricultural labor, if the cash remuneration paid in such quarter by the employer to the employee for such labor is less than \$50."

(4) Section 210 (a) (1) of such act is amended to read as follows:

"(1) (A) Service performed 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;

"(B) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended."

(5) Section 210 (a) of such act is amended by striking out paragraph (3) and redesignating paragraphs (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), and (14), and any references thereto contained in such act, as paragraphs (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), and (13), respectively.

(6) The second sentence of section 213 (c) (5) of such act is amended by inserting before the period at the end thereof "and service the remuneration for which is excluded from wages by paragraph (2) of section 209 (h)."

AMERICAN CITIZENS EMPLOYED BY AMERICAN EMPLOYERS ON FOREIGN-FLAG VESSELS

(b) The paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (4) is amended by striking out "if the individual is employed on and in connection with such vessel or aircraft when outside the United States" and inserting in lieu thereof: "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."

CERTAIN FEDERAL EMPLOYEES

(c) (1) Subparagraph (B) of the paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (6) is amended—

(A) by inserting "by an individual" after "Service performed", and by inserting "and if such service is covered by a retirement system established by such instrumentality;" after "December 31, 1950,";

(B) by inserting "a Federal Home Loan Bank," after "a Federal Reserve Bank," in clause (ii); and

(C) by striking out "or" at the end of clause (iii), by adding "or" at the end of clause (iv), and by adding at the end of the subparagraph the following new clause:

"(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 the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard."

(2) Subparagraph (C) of such paragraph is amended to read as follows:

"(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 2 of the act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

"(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 the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system (other than the retirement system of the Tennessee Valley Authority)."

(3) Section 205 (p) (3) of such act is amended by adding at the end thereof the following new sentence: "The provisions of paragraphs (1) and (2) shall be applicable also in the case of 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 the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of paragraphs (1) and (2) the Secretary of the Treasury shall be deemed to be the head of such instrumentality."

MINISTERS

(d) (1) The paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (8) is amended to read as follows:

"(8) (A) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6) of the Internal Revenue Code, other than 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; but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 1426 (1) (1) of the Internal Revenue Code, is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section, or (ii) who became an employee of such organization after the certificate was filed and after such period began;

"(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6) of the Internal Revenue Code, 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; but this subparagraph shall not apply to service performed by a duly ordained, commissioned, or licensed minister of a church or a member of a religious order who has taken a vow of poverty as a member of such order, during the period for which a certificate, filed pursuant to section 1426 (1) (2) of the Internal Revenue Code, is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section, or (ii) who became an employee of such organization after the certificate was filed and after such period began."

(2) Section 211 (c) of such act is amended by striking out paragraph (4).

(3) Nothing in subsection (a) of section 210 of the Social Security Act, as amended by this act, or in subsections (b) and (1) of section 1426 of the Internal Revenue Code, as so amended, shall be construed to mean that any minister is an employee of an organization for any purpose other than the purposes of such sections.

FISHING AND RELATED SERVICE

(e) Section 210 (a) of the Social Security Act is further amended by striking out paragraph (15) and redesignating paragraphs (16) and (17), and any references thereto contained in such act, as paragraphs (14) and (15), respectively.

HOMEWORERS

(f) Subparagraph (C) of section 210 (k) (3) of the Social Security Act is amended by striking out "if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed."

FARMERS AND PROFESSIONAL SELF-EMPLOYED

(g) (1) Subsection (a) of section 211 of the Social Security Act is amended by striking out paragraph (2) and redesignating paragraphs (3), (4), (5), (6), and (7), and any references thereto contained in such act, as paragraphs (2), (3), (4), (5), and (6), respectively, and by adding at the end of such subsection the following new sentence: "In the case of any trade or business which is carried on by an individual who reports his income on a cash receipts and disbursements basis, and in which, if it were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f), (i) if the gross income derived from such trade or business by such individual is not more than \$1,800, the net earnings from self-employment derived by him therefrom may, at his option, be deemed to be 50 percent of such gross income in lieu of

his net earnings from self-employment from such trade or business computed as provided under the preceding provisions of this subsection, or (ii) if the gross income derived from such trade or business by such individual is more than \$1,800 and the net earnings from self-employment derived by him therefrom, as computed under the preceding provisions of this subsection, are less than \$900, such net earnings may, instead, at the option of such individual, be deemed to be \$900. For the purpose of the preceding sentence, gross income derived from such trade or business shall mean 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 preceding provisions of this subsection."

(2) Paragraph (1) of such section 211 (a) is amended to read as follows:

"(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."

(3) The paragraph of such section 211 (a) herein redesignated as paragraph (3) is amended by striking out "cutting or disposal of timber" and inserting in lieu thereof "cutting of timber or the disposal of timber or coal."

(4) Section 211 (c) of such act is amended by striking out paragraph (5), by inserting "or" at the end of paragraph (3), and by adding after paragraph (3) the following new paragraph:

"(4) The performance of service by an individual in the exercise of his profession as a physician, or the performance of such service by a partnership."

COAL ROYALTIES

(h) Paragraph (4) of section 211 (a) of the Social Security Act is amended by striking out "cutting or disposal of timber" and inserting in lieu thereof "cutting of timber, or the disposal of timber or coal."

EMPLOYEES COVERED BY STATE OR LOCAL RETIREMENT SYSTEMS

(i) (1) (A) Section 218 (d) of such act is amended by striking out "Exclusion cf" in heading, by inserting "(1)" after "(d)", and by adding at the end thereof the following sentence: "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."

(B) Such section 218 (d) is amended by striking out "on the date such agreement is made applicable to such coverage group" and inserting in lieu thereof "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))."

(2) Such section 218 (d) is further amended by adding at the end thereof the following new paragraphs:

"(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 cov-

ered by a retirement system on the date an agreement under this section is made applicable to service 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 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 such referendum; and

"(F) Two-thirds or more of the employees who voted in such referendum 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 2-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 1 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 agreements 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) (C)).

"(5) (A) 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.

"(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 (c), 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) (C) of such subsection, such exclusion may not include any services to which such paragraph (3) (C) 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) 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. 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 paragraph, the term "institutions of higher learning" includes junior colleges and teachers' colleges."

(3) Paragraph (3) of section 218 (c) is amended to read as follows:

"(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) Any service of an emergency nature;

"(B) 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;

"(C) 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) Paragraph (4) of such section 218 (c) is amended by adding at the end thereof the following new sentence: "A modification of an agreement pursuant to clause (B) of the preceding sentence may apply to individuals to whom paragraph (3) (C) 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 section 218 (c) is further amended by adding at the end thereof the following new paragraph:

"(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) (C) is applicable unless such agreement provides (in the case of each cov-

erage 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."

(6) Section 218 (f) of such act is amended to read as follows:

"(f) 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—

"(1) in the case of an agreement or modification agreed to prior to 1954, such date may not be earlier than December 31, 1950;

"(2) in the case of an agreement or modification agreed to after 1954 but prior to 1958, such date may not be earlier than December 31, 1954; and

"(3) in the case of an agreement or modification agreed to during 1954 or after 1957, such date may not be earlier than the last day of the calendar year preceding the year in which such agreement or modification, as the case may be, is agreed to by the Secretary of Health, Education, and Welfare and the State."

(7) Section 218 (m) (1) of such act is amended by striking out "subsection (d)" and inserting in lieu thereof "paragraph (1) of subsection (d)."

(8) Section 218 of such act is further amended by adding at the end thereof the following new subsection:

"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 enactment), 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."

(9) The amendments made by this subsection, other than paragraph (1) (B), shall take effect January 1, 1955.

CIVILIAN EMPLOYEES OF STATE NATIONAL GUARD UNITS AND CERTAIN STATE INSPECTORS

(j) (1) Effective as of January 1, 1951, paragraph (5) of section 218 (b) of the Social Security Act is amended by adding at the end thereof the following new sentence: "Civilian employees of National Guard units of a State who are employed pursuant to section 90 of the National Defense Act of June 3, 1916 (32 U. S. C., sec. 42), and paid from funds allotted to such units by the Department of Defense, shall for purposes of this section be deemed to be employees of the State and (notwithstanding the preceding provisions of this paragraph) shall be deemed to be a separate coverage group."

(2) Effective January 1, 1955, such paragraph is further amended by adding after the sentence added by paragraph (1) of this subsection the following new sentence: "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 (not withstanding the preceding provisions of this paragraph) shall be deemed to be a separate coverage group."

(3) In the case of any coverage group to which the amendment made by paragraph (1) is applicable, any agreement or modification of an agreement agreed to prior to January 1, 1956, may, notwithstanding section 218 (f) of the Social Security Act, be made effective with respect to services performed by employees as members of such coverage group after any effective date specified therein, but in no case may such effective date be earlier than December 31, 1950.

Certain employees of the State of Utah

(k) Effective as of January 1, 1951, section 218 of the Social Security Act is amended by adding after subsection (n) (added by subsection (g) (8) of this section) the following new subsection:

"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."

PRESUMED WORK DEDUCTIONS IN CASE OF CERTAIN RETROACTIVE STATE AGREEMENTS

(1) In the case of any services performed prior to 1955 to which an agreement under section 218 of the Social Security Act was made applicable, deductions which—

(A) were not imposed under section 203 of such act with respect to such services performed prior to the date the agreement was agreed to or, if the original agreement was not applicable to such services, performed prior to the date the modification making such agreement applicable to such services was agreed to, and

(B) would have been imposed under such section 203 had such agreement, or modification, as the case may be, been agreed to on the date it became effective, shall be deemed to have been imposed, but only for purposes of section 215 (f) (2) (A) or section 215 (f) (4) (A) of such act as in effect prior to the enactment of this act. An individual with respect to whose services the preceding sentence is applicable, or in the case of his death, his survivors entitled to monthly benefits under section 202 of the Social Security Act on the basis of his wages and self-employment income, shall be entitled to a recomputation of his primary insurance amount under such section 215 (f) (2) (A) or section 215 (f) (4) (A), as the case may be, if the conditions specified therein are met and if, with respect to a recomputation under such section 215 (f) (2) (A), such individual files the application referred to in such section after August 1951 and prior to January 1956 or, with respect to a recom-

putation under such section 215 (f) (4) (A), such individual died prior to January 1956 and any of such survivors entitled to monthly benefits files an application, in addition to the application filed for such monthly benefits, for a recomputation under such section 215 (f) (4) (A).

(2) For purposes of a recomputation made by reason of paragraph (1) of this subsection, the primary insurance amount of the individual who performed the services referred to in such paragraph shall be computed under subsection (a) (2) of section 215 of the Social Security Act, as amended by this act (but, for such purposes, without application of subsection (d) (4) of such section, as in effect prior to the enactment of this act or as amended by this act) and as though he became entitled to old-age insurance benefits in whichever of the following months yields the highest primary insurance amount:

(A) the month following the last month for which deductions are deemed, pursuant to paragraph (1) of this subsection, to have been made; or

(B) the first month after the month determined under subparagraph (A) (and prior to September 1954) in which his benefits under section 202 (a) of the Social Security Act were no longer subject to deductions under section 203 (b) of such act; or

(C) the first month after the last month (and prior to September 1954) in which his benefits under section 202 (a) of the Social Security Act were subject to deductions under section 203 (b) of such act; or

(D) the month in which such individual filed his application for recomputation referred to in paragraph (1) of this subsection or, if he died without filing such application and prior to January 1, 1956, the month in which he died, and in any such case (but, if the individual is deceased, only if death occurred after August 1954) the amendments made by subsections (b) (1), (e) (1) and (e) (3) (B) of section 102 of this act shall be applicable.

Such recomputation shall be effective for and after the month in which the application required by paragraph (1) of this subsection is filed. The provisions of this subsection shall not be applicable in the case of any individual if his primary insurance amount has been recomputed under section 215 (f) (2) of the Social Security Act on the basis of an application filed prior to September 1954.

(3) If any recomputation under section 215 (f) of the Social Security Act is made by reason of deductions deemed pursuant to paragraph (1) of this subsection to have been imposed with respect to benefits based on the wages and self-employment income of any individual, the total of the benefits based on such wages and self-employment income for months for which such deductions are so deemed to have been imposed shall be recovered by making, in addition to any other deductions under section 203 of such act, deductions from any increase in benefits, based on such wages and self-employment income, resulting from such recomputation.

SERVICE BY AMERICAN CITIZENS FOR FOREIGN SUBSIDIARY OF DOMESTIC CORPORATION

(m) Clause (B) of so much of section 210 (a) of the Social Security Act as precedes paragraph (1) thereof is amended to read as follows: "(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 (e) of the Internal Revenue Code of 1954, with respect to such subsidiary."

SERVICE IN THE UNIFORMED SERVICES

(n) The term "employment" shall, notwithstanding the provisions of subsection (a) of this section, include service performed by an individual as an employee of the United States, if such service is performed by him after 1954 as a member of any of the uniformed services of the United States on active duty or active duty for training; but such term shall not include any such service which is (1) performed pursuant to a call or order to active duty, or active duty for training, which specified a period of less than 30 days, or (2) performed by a commissioned officer of the Public Health Service during a period during which he is both on detail pursuant to subsection (b) of section 214 of the Public Health Service Act (42 U. S. C. 215) and on leave without pay pursuant to subsection (d) of such section, or (3) performed by a commissioned officer in the Reserve Corps of the Public Health Service and is covered by the Civil Service Retirement Act of 1930.

MEMBER OF UNIFORMED SERVICES

(o) The term "member" in the phrase "member of any of the uniformed services" and the term "uniformed services" shall have the meanings assigned to such terms by section 102 of the Career Compensation Act of 1949 (37 U. S. C. 231).

AMENDMENTS TO PROVISIONS RELATING TO CREDIT FOR WORLD WAR II AND LATER SERVICE

(p) (1) Clause (B) of section 217 (e) (1) of such act is amended by striking out "(other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments)" and inserting in lieu thereof "(other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments and other than a benefit payable in a lump sum unless it is a Readjustment Assistance Act of 1952)."

(2) Clause (B) of subsection (a) (1) of section 217 of such act and clause (B) of subsection (c) (1) of such section are each amended by striking out "(other than the Veterans' Administration)" and inserting in lieu thereof "(other than the Veterans' Administration and, in the case of an individual who performs service in employment as defined in subsection (m) of section 210, other than any of the uniformed services)."

(3) So much of subsection (a) (1) of section 217 of such act as follows clause (B) thereof and so much of subsection (e) (1) of such section as follows clause (B) thereof are each amended by striking out "\$0.50" and inserting in lieu thereof "\$1.00."

(4) The amendments made by paragraphs (1) and (3) of this subsection shall be applicable only in the case of applications for lump-sum death payments and for monthly benefits under section 202 of the Social Security Act filed after December 1953.

SPECIAL INSURED STATUS FOR SERVICEMEN WITHOUT PRIOR INSURED COVERAGE

(q) Section 214 of the Social Security Act is amended by adding after subsection (b) the following new subsection:

"SPECIAL INSURED STATUS FOR SERVICEMEN

"(c) (1) Any individual who dies after December 1953 while on active duty or active duty for training as a member of a uniformed service (except an individual whose services are excluded from the term 'employment' by section 210 (m)) shall be deemed to have died a fully and currently insured individual.

"(2) There are hereby authorized to be appropriated to the trust fund from time to time, as benefits under this title become payable by reason of paragraph (1) such sums as the Secretary estimates to be necessary to meet the additional costs, resulting from paragraph (1), of such benefits (including lump-sum death payments). Such estimates shall be arrived at through the use of

appropriate accounting, statistical, sampling, or other methods."

EFFECTIVE DATES

(r) The amendment made by subsection (h) shall be applicable only with respect to taxable years beginning after 1950. The amendments made by (c) shall, except for purposes of section 203 of the Social Security Act, be applicable only with respect to taxable years ending after 1954. The amendments made by paragraphs (1), (2), and (3) of subsection (a) shall be applicable only with respect to remuneration paid after 1954. The amendments made by paragraphs (4), (5), and (6) of subsection (a) shall be applicable only with respect to services (whether performed after 1954 or prior to 1955) for which the remuneration is paid after 1954. The other amendments made by this section (other than the amendments made by subsections (1), (j), (k), and (m)) shall be applicable only with respect to services performed after 1954. For purposes of section 203 of the Social Security Act, the amendments made by paragraphs (1), (2), and (4) of subsection (g) and by paragraph (2) of subsection (d) shall be effective with respect to net earnings from self-employment derived after 1954. The amount of net earnings from self-employment derived during any taxable year ending in, and not with the close of, 1955 shall be credited equally to the calendar quarter in which such taxable year ends and to each of the three or fewer preceding quarters any part of which is in such taxable year; and, for purposes of the preceding sentence of this subsection, net earnings from self-employment so credited to calendar quarters in 1955 shall be deemed to have been derived after 1954.

INCREASE IN BENEFIT AMOUNTS

SEC. 102. (a) Subsection (a) of section 215 of the Social Security Act is amended to read as follows:

"PRIMARY INSURANCE AMOUNT

"(a) (1) The primary insurance amount of any individual (i) who does not become eligible for benefits under section 202 (a) until after August 1954, or who dies after such month and without becoming eligible for benefits under such section 202 (a), and (ii) with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage, and the primary insurance amount of any individual with respect to whom not less than six of the quarters elapsing after June 30, 1953, are quarters of coverage, shall be whichever of the following amounts is the larger:

"(A) (i) Fifty-five percent of the first \$110 of his average monthly wage, plus 20 percent of the next \$390, plus (ii) one-half of 1 percent of the amount computed under clause (i) multiplied by the number of his years of coverage after his starting date (determined under subsection (b) (2)) and prior to the year in which he filed his application with respect to which the computation is being made, or, if he has died, the year in which he died; or

"(B) The amount determined under subsection (c).

An individual shall, for purposes of this paragraph, be deemed eligible for benefits under section 202 (a) for any month if he was or would have been, upon filing application therefor in such month, entitled to such benefits for such month.

"(2) The primary insurance amount of any other individual shall be the amount determined under subsection (c)."

(b) (1) Paragraphs (1), (2), and (3) of subsection (b) of such section are amended to read as follows:

"(b) (1) An individual's 'average monthly wage' shall be the product obtained by multiplying his average earnings by his regularity-of-service factor. An individual's 'average earnings' means—

"(A) in the case of an individual who has more than 14 years of coverage after his starting date (determined under paragraph (2)) and prior to his closing date (determined under paragraph (3)), the quotient obtained by dividing (i) the total of his wages and self-employment income in the 10 consecutive years of coverage, occurring between such dates, during which such total was the largest, by (ii) 120, not counting in determining an individual's consecutive years of coverage, any year which was not a year of coverage;

"(B) in the case of an individual who has less than 15 years of coverage after his starting date and prior to his closing date, the quotient obtained by dividing (i) the total of his wages and his self-employment income after his starting date and prior to his closing date, by (ii) 120 or, if smaller, the number of months elapsing after his starting date and prior to his closing date (excluding from such elapsed months any month in any year prior to the year in which he attained the age of 22 if less than 2 quarters of such prior year were quarters of coverage), except that when the number of such elapsed months thus computed (including a computation after the application of paragraph (4)) is less than 18, it shall be increased to 18.

An individual's regularity-of-service factor is the quotient obtained by dividing—

"(C) ten, or the number of his years of coverage after his starting date and prior to his closing date, whichever is larger, by

"(D) the number of years elapsing after his starting date and prior to his closing date, excluding the years 1951 to 1954, both inclusive, except that, if the quotient thereby obtained is greater than 1, it shall be reduced to 1, and except that, if an individual's closing date occurred prior to the year in which he attained (or would, but for his death prior thereto, have attained) the age of 23, such quotient shall be 1.

'A year of coverage' means a calendar year in which the sum of the wages paid to an individual and his self-employment income credited to such year is not less than \$200.

"(2) An individual's 'starting date' shall be—

"(A) December 31, 1950, or

"(B) if later, the last day of the year in which he attains the age of 21, whichever results in the higher primary insurance amount.

"(3) An individual's 'closing date' shall be whichever of the following results in the higher primary insurance amount:

"(A) the first day of the year in which he died or became entitled to old-age insurance benefits, whichever first occurred; or

"(B) the first day of the first year in which he both was fully insured and had attained retirement age;

except that if the Secretary determines, on the basis of the evidence available to him at the time of the computation of the individual's primary insurance amount with respect to which such closing date is applicable, that it would result in a higher primary insurance amount for such individual, his closing date shall be the first day of the year following the year referred to in subparagraph (A)."

(2) Paragraph (4) of such subsection (b) is amended to read as follows:

"(4) In the case of any individual, the Secretary shall determine the four or fewer full calendar years after his starting date and prior to his closing date which, if the months of such years and his wages and self-employment income for such years were excluded in computing his average monthly wage, would produce the highest primary insurance amount. Such months and such wages and self-employment income shall be excluded for purposes of computing such individual's average earnings under paragraph (1) (B). The maximum number of calendar years de-

termined under the first sentence of this paragraph shall be 5 instead of 4 in the case of any individual who has not less than 20 quarters of coverage."

(c) Subsection (c) of such section is amended to read as follows:

"DETERMINATIONS MADE BY USE OF THE CONVERSION TABLE

"(c) (1) Except as provided in paragraph (2) of this subsection, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for an individual shall be either the amount appearing in column III of the following table on the line on which in column I appears his primary insurance benefit (as determined under subsection (d)), or the amount appearing in column III of the following table on the line on which in column II appears his primary insurance amount (determined as provided in subsection (d)), whichever produces the higher amount; and his average monthly wage shall, for purposes of section 203 (a), be the amount appearing in column IV on the line on which, in column III, appears such higher amount.

I	II	III	IV
"If the primary insurance benefit (as determined under subsection (d)) is—	Or the primary insurance amount (as determined under subsection (d)) is—	The amount referred to in paragraphs (1) (B) and (2) of subsection (a) shall be—	And the average monthly wage for purposes of computing maximum benefits shall be—
\$10.....	\$25.00	\$35.00	\$55.00
\$11.....	27.00	36.00	58.00
\$12.....	29.00	37.00	62.00
\$13.....	31.00	38.00	65.00
\$14.....	33.00	39.00	69.00
\$15.....	35.00	40.00	73.00
\$16.....	36.70	41.70	76.00
\$17.....	38.20	43.20	79.00
\$18.....	39.50	44.50	81.00
\$19.....	40.70	45.70	83.00
\$20.....	42.00	47.00	85.00
\$21.....	43.50	48.50	88.00
\$22.....	45.30	50.30	91.00
\$23.....	47.50	52.50	95.00
\$24.....	50.10	55.10	100.00
\$25.....	52.40	57.40	104.00
\$26.....	54.40	59.40	108.00
\$27.....	56.30	61.30	114.00
\$28.....	58.00	63.00	123.00
\$29.....	59.40	64.60	130.00
\$30.....	60.80	66.30	139.00
\$31.....	62.00	68.20	147.00
\$32.....	63.30	70.00	155.00
\$33.....	64.40	71.70	163.00
\$34.....	65.50	73.30	170.00
\$35.....	66.60	74.90	177.00
\$36.....	67.80	76.50	185.00
\$37.....	68.90	78.10	193.00
\$38.....	70.00	79.70	200.00
\$39.....	71.00	81.30	207.00
\$40.....	72.00	82.70	213.00
\$41.....	73.10	84.20	221.00
\$42.....	74.10	85.60	227.00
\$43.....	75.10	87.00	234.00
\$44.....	76.10	88.50	241.00
\$45.....	77.10	89.80	250.00
\$46.....	77.10	89.80	250.00
	77.20	89.80	250.00
	77.30	89.80	250.00
	77.40	89.90	250.00
	77.50	89.90	250.00
	78.00	91.10	253.00
	79.00	92.40	260.00
	80.10	93.70	267.00
	81.00	94.90	273.00
	82.00	96.00	280.00
	83.10	97.10	287.00
	84.00	98.00	293.00
	85.00	99.00	300.00

"(2) (A) In case the primary insurance benefit (determined as provided in subsection (d)) of an individual falls between the amounts on any two consecutive lines in column I of the table, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the amount determined (i) by applying the formula in subsection (a) (1) to the average monthly wage which would be determined for such individual under paragraph (4) of this subsection as in effect prior to the enactment of the Social Security Amendments of 1954, (ii) by increasing the amount

determined under clause (i), if it is not a multiple of \$0.10, to the next higher multiple of \$0.10, and (iii) by further increasing such amount to the extent, if any, it is less than \$8 greater than the primary insurance amount which would be determined for him by use of his primary insurance benefit under paragraph (2) of this subsection as in effect prior to the enactment of the Social Security Amendments of 1954.

"(B) In case the primary insurance amount (determined under subsection (d)) of an individual falls between the amounts on any two consecutive lines in column II of the table, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the amount determined under subparagraph (A) of this paragraph for an individual whose primary insurance benefit would (under paragraph (2) of this subsection as in effect prior to the enactment of the Social Security Amendments of 1954) produce such primary insurance amount; except that, if there is no primary insurance benefit which would (under such paragraph (2)) produce such primary insurance amount or if such primary insurance amount is higher than \$77.10, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the amount determined (1) by applying the formula in subsection (a) (1) to the average monthly wage from which such primary insurance amount was determined, (ii) by increasing the amount determined under clause (i), if it is not a multiple of \$0.10, to the next higher multiple of \$0.10, and (iii) by further increasing such amount to the extent, if any, it is less than \$8 greater than such primary insurance amount.

"(C) If the provisions of subparagraphs (A) and (B) of this paragraph are both applicable to an individual, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the larger of the amounts determined under such subparagraphs.

"(3) For the purpose of facilitating the use of the conversion table in computing any insurance benefit under section 202, the Secretary is authorized to assume that the primary insurance benefit from which such benefit under section 202 is determined is 1 cent or 2 cents more or less than its actual amount.

"(4) For purposes of section 203 (a), the average monthly wage of an individual whose primary insurance amount is determined under paragraph (2) of this subsection shall be a sum equal to the average monthly wage which would result in such primary insurance amount upon the application of the provisions of subsection (a) (1) (A) of this section and without the application of subsection (e) (2) or (g) of this section; except that, if such sum is not a multiple of \$1, it shall be rounded to the nearest multiple of \$1 (or to the next higher multiple of \$1 if it is a multiple of \$0.50)."

(d) (1) The heading of subsection (d) of such section is amended to read "Primary Insurance Benefit and Primary Insurance Amount for Purposes of Conversion Table."

(2) So much of such subsection (d) as precedes paragraph (1) thereof is amended by inserting "and the primary insurance amounts" after "primary insurance benefits."

(3) So much of paragraph (4) of such subsection (d) as precedes subparagraph (A) is amended by inserting "(except an individual who attained age 22 after 1950 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage)" after "individual."

(4) Such subsection (d) is amended by adding after paragraph (5), added by section 106 of this act, the following new paragraph:

"(6) The primary insurance amount of any individual shall be computed as provided in this section as in effect prior to the enactment of this paragraph, except that the

amendments made by sections 102 (b) (other than paragraph (2) thereof), 104, and 108 of the social security amendments of 1954 (relating, respectively, to increase in benefit amounts, increase in earnings counted, and periods of disability), shall, to the extent provided by such sections, be applicable to such computation."

(e) (1) Section 215 (e) of such act is amended by striking out "and" at the end of paragraph (1), by changing the period at the end of paragraph (2) to a semicolon, and by adding after such paragraph (2) the following new paragraph:

"(3) if an individual's closing date is determined under paragraph (3) (A) of subsection (b) and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he becomes entitled to old-age insurance benefits, there shall not be counted, in determining his average monthly wage, his self-employment income in such taxable year, except as provided in section 215 (f) (3) (C); and."

(2) Section 215 (f) (2) of such act is amended to read as follows:

"(2) (A) Upon application filed after 1954 by an individual entitled to old-age insurance benefits, the Secretary shall recompute his primary insurance amount if—

"(i) he has not less than six quarters of coverage in the period after 1950 and prior to the quarter in which such application is filed,

"(ii) he has wages and self-employment income of more than \$1,200 in a calendar year which occurs after 1953 (not taking into account any year prior to the calendar year in which the last previous recomputation, if any, of his primary insurance amount was effective) and after the year in which he became (without the application of section 202 (j) (1) entitled to old-age insurance benefits or filed an application for recomputation (to which he is entitled) under section 102 (e) (5) (B) or 102 (f) (2) (B) of the social security amendments of 1954, whichever of such events is the latest, and

"(iii) he filed such application no earlier than 6 months after such calendar year referred to in clause (ii) in which he had such wages and self-employment income.

Such recomputation shall be effective for and after the 12th month before the month in which he filed such application for recomputation but in no event earlier than the month following such calendar year referred to in clause (ii). For the purposes of this subparagraph an individual's self-employment income shall be allocated to calendar quarters in accordance with section 212.

"(B) A recomputation pursuant to subparagraph (A) shall be made as provided in subsection (a) of this section and as though the individual first became entitled to old-age insurance benefits in the month in which he filed the application for such recomputation, but only if the provisions of subsection (b) (4) were not applicable to the last previous computation of his primary insurance amount. If the provisions of subsection (b) (4) were applicable to such previous computation, the recomputation under subparagraph (A) of this paragraph shall be made only as provided in subsection (a) (1) (other than subparagraph (B) thereof) and for such purposes his average monthly wage shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed the application for recomputation under subparagraph (A), except that, of the provisions of paragraph (3) of subsection (b), only the provisions of subparagraph (A) thereof shall be applicable."

(3) (A) Section 215 (f) (3) of such act is amended to read as follows:

"(3) (A) Upon application by an individual—

"(i) who became (without the application of section 202 (j) (1)) entitled to old-

age insurance benefits under section 202 (a) after August 1954, or

"(ii) whose primary insurance amount was recomputed under section 102 (e) (5) or 102 (f) (2) (B) of the social security amendments of 1954, or

"(iii) whose primary insurance amount was recomputed as provided in the first sentence of paragraph (2) (B) of this subsection on the basis of an application filed after August 1954,

the Secretary shall recompute his primary insurance amount if such application is filed after the year in which he became entitled to old-age insurance benefits or in which he filed his application for the last recomputation (to which he was entitled) of his primary insurance amount under any provision of law referred to in clause (ii) or (iii) of this sentence, whichever is the later. Such recomputation under this subparagraph shall be made in the manner provided in the preceding subsections of this section for computation of his primary insurance amount, except that his closing date for purposes of subsection (b) shall be the first day of the year following the year in which he became entitled to old-age insurance benefits or in which he filed his application for the last recomputation (to which he was entitled) of his primary insurance amount under any provision of law referred to in clause (ii) or (iii) of the preceding sentence, whichever is the later. Such recomputation under this subparagraph shall be effective for and after the first month for which his last previous computation of his primary insurance amount was effective, but in no event for any month prior to the 24th month before the month in which the application for such recomputation is filed. In the case of an individual who dies after August 1954—

"(1) who, at the time of death, was not entitled to old-age insurance benefits under section 202 (a), or who became entitled to old-age insurance benefits under section 202 (a) after August 1954, or whose primary insurance amount was recomputed under paragraph (2) or (4) of this subsection, or section 102 (e) (5) or section 102 (f) (2) (B) of the Social Security Amendments of 1954, on the basis of an application filed after August 1954; and

"(ii) with respect to whom the last previous computation or recomputation of his primary insurance amount was based upon a closing date determined under subparagraph (A) or (B) of subsection (b) (3) of this section,

the Secretary shall recompute his primary insurance amount upon the filing of an application by a person entitled to monthly benefits or a lump-sum death payment on the basis of his wages and self-employment income. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount, except that his closing date for purposes of subsection (b) shall be the day following the year of death in case he died without becoming entitled to old-age insurance benefits, or, in case he was entitled to old-age insurance benefits, the day following the year in which was filed the application for the last previous computation of his primary insurance amount or in which the individual died, whichever first occurred. In the case of monthly benefits, such recomputation shall be effective for and after the month in which the person entitled to such monthly benefits became so entitled, but in no event for any month prior to the 24th month before the month in which the application for such recomputation is filed."

(B) Such section 215 (f) (3) is further amended by adding after subparagraph (B) (added by subparagraph (A) of this paragraph) the following new subparagraph:

"(C) If an individual's closing date is determined under paragraph (3) (A) of subsection (b) of this section and he has

self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he became entitled to old-age insurance benefits, the Secretary shall recompute his primary insurance amount after the close of such taxable year, taking into account only such self-employment income in such taxable year as is, pursuant to section 212, allocated to calendar quarters prior to such closing date. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits."

(4) Section 215 (f) (4) of such act is amended to read as follows:

"(4) Upon the death after 1954 of an individual entitled to old-age insurance benefits, if any person is entitled to monthly benefits, or to a lump-sum death payment, on the basis of the wages and self-employment income of such individual, the Secretary shall recompute the decedent's primary insurance amount, but only if—

"(A) the decedent would have been entitled to a recomputation under paragraph (2) (A) (without the application of clause (iii) thereof) if he had filed application therefor in the month in which he died; or

"(B) the decedent during his lifetime was paid compensation which was treated under section 205 (o) as remuneration for employment.

If the recomputation is permitted by subparagraph (A) the recomputation shall be made (if at all) as though he had filed application for a recomputation under paragraph (2) (A) in the month in which he died, except that such recomputation shall include any compensation (described in sec. 205 (o)) paid to him prior to the closing date which would have been applicable under such paragraph. If recomputation is permitted by subparagraph (B) the recomputation shall take into account only the wages and self-employment income which were taken into account in the last previous computation of his primary insurance amount and the compensation (described in sec. 205 (o)) paid to him prior to the closing date applicable to such computation. If both of the preceding sentences are applicable to an individual, only the recomputation which results in the larger primary insurance amount shall be made."

(5) (A) In the case of any individual who, upon filing application therefor before September 1954, would (but for the provisions of sec. 215 (f) (6) of the Social Security Act) have been entitled to a recomputation under subparagraph (A) or (B) of section 215 (f) (2) of such act as in effect prior to the enactment of this act, the Secretary shall recompute such individual's primary insurance amount, but only if he files an application therefor or, in case he died before filing such application, an application for monthly benefits or a lump-sum death payment on the basis of his wages and self-employment income is filed. Such recomputation shall be made only as provided in subsection (a) (2) of section 215 of the Social Security Act, as amended by this act, through the use of a primary insurance amount determined under subsection (d) (6) of such section in the same manner as for an individual to whom subsection (a) (1) of such section, as in effect prior to the enactment of this act, is applicable; and such recomputation shall take into account only such wages and self-employment income as would be taken into account under section 215 (b) of the Social Security Act if the month in which the application for recomputation is filed, or if the individual died without filing the application for recomputation, the month in which he died, were deemed to be the month in which he became entitled to old-age insurance benefits. In the case of monthly benefits, such recomputation shall be effective for and after the month in which such application for

recomputation is filed or, if the individual has died without filing the application, for and after the month in which the person filing the application for monthly survivor benefits becomes entitled to such benefits.

(B) In the case of—

(i) any individual who is entitled to a recomputation under subparagraph (A) of section 215 (f) (2) of the Social Security Act as in effect prior to the enactment of this act on the basis of an application filed after August 1954, or who died after such month leaving any survivors entitled to a recomputation under section 215 (f) (4) of the Social Security Act as in effect prior to the enactment of this act on the basis of his wages and self-employment income, and whose sixth quarter of coverage after 1950 was acquired after August 1954 or with respect to whom the twelfth month referred to in such subparagraph (A) occurred after such month, and

(ii) any individual who is entitled to a recomputation under section 215 (f) (2) (B) of the Social Security Act as in effect prior to the enactment of this act on the basis of an application filed after August 1954, or who died after August 1954 leaving any survivors entitled to a recomputation under section 215 (f) (4) of the Social Security Act as in effect prior to the enactment of this act on the basis of his wages and self-employment income, and whose sixth quarter of coverage after 1950 was acquired after August 1954 or who did not attain the age of 75 prior to September 1954,

the recomputation of his primary insurance amount shall be made in the manner provided in section 215 of the Social Security Act, as amended by this act, for computation of such amount, except that his closing date, for purposes of subsection (b) of such section 215, shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed such application for recomputation or, if he has died, in the month in which he died. In the case of monthly benefits, such recomputation shall be effective for and after the month in which such application for recomputation is filed or, if the individual has died without filing the application, for and after the month in which the person filing the application for monthly survivor benefits becomes entitled to such benefits. An individual or, in case of his death, his survivors entitled to a lump-sum death payment or to monthly benefits under section 202 of the Social Security Act on the basis of his wages and self-employment income shall be entitled to a recomputation of his primary insurance amount under section 215 (f) (2) or section 215 (f) (4) of the Social Security Act as in effect prior to the date of enactment of this act only if (i) he had not less than six quarters of coverage in the period after 1950 and prior to January 1, 1955, and (ii) either the twelfth month referred to in subparagraph (A) of such section 215 (f) (2) occurred prior to January 1, 1955, or he attained the age of 75 prior to 1955, and (iii) he meets the other conditions of entitlement to such a recomputation. No individual shall be entitled to a recomputation under subparagraph (A) or (B) of this paragraph if his primary insurance amount has previously been recomputed under either of such subparagraphs.

(6) In the case of an individual who died or became (without the application of section 202 (j) (1) of the Social Security Act) entitled to old-age insurance benefits in 1956 and with respect to whom not less than six of the quarters elapsing after 1954 and prior to the quarter following the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred, are quarters of coverage, his primary insurance amount shall be computed under section 215 (a) (1) (A) of such act, as amended by this act, with a starting date of December 31, 1954, and a closing date of July 1, 1956, but only if it would result in

a higher primary insurance amount. For the purposes of section 215 (f) (3) (C) of such act, the determination of an individual's closing date under the preceding sentence shall be considered as a determination of the individual's closing date under section 215 (b) (3) (A) of such act, and the recomputation provided for by such section 215 (f) (3) (C) shall be made using July 1, 1956, as the closing date, but only if it would result in a higher primary insurance amount. In any such computation on the basis of a July 1, 1956, closing date, the total of his wages and self-employment income after December 31, 1955, shall, if it is in excess of \$2,100, be reduced to such amount.

(7) Section 203 (a) of such act is amended to read as follows:

"(a) Whenever the total of monthly benefits to which individuals are entitled under section 202 for a month on the basis of the wages and self-employment income of an insured individual is more than \$50 and exceeds (1) 80 percent of his average monthly wage, or (2) one and one-half times his primary insurance amount, whichever is the greater, such total of benefits shall, after any deductions under this section, be reduced to 80 percent of his average monthly wage or to one and one-half times his primary insurance amount, whichever is the greater, but in no case to less than \$50; except that 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, after any deductions under this section, shall not be reduced to less than 80 percent of the sum of the average monthly wages of all such insured individuals. In any case in which the total of the benefits referred to in the preceding sentence, after reduction (if any) thereunder, is more than \$200, such total shall, notwithstanding the provisions of such sentence, be reduced to \$200. Whenever a reduction is made under this subsection, each benefit, except the old-age insurance benefit, shall be proportionately decreased."

(8) In the case of an individual who became (without the application of section 202 (j) (1)) entitled to old-age insurance benefits or died prior to September 1954, the provisions of section 215 (f) (3) as in effect prior to the enactment of this act shall be applicable as though this act had not been enacted.

(f) (1) The amendments made by the preceding subsections, other than subsection (b) and paragraphs (1), (2), (3), and (4) of subsection (e), shall (subject to the provisions of paragraph (2) and notwithstanding the provisions of section 215 (f) (1) of the Social Security Act) apply in the case of lump-sum death payments under section 202 of such act with respect to deaths occurring after, and in the case of monthly benefits under such section for months after August 1954.

(2) (A) The amendment made by subsection (b) (2) shall be applicable only in the case of monthly benefits for months after August 1954, and the lump-sum death payment in the case of death after August 1954, based on the wages and self-employment income of an individual (i) who does not become eligible for benefits under section 202 (a) of the Social Security Act until after August 1954, or (ii) who dies after August 1954 and without becoming eligible for benefits under such section 202 (a), or (iii) who is or has been entitled to have his primary insurance amount recomputed under section 215 (f) (2) of the Social Security Act, as amended by subsection (e) (2) of this section, or under subsection (e) (5) (B) of this section, or (iv) with respect to whom not less than six of the quarters elapsing after June 1953 are quarters of coverage (as defined in such act), or (v) who

files an application for a disability determination which is accepted as an application for purposes of section 216 (i) of such act, or (vi) who dies after August 1954 and whose survivors are (or would, but for the provisions of section 215 (f) (6) of such act, be) entitled to a recomputation of his primary insurance amount under section 215 (f) (4) (A) of such act, as amended by this act. For purposes of the preceding sentence an individual shall be deemed eligible for benefits under section 202 (a) of the Social Security Act for any month if he was, or would upon filing application therefor in such month have been, entitled to such benefits for such month.

(B) In the case of any individual entitled to old-age insurance benefits under section 202 (a) of the Social Security Act who was or, upon filing application therefor, would have been entitled to such benefits for August 1954, to whom subparagraph (A) is inapplicable, and with respect to whom not less than six of the quarters elapsing after June 30, 1953, are quarters of coverage, the Secretary of Health, Education, and Welfare shall, notwithstanding the provisions of section 215 (f) (1) of the Social Security Act, recompute the primary insurance amount of such individual but only upon the filing of an application, after August 1954, by him, or if he dies without filing such an application, by any person entitled to monthly survivors benefits under section 202 of such act on the basis of such individual's wages and self-employment income. Such recomputation shall be made in the manner provided in section 215 of the Social Security Act for computation of such individual's primary insurance amount, except that the provisions of subsection (f) of such section (other than paragraph (3) (C) thereof) shall not be applicable for purposes of such computation, and except that his closing date, for purposes of subsection (b) of such section, shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed such application for recomputation or, if he died without filing such application, the month in which he died. Such recomputation shall be effective (i) if the application is filed by such individual, for and after the 12th month before the month in which the application therefor was filed by such individual but in no case before the first month of the quarter which is such individual's 6th quarter of coverage acquired after June 30, 1953, or (ii) if such application was filed by a person entitled to monthly survivors benefits under section 202 of the Social Security Act on the basis of such individual's wages and self-employment income, for and after the first month for which such person was entitled to such survivors benefits. No such recomputation of an individual's primary insurance amount shall be effective unless it results in a higher primary insurance amount for him; nor shall any such recomputation of an individual's primary insurance amount be effective if such amount has previously been recomputed under this subsection.

(3) The amendments made by subsections (b) (1), (e) (1), and (e) (3) (B) shall be applicable only in the case of monthly benefits based on the wages and self-employment income of an individual who does not become entitled to old-age insurance benefits under section 202 (a) of the Social Security Act until after August 1954, or who dies after August 1954 without becoming entitled to such benefits, or who files an application after August 1954 and is entitled to a recomputation under paragraph (2) or (4) of section 215 (f) of the Social Security Act, as amended by this act, or who is entitled to a recomputation under paragraph (2) (B) of this subsection, or who is entitled to a recomputation under paragraph (5) of subsection (e).

(4) The amendments made by subsection (e) (2) shall be applicable only in the case of applications for recomputation filed after 1954. The amendment made by subsection (e) (4) shall be applicable only in the case of deaths after 1954.

(5) The amendments made by subparagraph (A) of subsection (e) (3) shall be applicable only in the case of applications for recomputation filed, or deaths occurring, after August 1954.

(6) No increase in any benefit by reason of the amendments made by this section (other than subsection (e)) or by reason of subparagraph (B) of paragraph (2) of this subsection shall be regarded as a recomputation for purposes of section 215 (f) of the Social Security Act.

(g) Effective September 1, 1954, section 2 (c) (2) (B) of the Social Security Act amendments of 1952 is amended to read as follows:

"(B) The provisions of subparagraph (A) shall cease to apply to the benefit of any individual under title II of the Social Security Act for any month after August 1954."

(h) (1) Where—

(A) an individual was entitled (without the application of section 202 (j) (1) of the Social Security Act) to an old-age insurance benefit under title II of such act for August 1954;

(B) one or more other persons were entitled (without the application of such section 202 (j) (1)) to monthly benefits under such title for such month on the basis of the wages and self-employment income of such individual; and

(C) the total of the benefits to which all persons are entitled under such title on the basis of such individual's wages and self-employment income for any subsequent month for which he is entitled to an old-age insurance benefit under such title, would (but for the provisions of this paragraph) be reduced by reason of the application of section 203 (a) of the Social Security Act, as amended by this act, then the total of benefits referred to in clause (C) for such subsequent month shall be reduced to whichever of the following is the larger—

(D) the amount determined pursuant to section 203 (a) of the Social Security Act, as amended by this act; or

(E) the amount determined pursuant to such section, as in effect prior to the enactment of this act, for August 1954 plus the excess of (i) the amount of his old-age insurance benefit for such month computed as if the amendments made by the preceding subsections of this section had been applicable in the case of such benefit for such month over (ii) the amount of his old-age insurance benefit for such month, or

(F) the amount determined pursuant to section 2 (d) (1) of the Social Security Act amendments of 1952 for August 1954 plus the excess of (i) the amount of his old-age insurance benefit for such month computed as if the amendments made by the preceding subsections of this section had been applicable in the case of such benefit for such month over (ii) the amount of his old-age insurance benefit for such month. (2) Where—

(A) two or more persons were entitled (without the application of section 202 (j) (1) of the Social Security Act) to monthly benefits under title II of such act for August 1954 on the basis of the wages and self-employment income of a deceased individual; and

(B) the total of the benefits to which all such persons are entitled on the basis of such deceased individual's wages and self-employment income for any subsequent month would (but for the provisions of this paragraph) be reduced by reason of the application of the first sentence of section

203 (a) of the Social Security Act, as amended by this act,

then, notwithstanding any other provision in title II of the Social Security Act, such deceased individual's average monthly wage shall, for purposes of such section 203 (a), be whichever of the following is the larger:

(C) his average monthly wage determined pursuant to section 215 of such act, as amended by this act; or

(D) his average monthly wage determined under such section 215, as in effect prior to the enactment of this act, plus \$10.

(i) Section 202 of such act is amended by inserting after subsection (l) the following new subsection:

"MINIMUM SURVIVOR'S OR DEPENDENT'S BENEFIT

"(m) In any case in which the benefit of any individual for any month under this section (other than subsec. (a)), is, prior to reduction under subsection (k) (3), less than \$35 and no other individual is (without the application of sec. 202 (j) (1)) entitled to a benefit under this section for such month on the basis of the same wages and self-employment income, such benefit for such month shall, prior to reduction under such subsection (k) (3), be increased to \$35."

AMENDMENTS RELATING TO RETIREMENT TEST

SEC. 103. (a) (1) Section 203 (b) of the Social Security Act is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following new paragraph:

"(1) in which such individual is under the age of 72 and for which month he is charged with any earnings under the provisions of subsection (e) of this section; or."

(2) Such section 203 (b) is amended by inserting after paragraph (1) (inserted by par. (1) of this subsection) the following new paragraph:

"(2) in which such individual is under the age of 72 and on 7 or more different calendar days of which he engaged in non-covered remunerative activity outside the United States; or."

(b) (1) Section 203 (c) of such act is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following new paragraph:

"(1) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age of 72 and for which month he is charged with any earnings under the provisions of subsection (e) of this section; or."

(2) Such section 203 (c) is amended by inserting after paragraph (1) (inserted by par. (1) of this subsection) the following new paragraph:

"(2) in which the individual referred to in paragraph (1) is under the age of 72 and on 7 or more different calendar days of which he engaged in noncovered remunerative activity outside the United States."

(c) The second sentence of section 203 (d) of such act is amended to read as follows: "The charging of earnings to any month shall be treated as an event occurring in such month."

(d) (1) The heading of section 203 (e) of such act is amended to read "Months to Which Earnings Are Charged."

(2) Paragraphs (1) and (2) of such section 203 (e) are amended to read as follows:

"(1) If an individual's earnings for a taxable year of 12 months are not more than \$1,200, no month in such year shall be charged with any earnings. If an individual's earnings for a taxable year of less than 12 months are not more than the product of \$100 times the number of months in such year, no month in such year shall be charged with any earnings.

"(2) If an individual's earnings for a taxable year of 12 months are in excess of \$1,200, the amount of his earnings in excess of \$1,200 shall be charged to months as follows: The first \$80 of such excess shall be charged to the last month of such taxable year, and the

balance, if any, of such excess shall be charged at the rate of \$80 per month to each preceding month in such year to which such charging is not prohibited by the last sentence of this paragraph, until all of such balance has been applied. If an individual's earnings for a taxable year of less than 12 months are more than the product of \$100 times the number of months in such year, the amount of such earnings in excess of such product shall be charged to months as follows: The first \$80 of such excess shall be charged to the last month of such taxable year, and the balance, if any, shall be charged at the rate of \$80 per month to each preceding month in such year to which such charging is not prohibited by the last sentence of this paragraph, until all of such balance has been applied. Notwithstanding the preceding provisions of this paragraph, no part of the excess referred to in such provisions shall be charged to any month (A) for which the individual whose earnings are involved was not entitled to a benefit under this title, (B) in which an event described in paragraph (2), (3), (4), or (5) of subsection (b) occurred, (C) in which such individual was age 72 or over, or (D) in which such individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (4) of this subsection) of more than \$80."

(3) Paragraph (3) (B) of such section 203 (e) is amended to read as follows:

"(B) For purposes of clause (D) of paragraph (2) —

"(i) 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 (4) 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.

"(ii) An individual will be presumed, with respect to any month, to have rendered services for wages (determined as provided in paragraph (4) of this subsection) of more than \$80 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."

(4) Such section 203 (e) is further amended by adding at the end thereof the following new paragraphs:

"(4) (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) In determining an individual's net loss from self-employment for purposes of subparagraph (A) of this paragraph and subparagraph (B) of paragraph (3), the provisions of section 211 shall be applicable; and any excess of deductions over income so resulting from such a computation shall be his net loss from self-employment.

"(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 section 209 (a).

"(5) For purposes of this subsection, wages (determined as provided in paragraph (4) (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 show 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."

(e) Section 203 (f) of such act is amended to read as follows:

"PENALTY FOR FAILURE TO REPORT CERTAIN EVENTS"

"(f) Any individual in receipt of benefits subject to deduction under subsection (b) or (c) (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an event specified in subsection (b) (1) or (c) (1)), who fails to report such occurrence to the Secretary prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred, shall suffer an additional deduction equal to that imposed under subsection (b) or (c), except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to 1 month's benefit even though the failure to report is with respect to more than 1 month."

(f) (1) The heading of section 203 (g) of such act is amended to read "Report of Earnings to Secretary."

(2) The first sentence of paragraph (1) of section 203 (g) of such act is amended to read as follows: "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 (4) of subsection (e), in excess of the product of \$100 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."

(3) The third sentence of paragraph (1) of such section 203 (g) is amended by striking out "seventy-five" and inserting in lieu thereof "seventy-two."

(4) Paragraph (2) of such section 203 (g) is amended to read as follows:

"(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, for any taxable year and any deduction is imposed under subsection (b) (1) by reason of his earnings for such year, he shall suffer additional deductions as follows:

"(A) if such failure is the first one with respect to which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

"(B) if such failure is the second one for which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to two times his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

"(C) if such failure is the third or a subsequent one for which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to three times his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

except that the number of the additional deductions required by this paragraph with respect to a failure to report earnings for a taxable year shall not exceed the number of months in such year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (1) by reason of his earnings. In determining whether a failure to report earnings is the first or a subsequent failure for any individual, all taxable years ending prior to the imposition of the first additional deduction under this paragraph, other than the latest one of such years, shall be disregarded."

(5) Paragraph (3) of such section 203 (g) is amended by striking out "subsection (b) (2)" each time it appears and inserting in lieu thereof "subsection (b) (1)"; by striking out "net earnings from self-employment" each time it appears and inserting in lieu thereof "earnings"; by striking out "such net earnings" and inserting in lieu thereof "such earnings"; and by adding at the end of such paragraph the following new sentence: "If, after the close of a taxable year of an individual entitled to benefits under section 202 for such year, the Secretary requests such individual to furnish a report of his earnings (as computed pursuant to paragraph (4) of subsection (e)) for such taxable year or any other information with respect to such earnings which the Secretary may specify, and the individual fails to comply with such request, such failure shall in itself constitute justification for a determination that such individual's benefits are subject to deductions under subsection (b) (1) for each month in such taxable year (or only for such months thereof as the Secretary may specify) by reason of his earnings for such year."

(6) The heading of section 203 (j) of such act is amended by striking out "Seventy-five" and inserting in lieu thereof "Seventy-two" and such section is amended by striking out "seventy-five" and inserting in lieu thereof "seventy-two."

(g) Section 203 of such act is amended by adding at the end thereof the following new subsection:

"NONCOVERED REMUNERATIVE ACTIVITY OUTSIDE THE UNITED STATES"

"(k) An individual shall be considered to be engaged in noncovered remunerative activity outside the United States if he performs services outside the United States as an employee and such services do not constitute employment as defined in section 210, or if he carries on a trade or business outside the United States (other than the performance of service as an employee) the net income or loss of which (1) is not includible in computing his net earnings from self-employment for a taxable year and (2) would not be excluded from net earnings from self-employment, if carried on in the United States, by any of the numbered paragraphs of section 211 (a). When used in the preceding sentence with respect to a trade or business (other than the performance of service as an employee), the term 'United States' does not include Puerto Rico or the Virgin Islands in the case of an alien who is not a resident of the United States (including Puerto Rico and the Virgin Islands); and the term 'trade or business' shall have the same meaning as when used in section 162 of the Internal Revenue Code of 1954."

(h) Section 203 of such act is further amended by adding after subsection (k) (added by subsection (g) of this section) the following new subsection:

"GOOD CAUSE FOR FAILURE TO MAKE REPORTS REQUIRED"

"(1) The failure of an individual to make any report required by subsection (f) or (g) within the time prescribed therein shall not be regarded as such a failure if it is shown to the satisfaction of the Secretary that he had good cause for failing to make such report within such time. The determination of what constitutes good cause for purposes of this subsection shall be made in accordance with regulations of the Secretary."

EXTRA CREDIT FOR POSTPONED RETIREMENT

(i) Section 202 (a) of the Social Security Act is amended to read as follows:

"OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFIT PAYMENTS"

"OLD-AGE INSURANCE BENEFITS"

"Sec. 202. (a) (1) Every individual who—
"(A) is a fully insured individual (as defined in section 214 (a)),

"(B) has attained retirement age (as defined in section 216 (a)), and

"(C) has filed application for old-age insurance benefits, or was entitled to rehabilitation insurance or permanent and total disability insurance benefits for the month preceding the month in which he attained retirement age,

shall be entitled to an old-age insurance benefit for each month, beginning with the first month after August 1950 in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies.

"(2) Such individual's old-age insurance benefit for any month after 1954 shall be equal to his primary insurance amount for such month plus one-sixth of 1 percent of such primary insurance amount for each month (a) which occurs (i) after 1954, (ii) after the day before the first month in which he is eligible for old-age insurance benefits, and (iii) prior to the month in which he files application for old-age insurance benefits, and (b) during which either he is not entitled to any monthly benefit under section 202 or an event specified in clause (1) or (2) of section 203 (b) occurs. For purposes of this paragraph an individual shall be deemed eligible for old-age insurance benefits in the first month in which he is both fully insured and has attained retirement age."

(j) (1) The amendments made by subsection (f) and by paragraph (1) of subsection (a) of this section shall be applicable in the case of monthly benefits under title II of the Social Security Act for months in any taxable year (of the individual entitled to such benefits) beginning after December 1954. The amendments made by paragraph (1) of subsection (b) of this section shall be applicable in the case of monthly benefits under such title II for months in any taxable year (of the individual on the basis of whose wages and self-employment income such benefits are payable) beginning after December 1954. The amendments made by subsections (e) and (g), and by paragraph (2) of subsection (a) and paragraph (2) of subsection (b), shall be applicable in the case of monthly benefits under such title II for months after December 1954. The remaining amendments made by this section (other than subsection (h)) shall be applicable, insofar as they are related to the monthly benefits of an individual which are based on his wages and self-employment income, in the case of monthly benefits under such title II for months in any taxable year (of such individual) beginning after December 1954 and, insofar as they are related to the monthly benefits of an individual which are based on the wages and self-employment income of someone else, in the case of monthly benefits under such title II for months in any taxable year (of the individual on whose wages and self-employment income such benefits are based) beginning after December 1954.

(2) No deduction shall be imposed on or after the date of the enactment of this act under subsection (f) or (g) of section 203 of the Social Security Act, as in effect prior to such date, on account of failure to file a report of an event described in subsection (b) (1), (b) (2), or (c) (1) of such section (as in effect prior to such date); and no such deduction imposed prior to such date shall be collected after such date. In determining whether, under section 203 (g) (2) of the Social Security Act, as amended by this act, a failure to file a report is a first or subsequent failure, any failure with respect to a taxable year which began prior to January 1955 shall be disregarded.

(3) Subsections (b) (1), (b) (2), (c), (e), and (j) of section 203 of the Social Security Act as in effect prior to the enactment of this act, to the extent they are in effect with respect to months after 1954, are each amended by striking out "75" and inserting in lieu

thereof "72," but only with respect to such months after 1954.

INCREASE IN EARNINGS COUNTED

SEC. 104. (a) Subsection (a) of section 203 of the Social Security Act is amended to read as follows:

"(a) (1) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to \$3,600 with respect to employment has been paid to an individual during any calendar year prior to 1955, is paid to such individual during such calendar year;

"(2) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to \$6,000 with respect to employment has been paid to an individual during any calendar year after 1954, is paid to such individual during such calendar year."

(b) Paragraph (1) of subsection (b) of section 211 of such act is amended to read as follows:

"(1) That part of the net earnings from self-employment which is in excess of—

"(A) For any taxable year ending prior to 1955, (i) \$3,600, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(B) For any taxable year ending after 1954, (i) \$6,000, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(c) Clauses (ii) and (iii) of section 213 (a) (2) (B) of such act are amended to read as follows—

"(ii) if the wages paid to any individual in any calendar year equal \$3,600 in the case of a calendar year after 1950 and before 1955, of \$6,000 in the case of a calendar year after 1954, 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 \$6,000 in the case of a taxable year ending after 1954, each quarter any part of which falls in such year shall (subject to clause (i)) be a quarter of coverage;"

(d) Paragraph (1) of section 215 (e) of such act is amended to read as follows:

"(1) In computing an individual's 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, and the excess over \$6,000 in the case of any calendar year after 1954, 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);

RETROACTIVE APPLICATIONS FOR BENEFITS

SEC. 105. (a) Section 202 (j) (1) of the Social Security Act is amended by striking out "sixth" and inserting in lieu thereof "twelfth."

(b) The amendment made by subsection (a) shall be applicable only in the case of applications for monthly benefits under section 202 of the Social Security Act filed after August 1954; except that no individual shall, by reason of such amendment, be entitled to any benefit for any month prior to February 1954.

REHABILITATION SERVICES AND DISABILITY BENEFITS

SEC. 106. There are hereby added to the Social Security Act, as amended, the following new sections designated as sections 220, 221, and 222, to follow section 219.

"REHABILITATION SERVICES, REHABILITATION INSURANCE BENEFITS, AND PERMANENT AND TOTAL DISABILITY INSURANCE BENEFITS

"REHABILITATION SERVICES

"SEC. 220. (a) (1) Every disabled individual who—

"(A) (1) is under a long-term total disability (as defined in subsection (e) (2));

"(ii) has not attained retirement age at the time he is accepted for rehabilitation services under this subsection;

"(iii) has filed application for rehabilitation insurance benefits or permanent and total disability insurance benefits; and

"(iv) is insured under the provisions of subsection (f); or

"(B) is entitled to benefits under section 202 (d) (1) (B), may be given rehabilitation services, provided the State rehabilitation agency (as defined in subsection (e) (6)) through which the services are given certifies that such individual appears to be rehabilitable into substantially gainful activity, and that the services undertaken or planned are necessary therefor. For the purposes of this paragraph, rehabilitation services may include the types of services provided under the Vocational Rehabilitation Act (29 U. S. C. ch. 4), including determination of the feasibility of the individual's rehabilitation and the costs of any books and other training material, but excluding any payments for his maintenance. Continuation of such services to an individual shall be contingent upon periodic certification (at least every 6 months) by the State rehabilitation agency through which the services are provided that such individual appears to be rehabilitable into substantially gainful activity, and that the services undertaken or planned are necessary therefor.

"(2) Such services shall be provided through utilization of the services and facilities of State rehabilitation agencies. In providing or securing rehabilitation services, State rehabilitation agencies shall follow such policies and standards as may be issued by the Secretary after consultation with the Advisory Council on Rehabilitation Services and Disability Insurance (as provided in subsection (i)). State rehabilitation agencies providing or securing such rehabilitation services shall be paid for the cost thereof, including necessary administrative costs, either in advance or by way of reimbursement, as may be mutually agreed upon and prior to action thereon by the General Accounting Office.

"(3) There is hereby authorized to be appropriated from the trust fund such amount as may be necessary to provide such rehabilitation services.

"REHABILITATION INSURANCE BENEFITS

"(b) Every disabled individual who—

"(1) is under a long-term total disability;

"(2) has not attained retirement age;

"(3) has been under a long-term total disability throughout his waiting period (as defined in subsection (e) (1));

"(4) is insured under the provisions of subsection (f);

"(5) is certified by a State rehabilitation agency as being an individual who appears to be rehabilitable into substantially gainful activity, or is awaiting evaluation by such agency;

"(6) has not, without good cause, failed to accept rehabilitation evaluation and training; and

"(7) has filed application for rehabilitation insurance benefits.

shall be entitled to a rehabilitation insurance benefit for each month, beginning with July 1954, or with the first month after his waiting period, whichever is later, in which he becomes so entitled to rehabilitation insurance benefits and ending with the month preceding the first month in which any of the following occurs: He ceases to be under a long-term total disability; he fails, without good cause, to accept rehabilitation evaluation and training; he becomes entitled to a permanent and total disability insurance benefit; he dies; or he attains retirement age. Such individual's rehabilitation insurance benefit for any month shall be equal to his primary insur-

ance amount (as defined in section 215) for such month.

"PERMANENT AND TOTAL DISABILITY INSURANCE BENEFITS

"(c) Every individual who—

"(1) is under a permanent and total disability (as defined in subsection (e) (3));

"(2) has not attained retirement age;

"(3) has served a waiting period in connection with his current disability throughout which he has been under a long-term total or permanent and total disability;

"(4) is insured under the provisions of subsection (f);

"(5) has been certified by a State rehabilitation agency as being an individual for whom rehabilitation into substantially gainful activity is unlikely;

"(6) has not, without good cause, failed to accept rehabilitation evaluation and training; and

"(7) has filed application for permanent and total disability insurance or rehabilitation insurance benefits, shall be entitled to a permanent and total disability insurance benefit for each month beginning with July 1954, or with the first month following the month in which conditions in paragraph (1) through (7) of this subsection are met, whichever is later, and ending with the month preceding the first month in which any of the following occurs: He ceases to be under a permanent and total disability, dies, or attains retirement age. Such individual's permanent and total disability insurance benefit for any month shall be equal to his primary insurance amount (as defined in sec. 215) for such month.

"OTHER CONDITIONS OF ENTITLEMENT

"(d) (1) An individual who would have been entitled to rehabilitation insurance or permanent and total disability insurance benefits for any month had he filed application therefor prior to the end of such month shall be entitled to such benefits for such month if he files application therefor prior to the end of the sixth month succeeding such month.

"(2) No application for rehabilitation insurance or permanent and total disability insurance benefits filed prior to 7 months before the first month for which the applicant becomes entitled to receive such benefits shall be accepted as an application for purposes of this section and no such application which is filed prior to April 1954 shall be accepted.

"DEFINITION OF 'WAITING PERIOD,' 'LONG-TERM TOTAL DISABILITY,' 'PERMANENT AND TOTAL DISABILITY,' 'BLINDNESS,' 'PERIOD OF DISABILITY,' AND 'STATE REHABILITATION AGENCY'

"(e) For the purpose of this title—

"(1) The term 'waiting period' means the period beginning with the first calendar month of the individual's period of disability (as defined in paragraph (5) of this subsection), and ending at the expiration of the fifth calendar month following such month.

"(2) The term 'long-term total disability' means (A) inability to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment which appears likely to be of long-continued and indefinite duration, or (B) blindness.

"(3) The term 'permanent and total disability' means (A) inability to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment which is expected to be permanent, or (B) blindness.

"(4) The term 'blindness' means central visual acuity of 5/200 or less in the better eye with correcting lens. An eye in which the visual field is reduced to 5 degrees or less concentric contraction shall be considered for the purposes of this subsection as having a central visual acuity of 5/200 or less.

"(5) (A) As used in this title, the term 'period of disability' means a continuous

period of not less than six full calendar months (beginning and ending as herein-after provided in this paragraph) during which an individual was under a long-term total or permanent and total disability. No such period with respect to any such disability or disabilities shall begin as to any individual unless such individual while under such long-term total or permanent and total disability filed an application for benefits under subsections (b) or (c). Except as provided in subparagraph (B), a period of disability shall begin with the month in which the long-term total or permanent and total disability began or with the 1st day of the 13th month prior to the month in which individual files such application, whichever first occurs, but only if such individual is insured under the provisions of subsection (f) in such month; if such individual was not insured under the provisions of subsection (f) in such month, the period of disability shall begin on the first day of the first quarter thereafter in which he is so insured. A period of disability shall end with the close of the last day of the month in which (i) the individual ceases to be entitled to a rehabilitation insurance or permanent and total disability insurance benefit, (ii) he dies, or (iii) he attains retirement age, whichever first occurs.

"(B) If an individual files an application for benefits under subsection (b) or (c) after March 1954 and before January 1956, with respect to a long-term total or permanent and total disability which began before April 1954 and continued without interruption until such application was filed, then the period of disability shall begin with the month in which such long-term total or permanent and total disability began, but only if he was insured under subsection (f) in such month; if such individual was not insured under the provisions of subsection (f) in such month, the period of disability shall begin on the first day of the first quarter thereafter in which he was so insured.

"(6) The term 'State rehabilitation agency' means the agency administering a rehabilitation plan approved under the Vocational Rehabilitation Act, and in the Virgin Islands, the agency charged with providing rehabilitation services pursuant to an agreement between the Administrator and the Governor of the Virgin Islands; in any State, Territory, or possession where more than one such agency operates, the term means the one such agency designated by the Secretary.

"DISABILITY INSURED STATUS

"(f) An individual is insured for purposes of subsections (a), (b), (c), and (e) with respect to any quarter only if he has not less than—

"(1) six quarters of coverage (as defined in section 213 (e) (2)) during the 13-quarter period which ends with such quarter; and

"(2) twenty quarters of coverage during the 40-quarter period which ends with such quarter,

not counting as part of the 13-quarter period specified in paragraph (1), or the 40-quarter period specified in paragraph (2), any quarter any part of which was included in a prior period of disability unless such quarter was a quarter of coverage.

"REDUCTION OF BENEFIT

"(g) (1) Where a rehabilitation insurance benefit or a permanent and total disability insurance benefit is payable to any individual under this section and a workmen's compensation benefit or benefits have been or are paid to such individual on account of the same disability for the same month, such individual's rehabilitation insurance benefit or permanent and total disability insurance benefit under this section for such month shall, prior to any deductions under section 221, be reduced by one-half, or by an amount equal to one-half of such

workmen's compensation benefit or benefits, whichever is the smaller.

"(2) In case the rehabilitation insurance benefit or the permanent and total disability insurance benefit of any individual under this section is not reduced as provided in paragraph (1) because such benefit is paid prior to the payment of the workmen's compensation benefit, the reduction shall be made by deductions, at such time or times and in such amounts as the Secretary may determine, from any payments under this title payable on the basis of the wages and self-employment income of such individual.

"(3) If the workmen's compensation benefit is payable on other than a monthly basis (excluding a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments), reduction of the rehabilitation insurance benefits or the permanent and total disability insurance benefits under this subsection shall be made in such amounts as the Secretary finds will approximate, as nearly as practicable, the reduction prescribed in paragraph (1).

"(4) In order to assure that the purposes of this subsection will be carried out, the Secretary may, as a condition to certification for payment of any rehabilitation insurance benefit or permanent and total disability insurance benefit payable to an individual under this section (if it appears to him that there is a likelihood that such individual may be eligible for a workmen's compensation benefit which would make necessary a reduction under this subsection), require adequate assurance of reimbursement to the trust fund in case a workmen's compensation benefit, with respect to which such a reduction should be made, becomes payable to such individual and such reduction is not made.

"(5) For purposes of this subsection, the term 'workmen's compensation benefit' means a cash benefit, allowance, or compensation payable under any workmen's compensation law or plan of the United States or of any State.

"COOPERATION WITH AGENCIES AND GROUPS

"(h) The Secretary is authorized to secure the cooperation of appropriate agencies of the United States, of States, or of the political subdivisions of States and the cooperation of private medical, dental, hospital, nursing, health, educational, and social welfare groups or organizations, and where necessary to enter into voluntary working agreements with any of such public or private agencies, organizations, or groups in order that their advice and services may be utilized in the efficient administration of this section.

"ADVISORY COUNCIL ON REHABILITATION SERVICES AND DISABILITY INSURANCE

"(1) (1) There is hereby established an Advisory Council on Rehabilitation Services and Disability Insurance (hereinafter called the 'Council') for the purpose of consulting with the Secretaries on policies and standards governing the furnishing of rehabilitation services and determinations of disability, and policies to further the employment of disabled beneficiaries. The Council shall consist of the Commissioner of Social Security who shall serve as Chairman, the Surgeon General of the Public Health Service, the Director of the Office of Vocational Rehabilitation, the Director of the Bureau of Old-Age and Survivors Insurance, the Director of the Bureau of Employment Security, and 12 persons appointed by the Secretary without regard to the civil-service laws. Such appointed members shall represent employers, employees, the disabled, the medical profession, the rehabilitation profession, and the public. The annual report of the Secretary shall include a record of consultations with the Council.

"(2) Each appointed member shall hold office for a term of 3 years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for

which his predecessor was appointed shall be appointed for the remainder of that term, and except that, of the members first appointed, 4 shall hold office for a term of 1 year, 4 shall hold office for a term of 3 years, as designated by the Secretary at the time of appointment. Appointed members of the Council, while serving on business of the Council (inclusive of travel time), may receive \$50 per diem as well as actual and necessary traveling expenses in lieu of subsistence while so serving away from their places of residence. The Council shall be provided by the Secretary with such staff assistance and secretarial and other personnel as may be required for carrying out its functions. The Council shall meet as frequently as the Secretary deems necessary, but not less than twice a year. The Council also shall meet whenever six of its appointed members request a meeting.

"TERMINATION OF PERIOD OF DISABILITY BY SECRETARY

"(j) In any case in which an individual has failed to submit himself for examination or reexamination in accordance with regulations of the Secretary, the Secretary may find, solely because of such failure, that such individual is not under a disability or that his disability (previously determined to exist) has ceased. The Secretary may find that an individual is not under a disability or that his disability (previously determined to exist) has ceased if the Secretary finds that such individual cannot be located after reasonable efforts to communicate with him have been made or if such individual is outside the United States and the Secretary finds that adequate arrangements have not been made for determining or redetermining such individual's disability.

"DISABILITY PROVISIONS INAPPLICABLE IF BENEFIT RIGHTS IMPAIRED

"(k) The provisions of this title relating to periods of disability shall not apply in any case in which their application would result in the denial of monthly benefits or a lump-sum death payment which would otherwise be payable under section 202 of this title, or in the case of any monthly benefit or lump-sum death payment under such section 202 if such benefit or payment would be greater without their application; except that the provisions of this section shall not render erroneous the payment of any benefit under section 220.

"SAFEGUARDING DOCTOR-PATIENT RELATIONSHIP

"(1) No individual without his consent shall be required by the Secretary to undergo a physical examination to establish the facts as to his disability, but an individual shall not be considered to be under a disability unless he furnishes such proof of the existence thereof as may be required. Nothing in this title shall be construed as authorizing the Secretary or any other officer or employee of the United States to interfere in any way with the practice of medicine or with relationships between practitioners of medicine and their patients, or to exercise any supervision or control over the administration or operation of any hospital.

"DEDUCTIONS FROM REHABILITATION INSURANCE AND PERMANENT AND TOTAL DISABILITY INSURANCE BENEFITS

"EVENTS FOR WHICH DEDUCTIONS ARE MADE

"Sec. 221. (a) Deductions, in such amounts and at such time or times as the Secretary shall determine, shall be made from any payment or payments under section 220 to which an individual is entitled, until the total of such deductions equals such individual's benefit under section 220 for any month—

"(1) in which such individual rendered services as an employee (whether or not such services constitute employment as defined in sec. 210) for remuneration of more than \$100; or

"(2) for which such individual is charged, pursuant to the provisions of subsection (c)

of this section, with net earnings from self-employment (as determined pursuant to subsec. (d)) of more than \$100; or

"(3) in which such individual fails to submit himself for examination in accordance with regulations of the Secretary; or

"(4) in which such individual without good cause fails to accept rehabilitation evaluation and training; or

"(5) in which such individual is outside the United States if the Secretary finds that adequate arrangements have not been made for determining or redetermining the existence of such individual's disability;

except that the provisions of paragraphs (1) and (2) of this subsection shall not apply in the case of an individual entitled to rehabilitation insurance benefits for the first 3 months in which such individual either rendered services as an employee for remuneration of more than \$100 or for which such individual is charged with net earnings from self-employment of more than \$100.

"OCCURRENCE OF MORE THAN ONE EVENT

"(b) If more than one event occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted. The charging of net earnings from self-employment to any month shall be treated as an event occurring in the month to which such net earnings are charged.

"MONTHS TO WHICH NET EARNINGS FROM SELF-EMPLOYMENT ARE CHARGED

"(c) For the purposes of subsection (a) (2) of this section—

"(1) if an individual's net earnings from self-employment for his taxable year are not more than the product of \$100 times the number of months in such year, no month in such year shall be charged with more than \$100 of net earnings from self-employment;

"(2) if an individual's net earnings from self-employment for his taxable year are more than the product of \$100 times the number of months in such year, each month of such year shall be charged with \$100 of net earnings from self-employment, and the amount of such net earnings in excess of such product shall be further charged to months as follows: The first \$100 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of \$100 per month to each preceding month in such year until all of such balance has been applied, except that no part of such excess shall be charged to any month (A) for which such individual was not entitled to a benefit under section 220, (B) in which an event described in paragraph (1), (3), (4), or (5) of subsection (a) occurred, or (C) in which such individual did not engage in self-employment;

"(3) (A) as used in paragraph (2), the term 'last month of such taxable year' means the latest month in such year to which the charging of the excess described in such paragraph is not prohibited by the application of clause (A) or (B) thereof.

"(B) for the purposes of clause (C) of paragraph (2), 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 includable in computing his net earnings 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.

"SPECIAL RULE FOR COMPUTATION OF NET EARNINGS FROM SELF-EMPLOYMENT

"(d) For the purposes of this section, an individual's net earnings from self-employment for any taxable year shall be computed

as provided in section 211 with the following adjustments:

"(1) Such computation shall be made without regard to the provisions of paragraphs (1), (4), and (5) of subsection (c) of section 211; and

"(2) Such computation shall be made without regard to the provisions of sections 116, 212, 213, 251, and 252 of the Internal Revenue Code.

"PENALTY FOR FAILURE TO REPORT CERTAIN EVENTS

"(e) Any individual in receipt (on behalf of himself or another individual) of benefits subject to deduction under subsection (a) because of the occurrence of an event specified therein (other than an event described in paragraph (2) thereof) shall report such occurrence to the Secretary prior to the receipt and acceptance of such benefits for the second month following the month in which such event occurred. If such individual knowingly fails to report any such occurrence, an additional deduction equal to that imposed under such subsection shall be imposed, except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to 1 month's benefit even though the failure to report is with respect to more than 1 month.

"REPORT TO SECRETARY OF NET EARNINGS FROM SELF-EMPLOYMENT

"(f) If an individual is entitled to any disability insurance benefit during any taxable year in which he has net earnings from self-employment in excess of \$100 times the number of months in such year, such individual (or the individual in receipt of such benefit on his behalf) shall make a report to the Secretary of his net earnings from self-employment for such taxable year. Such report shall be made on or before the 15th day of the 3d 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. If the individual fails within the time prescribed above to make such report of his net earnings from self-employment for any taxable year and any deduction is imposed under subsection (a) (2) of this section by reason of such net earnings—

"(A) such individual shall suffer one additional deduction in an amount equal to his benefit for the last month in such taxable year for which he was entitled to a disability insurance benefit; and

"(B) if the failure to make such report continues after the close of such taxable year, such individual shall suffer an additional deduction in the same amount for each month during all or any part of which such failure continues after such fourth month; except that the number of the additional deductions required by this paragraph shall not exceed the number of months in such taxable year for which such individual received and accepted disability-insurance benefits and for which deductions are imposed under subsection (a) (2) by reason of such net earnings from self-employment. If more than one additional deduction would be imposed under this paragraph with respect to a failure by an individual to file a report required by this paragraph and such failure is the first for which any additional deduction is imposed under this paragraph, only one additional deduction shall be imposed with respect to such first failure.

"(2) If the Secretary determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to disability-insurance benefits for any taxable year will suffer deductions imposed under subsection (a) (2) of this section by reason of his net earnings from self-employment for such year, the Secretary may, before the close of such taxable year, suspend the

payment for each month in such year (or for only such months as the Secretary may specify) of such benefits payable to him; and such suspension shall remain in effect with respect to the benefits for any month until the Secretary has determined whether or not any deduction is imposed for such month under subsection (a). The Secretary is authorized, before the close of the taxable year of any individual entitled to benefits during such year, to request of such individual that he make at such time or times as the Secretary may specify, a declaration of his estimated net earnings from self-employment for the taxable year and that he furnish to the Secretary such other information with respect to such net earnings as the Secretary may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (a) (2) of this section by reason of his net earnings from self-employment for such year.

"DEDUCTIONS FROM BENEFITS TO DEPENDENTS OF A DISABLED INDIVIDUAL

"(g) Deductions shall be made from any wife's or husband's, child's or disabled child's insurance benefit to which a wife, husband, child, or disabled child is entitled under section 202, with respect to the wages or self-employment income of a disabled individual entitled to benefits under section 220, until the total of such deductions equals such wife's, husband's, child's, or disabled child's insurance benefit or benefits for any month in which such disabled individual suffers a deduction under this section."

BENEFITS FOR CERTAIN DISABLED ADULT CHILDREN

SEC. 107. (a) The heading of subsection 202 (d) of such act is amended to read "Child's and Disabled Child's Insurance Benefits."

(b) Paragraph (1) of such subsection is amended to read as follows:

"(d) (1) Every child (as defined in section 216 (e)) of an individual entitled to old-age insurance, rehabilitation insurance, or permanent and total disability insurance benefits, or of an individual who died a fully or currently insured individual after 1939, if such child—

(A) (i) has filed application of child's insurance benefits;

(ii) at the time such application was filed was unmarried and had not attained the age of 18; and

(iii) was dependent upon such individual at the time such application was filed, or, if such individual has died, was dependent upon such individual at the time of such individual's death,

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 the first month in which any of the following occurs: such child dies, marries, is adopted (except for adoption by a step-parent, grandparent, aunt, or uncle subsequent to the death of such fully or currently insured individual), attains the age of 18, or the individual with respect to whose wages or self-employment income such child's insurance benefits are paid ceases to be entitled to a rehabilitation insurance or a permanent and total disability insurance benefit for any reason other than attainment of retirement age; or

(B) (i) after November 1953, was entitled, or could have become entitled upon filing application therefor, to child's insurance benefits under subparagraph (A) for the month prior to the month in which such child attained the age of 18;

(ii) was under a permanent and total disability (as defined in section 220 (e) (3)) in

such month prior to attainment of age 18, which disability has continued since such month and for a period of not less than 6 consecutive calendar months after December 1953;

(iii) has filed proof of being under a permanent and total disability in such month within 1 year after the end of such month;

(iv) has filed application for disabled child's insurance benefits; and

(v) at the time such application was filed was unmarried and had attained the age of 18, shall be entitled to a disabled child's insurance benefit for such month, beginning with the first month after June 1954, in which such child becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: such child dies, marries, is adopted (except for adoption by a step-parent, grandparent, aunt, or uncle) subsequent to the death of such fully or currently insured individual, or ceases to be under a permanent and total disability, or the individual with respect to whose wages or self-employment income such disabled child's insurance benefits are paid ceases to be entitled to a rehabilitation insurance or a permanent and total disability insurance benefit for any reason other than attainment of retirement age.

(c) Paragraph (2) of such subsection is amended by inserting "or disabled child's" after "child's" wherever it occurs, and "or disabled child" after "child" wherever it occurs.

(d) Paragraphs (1) and (2) of subsection (k) of section 202 of such act are amended by inserting "or disabled child" after "child" wherever it occurs, and "or disabled child's" after "child's" wherever it occurs.

CASH SICKNESS BENEFITS

SEC. 108. Title II of such act is amended by adding after section 221 (added by section 106 of this act) the following:

"CASH SICKNESS BENEFITS

"CONDITIONS OF ENTITLEMENT TO CASH SICKNESS BENEFITS

"SEC. 222. (a) (1) Every individual who—
 "(A) is insured under the provisions of subsection (c);

"(B) is not entitled to old-age insurance benefits under section 202 (a), or rehabilitation insurance benefits under section 220 (b), or permanent and total disability insurance benefits under section 220 (c);

"(C) is under a temporary disability (as defined in subsection (e));

"(D) has had a waiting week in his benefit year and after June 30, 1954; and

"(E) has filed an application for cash sickness benefits in accordance with regulations of the Secretary, shall be entitled to a cash sickness benefit for each full week of temporary disability following such waiting week, provided that he has performed no services of any kind for remuneration by an employer during such waiting week or week of temporary disability; except, that if an uninterrupted spell of temporary disability for an individual in a benefit year continues into his next benefit year, the requirement of clause (D) of this paragraph shall not apply with respect to temporary disability occurring within such spell in such new benefit year.

"(2) Any such individual who continues to be under temporary disability for a part of a week in an uninterrupted spell of temporary disability and who meets the requirements of paragraph (1) shall be paid an amount equal to one-seventh of his cash sickness benefit for each day of temporary disability in such part week.

"(3) For purposes of this subsection—
 "(A) the term 'week' means a period of 7 consecutive days as defined in regulations of the Secretary;

"(B) the term 'waiting week' means the first period of 7 consecutive days on each of which an individual is under temporary disability in a benefit year; and

"(C) the term 'uninterrupted spell of temporary disability' includes any temporary disability occurring within 21 days following a waiting week or within 21 days following a day with respect to which an individual is entitled to benefits under this subsection.

"AMOUNT OF CASH SICKNESS BENEFITS

"(b) (1) An individual's 'cash sickness benefit' shall, subject to the provisions of subsection (c), be the amount appearing in column B, C, D, or E of the following table as determined by the number of his dependents, on the line on which there appears, in column A, the wage interval which includes the amount of his wages paid in that quarter of his base period in which the total of his wages was highest. For purposes of this paragraph the number of dependents of an individual shall be determined for a benefit year as of the first day of such benefit year:

"Table

"A Highest quarterly wages	B Benefit amount without dependents	C Benefit amount with 1 dependent	D Benefit amount with 2 dependents	E Benefit amount with 3 or more dependents	F Qualifying wages
\$130 to \$149.99	\$8	\$9	\$9	\$9	\$260
\$150 to \$166.99	8	10	10	10	260
\$167 to \$183.99	8	10	11	11	260
\$184 to \$207.99	8	10	11	12	260
\$208 to \$233.99	9	11	12	13	351
\$234 to \$259.99	10	12	13	14	390
\$260 to \$285.99	11	14	15	16	429
\$286 to \$311.99	12	15	16	17	468
\$312 to \$337.99	13	16	17	19	507
\$338 to \$363.99	14	17	19	20	546
\$364 to \$389.99	15	18	20	21	585
\$390 to \$415.99	16	20	21	23	624
\$416 to \$441.99	17	21	23	24	663
\$442 to \$467.99	18	22	24	26	702
\$468 to \$493.99	19	23	25	27	741
\$494 to \$519.99	20	24	26	28	780
\$520 to \$545.99	21	26	28	30	819
\$546 to \$571.99	22	27	29	31	858
\$572 to \$597.99	23	28	30	33	897
\$598 to \$623.99	24	29	32	34	936
\$624 to \$650.99	25	30	33	35	975
\$651 to \$676.99	26	32	34	37	1,014
\$677 to \$707.99	27	33	36	38	1,053
\$708 to \$737.99	28	34	37	40	1,107
\$738 to \$768.99	29	35	38	41	1,153
\$769 to \$800.99	30	36	39	42	1,201
\$801 to \$833.99	30	38	41	44	1,251
\$834 and more	30	39	42	45	1,302

"(2) For purposes of this subsection, the term 'dependent' means, with respect to an individual, an unmarried child (including a stepchild or adopted child) who is under the age of 18 and is living in the same household with such individual or receiving regular contributions toward his support from such individual; and a wife who is living in the same household with such individual and who is not regularly engaged in rendering services for remuneration or in any occupation for profit.

"(3) The maximum of the cash sickness benefits to which an individual shall be entitled in any benefit year shall be an amount equal to 26 times his cash sickness benefit. In the case of any individual who—

"(A) prior to the termination of a continuous spell of disability during part of which he was entitled to cash sickness benefits, reaches the maximum of his cash sickness benefits; or reaches the end of his benefit year and is not an insured individual under subsection (e) for purposes of a new benefit year;

"(B) is not entitled to old-age insurance benefits under section 202 (a); and

"(C) at the beginning of such continuous spell of disability, was insured under the provisions of section 220 (f), he shall, notwithstanding the first sentence of this paragraph, be entitled to cash sickness benefits until such spell ends or has lasted for 6 consecutive calendar months, whichever first occurs.

"DETERMINATION OF INSURED STATUS FOR CASH SICKNESS BENEFITS

"(c) (1) An individual shall be deemed to be insured for purposes of cash sickness benefits under this section if he had been paid wages during his base period totaling not less than the amount in column F of the table in subsection (c) on the line on which, in column A, there appears the wage interval which includes the amount of his wages paid in that quarter of his base period in which the total of his wages was highest; except that if any individual has not been paid such an amount during his base period he shall be deemed insured for purposes of such benefits if he has been paid not less than \$260 in his base period, but his cash sickness benefit shall be the amount appearing in column B, C, D, or E, as is appropriate, on the lowest line of which there appears, in column F, the total of his wages in his base period or, if such total falls between two amounts in such column F, on the line of which there appears the smaller of such two amounts in such column. Notwithstanding the foregoing provisions of this paragraph, an individual shall not be deemed to be insured for purposes of such cash sickness benefits unless he has been paid remuneration for employment in at least two quarters of his base period and has been paid wages totaling not less than \$130 in the quarter during his base period in which the total of his wages was highest.

"(2) An individual's 'base period' means the four completed calendar quarters immediately preceding the fourth calendar month prior to the month in which his benefit year begins.

"(3) An individual's 'benefit year' means the 1-year period beginning with the day as of which he first filed application under subsection (a) on the basis of which he can become entitled to benefits or receive credit for a waiting week under such subsection, and thereafter the 1-year period beginning with the day as of which he next files such an application for benefits under such subsection after the end of his last preceding benefit year.

"SIMULTANEOUS ENTITLEMENT TO BENEFITS

"(d) (1) In the case of an individual who is entitled for 1 or more weeks in a month to benefits under subsection (a) and is also entitled for such month to any other benefits under this title, he shall be paid for such

month only an amount equal to such benefits under subsection (a) or an amount equal to such other benefits, whichever is the higher.

"(2) No payment shall be made to an individual for any week under subsection (a) if he has received or receives any workmen's compensation benefit on account of the same temporary disability for such week or for a month which includes such week.

"(3) In order to assure that the purposes of paragraph (3) will be carried out, the Secretary may, as a condition to certification for payment of benefits under subsection (a) if it appears to him that there is a likelihood that an individual entitled to benefits under such subsection may be eligible, as the result of temporary disability, for workmen's compensation benefit which would give rise to a denial of payment under such paragraph (2), require (A) adequate proof that such individual has taken or will take all steps necessary to secure workmen's compensation benefits with respect to such temporary disability, and (B) adequate assurance of reimbursement to the trust fund in case workmen's compensation benefits, with respect to which such denial of payment should be made, are paid to such individual and payment is not denied under paragraph (2). All amounts paid to the Secretary under this paragraph shall be deposited in the trust fund.

"(4) For purposes of this subsection, the term 'workmen's compensation benefit' means a cash benefit, allowance, or compensation payable under any workmen's compensation law or plan of the United States or of any State.

"DEFINITION OF TEMPORARY DISABILITY

"(e) For the purpose of this section, the term 'temporary disability' means inability of an individual to perform his most recent, customary, or reasonably similar work (as determined in accordance with regulations of the Secretary) by reason of any medically determinable illness, injury, or other impairment.

"EXCLUSIONS FROM COVERAGE FOR CASH SICKNESS BENEFITS

"(f) For the purposes of subsections (b) and (c) of this section, services performed in the employ of the United States Government, or of an instrumentality of the United States which (1) is wholly owned by the United States, or (2) was exempt on December 31, 1950, from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any other provision of law shall not constitute employment."

TECHNICAL PROVISIONS

SEC. 109. (a) (1) The heading of title II of the Social Security Act is amended to read "Title II—Federal Old-Age, Survivors and Disability Insurance Benefits."

(2) The heading of section 201 of such act is amended to read "Federal Old-Age, Survivors and Disability Insurance Trust Fund." Section 201 is further amended by striking out "Federal Old-Age and Survivors Insurance Trust Fund," wherever it appears, and substituting therefor "Federal Old-Age, Survivors and Disability Insurance Trust Fund."

(3) The heading of section 202 of such act is amended to read "Old-Age, Survivors and Disability Insurance Benefit Payments."

(b) Section 202 (b) (1) of such act is amended by inserting after "old-age insurance" wherever it appears: ", rehabilitation insurance or permanent and total disability insurance"; and by inserting after "her husband dies" the words "or ceases to be entitled to a rehabilitation insurance or a permanent and total disability insurance benefit for any reason other than attainment of retirement age."

(c) Section 202 (c) (1) of such act is amended by inserting after "old-age insurance" wherever it appears: ", rehabilitation

insurance or permanent and total disability insurance"; and by inserting after "his wife dies" the words "or ceases to be entitled to a rehabilitation insurance or a permanent and total disability insurance benefit for any reason other than attainment of retirement age."

(d) Section 214 (a) (2) of such act is amended by striking out "or (B) forty quarters of coverage." and inserting in lieu thereof:

"(B) twenty quarters of coverage within the forty-quarter period ending with the quarter in which he attained retirement age or with any subsequent calendar quarter or ending with the quarter in which he died; or

"(C) forty quarters of coverage;

not counting as an elapsed quarter for the purposes of subparagraph (A), and not counting as part of the 40-quarter period referred to in subparagraph (B) any quarter any part of which is included in a period of disability (as defined in sec. 220 (e) (5)) unless such quarter is a quarter of coverage."

(e) Section 214 (a) of such act is further amended by adding at the end thereof the following new paragraph:

"(4) If an individual upon attainment of retirement age is not, under paragraph (2), a fully insured individual but (were it not for his attainment of retirement age) would have been entitled to a rehabilitation insurance or a permanent and total disability insurance benefit for the month in which he attained retirement age or for any subsequent month, he shall be a fully insured individual beginning with the first month for which he would have been so entitled to disability insurance benefits."

(f) Section 214 (b) of such act is amended by striking out the period at the end thereof and inserting: ", excluding from such 13-quarter period any quarter any part of which is included in a period of disability unless such quarter is a quarter of coverage."

(g) Subsection (c) of section 203 of such act is further amended by inserting "or disabled child's" after "child's" wherever it occurs, and "or disabled child" after "child."

(h) Section 215 (f) of the Social Security Act is amended by renumbering paragraph (6) as paragraph (8), and by inserting after paragraph (5) the following new paragraphs:

"(6) In the case of any individual who became entitled to old-age insurance, rehabilitation insurance or permanent and total disability insurance benefits in 1955 or in a taxable year which began in 1955 (and without the application of sec. 202 (j) (1)), or who died in 1955 or in a taxable year which began in 1955, but did not become entitled to such benefits prior to 1955, and who had self-employment income for a taxable year which ended within or with 1955 or which began in 1955, then upon application filed after the close of such taxable year by such individual or (if he died without filing such application) 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 subsection (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, rehabilitation insurance or permanent and total disability 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 applica-

tion for recomputation became entitled to such monthly benefits.

"(7) An individual who—

"(A) became entitled to an old-age insurance benefit for a month prior to July 1954;

"(B) has filed application after March 1954 and prior to January 1956 for a disability recomputation;

"(C) had been under a long-term total disability or a permanent and total disability (as defined in sec. 220 (e)) prior to his attainment of retirement age, which disability has continued uninterruptedly until the time of filing such application; and

"(D) could, but for having reached retirement age, have had a period of disability (as defined in sec. 220 (e) (5));

shall be deemed to have had such a period of disability, and the Secretary shall recompute such individual's primary insurance amount effective July 1954. Recomputation under this paragraph shall be made as provided in section 215 (a) and shall take into account only such wages and self-employment income as would be taken into account under section 215 (b) or under section 215 (d) whichever is applicable had the individual attained retirement age in the first month of such period of disability and filed application for old-age insurance benefits in July 1954."

(i) The amendments made by the preceding subsection of this section shall take effect on April 1, 1954.

(j) In the case of an individual who died or became (without the application of sec. 202 (j) (1) of the Social Security Act) entitled to old-age insurance, rehabilitation insurance, or permanent and total disability insurance benefits in 1955 and with respect to whom not less than 6 of the quarters elapsing after 1950 and prior to the quarter following the quarter in which he died or became entitled to such insurance benefits, whichever first occurred, are quarters of coverage, his wage-closing date shall be the first day of such quarter of death or entitlement instead of the day specified in section 215 (b) (3) of such act, but only if it would result in a higher primary insurance amount for such individual. The terms used in this subsection shall have the same meaning as when used in title II of the Social Security Act.

(k) In the case of an individual who had filed an application for recomputation under section 215 (f) (2) of the Social Security Act in 1955 or in a taxable year which began in 1955 or who died in such year or taxable year before filing such application but who, prior to the end of the month in which he died, met all other conditions specified in such section for a recomputation, and who had self-employment income for a taxable year which ended within or with 1955 or which began in 1955, then upon application filed after the close of such taxable year by such individual or, if he has died, by a person entitled to monthly benefits on the basis of such individual's wages and self-employment income, the Secretary shall further recompute such individual's primary insurance amount. Such further recomputation shall be made in the manner provided in section 215 of such act (other than subsection (b) (4) of such section) 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 further recomputation shall be effective for and after the month (in 1955 or in a taxable year which began in 1955) in which such individual filed application for recomputation under section 215 (f) (2) or if he has died, for and after the month in which such other person entitled on the basis of such individual's record of

wages and self-employment income became entitled to such 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 section 202 (1) of the Social Security Act, and no such recomputation shall render erroneous any such payment certified by the Secretary prior to the effective date of such further recomputation. No recomputation shall be made under this paragraph unless such recomputation results in a higher primary insurance amount. The terms used in this paragraph shall have the same meaning as when used in title II of the Social Security Act.

(1) In the case of an individual—

(1) who filed an application for a recomputation under section 215 (f) (2) of the Social Security Act in 1952 after complying with the other conditions specified therein for such a recomputation; or

(2) who died in such year before filing such an application but who, prior to the end of the month in which he died, met all other conditions specified in such section for a recomputation, his primary insurance amount shall be recomputed as provided in such section, except that his wage closing date shall, for purposes of section 215 (b) (3) of such act, be the first day of the quarter in which he filed such application or died, instead of the date specified in such section 215 (b) (3), but only if it would result in a higher primary insurance amount for him. The terms used in this paragraph shall have the same meaning as when used in title II of the Social Security Act.

INSURED STATUS

SEC. 109. Section 214 (a) of the Social Security Act is amended by redesignating paragraph (3) as paragraph (4) and inserting after paragraph (2) the following new paragraph:

"(3) In the case of any individual who did not die prior to January 1, 1955, the term 'fully insured individual' means any individual who meets the requirements of paragraph (2) and, in addition, any individual with respect to whom all of the quarters elapsing after 1954 and prior to (i) July 1, 1956, or (ii) if later, the quarter in which he attained retirement age or died, whichever first occurred, are quarters of coverage, but only if there are not fewer than six of such quarters so elapsing."

BENEFITS IN CERTAIN CASES OF DEATHS BEFORE SEPTEMBER 1950

SEC. 110 (a) In the case of any individual—

(1) who died prior to September 1, 1950, and was not a fully insured individual (under title II of the Social Security Act), when he died, and

(2) who had not less than six quarters of coverage (as defined in such title), such individual shall, except for purposes of determining entitlement of a former wife divorced to benefits under section 202 (g) of the Social Security Act, be deemed to have died a fully insured individual. Such individual's primary insurance amount shall be computed under subsection (a) (2) of section 215 of such act. For the purpose of such computation, the provisions of section 215 (d) (3) of such act shall apply if such individual died a currently insured individual (under title II of such act) and any other person was entitled on the basis of his wages to monthly benefits or a lump-sum death payment under section 202 of such act; in all other cases the provisions of section 215 (d) (4) shall be applicable, except that such individual's closing date shall be the first day of the quarter in which he died. In the case of any such individual, the requirement in subsection (h) of section 202 of such act that proof of support be filed within 2 years of the date of his death shall not apply if such proof is filed before September 1956.

(b) The provisions of subsection (a) shall be applicable only in the case of monthly benefits under section 202 of the Social Security Act for months after August 1954, on the basis of applications filed after such month.

ELIMINATION OF REQUIREMENT OF FILING APPLICATION IN CERTAIN CASES

SEC. 111. (a) Section 202 (e) (1) (C) of the Social Security Act is amended to read as follows:

"(C) (1) has filed application for widow's insurance benefits or was entitled, after attainment of retirement age, 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, 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 retirement age."

(b) Section 202 (g) (1) (D) of such act is amended to read as follows:

"(D) has filed application for mother'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."

(c) The third sentence of section 202 (1) of such act is amended by inserting immediately before the period at the end thereof the following: ", or unless such person was entitled to wife's or husband's insurance benefits, on the basis of the wages and self-employment income of such insured individual, for the month preceding the month in which such individual died."

TECHNICAL AMENDMENTS

SEC. 112. (a) The second sentence of section 204 (a) of the Social Security Act is amended by inserting "and self-employment income" after "wages."

(b) Section 208 of the Social Security Act is amended by inserting ", or as to the amount of net earnings from self-employment derived or the period during which derived" after "as to the amount of any wages paid or received or the period during which earned or paid."

REPEAL OF REQUIREMENT OF CERTAIN DEDUCTIONS

SEC. 113. (a) No deductions shall be made pursuant to subsection (i) of section 203 of the Social Security Act from any benefits for any month after August 1954; and, effective September 1, 1954, such subsection is repealed.

(b) No deductions shall be made pursuant to section 907 of the Social Security Act Amendments of 1939 (53 Stat. 1360, 1402), with respect to wages for services performed in 1939, from any benefits for any month after August 1954; and, effective September 1, 1954, such section is amended by striking out "1 percent of any wages paid him for services performed in 1939, and subsequent to his attaining age 65, and."

PROOF OF SUPPORT BY HUSBAND OR WIDOWER IN CERTAIN CASES

SEC. 114. (a) For the purpose of determining the entitlement of any individual to husband's insurance benefits under subsection (c) of section 202 of the Social Security Act on the basis of his wife's wages and self-employment income, the requirements of paragraph (1) (D) of such subsection shall be deemed to be met if—

(1) such individual was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary of Health, Education, and Welfare, from his wife on the first day of the first month (A) for which she was entitled to a monthly benefit under subsection (a) of such section 202, and (B) in which an event described in paragraph (1) or (2) of

section 203 (b) of such act (as in effect before or after the enactment of this act) did not occur.

(2) such individual has filed proof of such support within 2 years after such first month, and

(3) such wife was, without the application of subsection (j) (1) of such section 202, entitled to a primary insurance benefit under such act for August 1950.

(b) For the purpose of determining the entitlement of any individual to widower's insurance benefits under subsection (f) of section 202 of the Social Security Act on the basis of his deceased wife's wages and self-employment income, the requirements of paragraph (1) (E) (ii) of such subsection shall be deemed to be met if—

(1) such individual was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary of Health, Education, and Welfare, from his wife, and she was a currently insured individual, on the first day of the first month (A) for which she was entitled to a monthly benefit under subsection (a) of such section 202, and (B) in which an event described in paragraph (1) or (2) of section 203 (b) of such act (as in effect before or after the enactment of this act) did not occur,

(2) such individual has filed proof of such support within 2 years after such first month, and

(3) such wife was, without the application of subsection (j) (1) of such section 202, entitled to a primary insurance benefit under such act for August 1950.

(c) For purposes of subsection (b) (1) of this section, and for purposes of section 202 (c) (1) of the Social Security Act in cases to which subsection (a) of this section is applicable, the wife of an individual shall be deemed a currently insured individual if she had not less than 6 quarters of coverage (as determined under section 213 of the Social Security Act) during the 13-quarter period ending with the calendar quarter in which occurs the first month (1) for which such wife was entitled to a monthly benefit under section 202 (a) of such act, and (2) in which an event described in paragraph (1) or (2) of section 203 (b) of such act (as in effect before or after the enactment of this act) did not occur.

(d) This section shall apply only with respect to husband's insurance benefits under section 202 (c) of the Social Security Act, and widower's insurance benefits under section 202 (f) of such act, for months after August 1954, and only with respect to benefits based on applications filed after such month.

DEFINITION

SEC. 115. As used in the provisions of the Social Security Act amended by this title, the term "Secretary" means the Secretary of Health, Education, and Welfare.

TITLE II—AMENDMENTS TO INTERNAL REVENUE CODES OF 1939 AND 1954

AMENDMENTS TO DEFINITIONS OF SELF-EMPLOYMENT INCOME AND RELATED DEFINITIONS

SEC. 201. (a) (1) Paragraph (1) of section 481 (a) of the Internal Revenue Code is amended to read as follows:

"(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;".

(2) Subsection (a) of section 481 of the Internal Revenue Code is amended by striking out paragraph (2) and redesignating paragraphs (3), (4), (5), (6), and (7), and any references thereto contained in such code, as paragraphs (2), (3), (4), (5), and (6), respectively, and by adding at the end of

such subsection the following new sentence: "In the case of any trade or business which is carried on by an individual who reports his income on a cash receipts and disbursements basis, and in which, if it were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 1426 (h), (1) if the gross income derived from such trade or business by such individual is not more than \$1,800, the net earnings from self-employment derived by him therefrom may, at his option, be deemed to be 50 percent of such gross income in lieu of his net earnings from self-employment from such trade or business computed as provided under the preceding provisions of this subsection, or (ii) if the gross income derived from such trade or business by such individual is more than \$1,800 and the net earnings from self-employment derived by him therefrom, as computed under the preceding provisions of this subsection, are less than \$900, such net earnings may instead, at the option of such individual, be deemed to be \$900. For the purpose of the preceding sentence, gross income derived from such trade or business shall mean 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 preceding provisions of this subsection."

(b) (1) Paragraph (1) of section 1402 (b) of the Internal Revenue Code of 1954 is amended to read as follows:

"(1) that part of the net earnings from self-employment which is in excess of—

"(A) for any taxable year ending prior to 1955, (i) \$3,600, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(B) for any taxable year ending after 1954, (i) \$6,000, minus (ii) the amount of the wages paid to such individual during the taxable year; or."

(2) (b) Section 1402 (b) of the Internal Revenue Code of 1954 is amended by inserting after "employees" the following: "or 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)."

(c) Section 431 (c) of the Internal Revenue Code is amended by striking out paragraphs (4) and (5), by inserting "or" at the end of paragraph (3), and by adding after paragraph (3) the following new paragraph:

"(4) The performance of service by an individual in the exercise of his profession as a physician, or the performance of such service by a partnership."

(d) (1) Section 1402 (c) (2) of the Internal Revenue Code of 1954 is amended by inserting after "18" the following: "and other than service described in paragraph (4) of this subsection."

(2) Section 1402 (c) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new sentence: "The provisions of paragraph (4) 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 during the period for which a certificate filed by such individual under subsection (e) is in effect."

(3) Section 1402 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(e) Ministers and members of religious orders:

"(1) Waiver certificate: Any individual who is a duly ordained, commissioned, or licensed minister of a church or a member of a religious order (other than a member of a religious order who has taken a vow of poverty as a member of such order) 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 he elects to have the insurance system established by title II of the Social Security Act extended to service, described in subsection (c) (4), performed by him.

"(2) Time for filing certificate: Any individual who desires to file a certificate pursuant to paragraph (1) must file such certificate on or before the due date of the return (including any extension thereof) for his second taxable year ending after 1954 for which he has net earnings from self-employment (computed without regard to paragraph (4) of subsection (c)) of \$400 or more, any part of which was derived from his performance of service described in such paragraph (4).

"(3) Effective date of certificate: A certificate filed pursuant to this subsection shall be effective for the first taxable year with respect to which it is filed (but in no case shall the certificate be effective for a taxable year with respect to which the period for filing a return has expired, or for a taxable year ending prior to 1955) and all succeeding taxable years. An election made pursuant to this subsection shall be irrevocable."

(d) The amendments made by subsections (a), (b), and (c) of this section shall be applicable only with respect to taxable years ending after 1954.

REFUND OF CERTAIN TAXES DEDUCTED FROM WAGES

SEC. 202. (a) (1) The first sentence of section 6413 (c) (1) of the Internal Revenue Code of 1954 is amended to read as follows: "If by reason of an employee receiving wages from more than one employer during a calendar year after the calendar year 1950 and prior to the calendar year 1955, the wages received by him during such year exceed \$3,600, 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 1400 of the Internal Revenue Code of 1939 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first \$3,600 of such wages received; or if by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1954, the wages received by him during such year exceed \$6,000, 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 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first \$4,200 of such wages received."

(2) Section 1401 (d) (3) of the Internal Revenue Code of 1939 is amended by striking out the period at the end of the second sentence and inserting in lieu thereof "or, in the case of any agreement (or modification thereof) pursuant to section 218 of the Social Security Act which is effective as of a date more than 2 years prior to the date such agreement (or modification) was agreed to, within 2 years after the calendar year in which such agreement (or modification) was agreed to by the State and the Secretary of Health, Education, and Welfare."

(b) (1) The heading of section 6413 (c) (2) of the Internal Revenue Code of 1954 is amended to read as follows: "Applicability in case of Federal and State employees and employees of certain foreign corporations."

(2) Section 6413 (c) (2) (A) of the Internal Revenue Code of 1954 is amended by striking out "\$3,600," and inserting in lieu thereof "\$3,600 for the calendar year 1951, 1952, 1953, or 1954, or \$6,000 for any calendar year after 1954."

(3) Section 6413 (c) (2) of the Internal Revenue Code of 1954 is amended by adding

at the end thereof the following new subparagraph:

"(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 or his delegate."

(c) The second sentence of section 3122 of the Internal Revenue Code of 1954 is amended by striking out "\$3,600" and inserting in lieu thereof "\$6,000."

(d) The amendments made by subsections (a) (1), (b), and (c) shall be applicable only with respect to remuneration paid after 1954. The amendment made by subsection (a) (2) shall be effective as if it had been enacted as a part of section 203 (c) of the Social Security Act Amendments of 1950 which added section 1401 (d) (3) to the Internal Revenue Code of 1939.

COLLECTION AND PAYMENT OF TAXES WITH RESPECT TO COAST GUARD EXCHANGES

SEC. 203. (a) Section 1420 (e) of the Internal Revenue Code is amended by adding at the end thereof the following new sentence: "The provisions of this subsection shall be applicable also in the case of 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, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of this subsection the Secretary shall be deemed to be the head of such instrumentality."

(b) The amendment made by subsection (a) shall become effective January 1, 1955.

AMENDMENTS TO DEFINITION OF WAGES

SEC. 204 (a) Paragraph (1) of section 3121 (a) of the Internal Revenue Code of 1954 is amended by striking out "\$3,600" wherever it appears therein and inserting in lieu thereof "\$6,000."

(b) (1) Subparagraph (B) of section 3121 (a) (7) of the Internal Revenue Code of 1954 is amended to read as follows:

"(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);"

(2) Section 3121 (a) (7) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subparagraph:

"(C) cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer's trade or business, 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 subpara-

graph, 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)."

(3) Section 3121 (a) (8) of the Internal Revenue Code of 1954 is amended by inserting "(A)" after "(8)" and by adding at the end thereof the following new subparagraph:

"(B) cash remuneration paid by an employer in any calendar quarter to an employee for agricultural labor, if the cash remuneration paid in such quarter by the employer to the employee for such labor is less than \$50."

(e) The amendments made by subsections (a) and (b) shall be applicable only with respect to remuneration paid after 1954.

AMENDMENTS TO DEFINITION OF EMPLOYMENT

SEC. 205. (a) Section 3121 (b) (1) of the Internal Revenue Code of 1954 is amended to read as follows:

"(1) (A) service performed 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 (46 Stat. 1550 § 3; 12 U. S. C. 1141j);

"(B) service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended (65 Stat. 119; 7 U. S. C. 1461-1468)."

(b) Section 3121 (b) of the Internal Revenue Code of 1954 is amended by striking out paragraph (3) and redesignating paragraphs (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), and (14), and any references thereto contained in such code, as paragraphs (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), and (13), respectively.

(c) The paragraph of section 3121 (b) of the Internal Revenue Code of 1954 herein redesignated as paragraph (4) is amended by striking out "if the individual is employed on and in connection with such vessel or aircraft when outside the United States" and inserting in lieu thereof: "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."

(d) (1) Subparagraph (B) of the paragraph of section 1426 (b) of the Internal Revenue Code herein redesignated as paragraph (6) is amended—

(A) by inserting "by an individual" after "Service performed," and by inserting "and if such service is covered by a retirement system established by such instrumentality;" after "December 31, 1950;";

(B) by inserting "a Federal home loan bank," after "a Federal Reserve bank," in clause (ii); and

(C) by striking out "or" at the end of clause (iii), by adding "or" at the end of clause (iv), and by adding at the end of the subparagraph the following new clause:

"(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 the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard;"

(2) Subparagraph (C) of such paragraph is amended to read as follows:

"(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 2 of the act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government); (5) U. S. C. sec. 1052);

"(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 the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system (other than the retirement system of the Tennessee Valley Authority)."

(e) The paragraph of section 1426 (b) of the Internal Revenue Code herein redesignated as paragraph (8) is amended to read as follows:

"(8) (A) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6), other than 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; but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to subsection (1) (1), is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such subsection or (ii) who became an employee of such organization after the certificate was filed and after such period began;

"(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6), 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; but this subparagraph shall not apply to service performed by a duly ordained, commissioned, or licensed minister of a church or a member of a religious order, other than a member of a religious order who has taken a vow of poverty as a member of such order, during the period for which a certificate, filed pursuant to subsection (1) (2), is in effect, if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such subsection, or (ii) who became an employee of such organization after the certificate was filed and after such period began."

(e) Section 3121 (b) of the Internal Revenue Code of 1954 is further amended by striking out paragraph (15) and redesignating paragraphs (16) and (17), and any references thereto contained in such code, as paragraphs (14) and (15), respectively.

(f) The amendments made by subsections (c) and (e) shall be applicable only with respect to services performed after 1954. The amendments made by subsections (a) and (b) shall be applicable only with respect to services (whether performed after 1954 or prior to 1955) for which the remuneration is paid after 1954.

AMENDMENT RELATING TO COLLECTION OF EMPLOYEE TAX

SEC. 206. Section 3102 (a) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new sentence: "An employer who in any calendar quarter pays to an employee cash remuneration to which paragraph (7) (B) or (C), (8) (B), 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."

AMENDMENT TO DEFINITION OF EMPLOYEE

SEC. 207. (a) Subparagraph (C) of section 3121 (d) (3) of the Internal Revenue Code of 1954 is amended by striking out "if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed."

(b) The amendment made by subsection (a) shall be applicable only with respect to services performed after 1954.

WAIVER OF TAX EXEMPTION BY NONPROFIT ORGANIZATIONS WITH RESPECT TO MINISTERS IN THEIR EMPLOY

SEC. 208. (a) Paragraph (1) of section 1426 (1) of the Internal Revenue Code is amended by inserting "(other than 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)" after "service" in the first sentence, by striking out "two-thirds of its employees" and inserting in lieu thereof "two-thirds of its employees performing service to which this paragraph is applicable" in such sentence, and by deleting so much of such paragraph as follows the first sentence.

(b) Such section 1426 (1) is amended by redesignating paragraphs (2) and (3) as paragraphs (6) and (7), respectively, and by adding after paragraph (1) the following new paragraphs:

"(2) Waiver of exemption in the case of ministers: An organization exempt from income tax under section 101 (6) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter) certifying that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees who are duly ordained, commissioned, or licensed ministers of a church or churches and perform such service in the exercise of their ministry or who are members of a religious order or orders (other than a member of a religious order who has taken a vow of poverty as a member of such order) and perform such service in the exercise of duties required by such order or orders, and that at least two-thirds of such employees concur in the filing of the certificate. Notwithstanding the preceding sentence of this paragraph, a certificate may not be filed by an organization pursuant to such sentence unless (A) such organization does not have any employees with respect to whom a certificate may be filed pursuant to paragraph (1), or (B) such organization has filed a certificate pursuant to paragraph (1) with respect to such employees.

"(3) List to accompany certificate: A certificate may be filed pursuant to paragraph (1) or paragraph (2) only if it is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs in the filing of the certificate. Such list may be amended at any time 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 subchapter.

"(4) Effective period of waiver: A certificate filed pursuant to paragraph (1) or paragraph (2) shall be in effect (for the purposes of subsection (b) (8) of this section and for the purposes of section 210 (a) (8) of the Social Security Act)—

"(A) in the case of a certificate filed pursuant to paragraph (1), for the period beginning with the first day of the calendar quarter in which such certificate is filed or the first day of the succeeding calendar quarter, as may be specified in the certificate; or

"(B) in the case of a certificate filed pursuant to paragraph (2), for the period beginning with the first day of whichever of the following calendar quarters may be specified in the certificate; (i) the quarter in which such certificate is filed, or (ii) the succeeding quarter, or (iii) if the certificate is filed during the calendar year 1955, any quarter in such year prior to the quarter in which it is filed;

except that, in the case of service performed by an individual whose name appears on a supplemental list filed after the first month following the first calendar quarter for which the certificate is in effect (as determined under subparagraph (A) or (B), whichever is applicable) or following the calendar quarter in which the certificate was filed, whichever is later, and to whom subparagraph (A) or (B) of subsection (b) (8) of this section would otherwise apply, the certificate shall be in effect, for purposes of such subsection (b) (8) and for purposes of section 210 (a) (8) of the Social Security Act, only with respect to service performed by such individual after the calendar quarter in which such supplemental list is filed.

"(5) Termination of waiver period by organization: The period for which a certificate filed pursuant to paragraph (1) of this subsection 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 and only if such notice applies also to the period for which the certificate, if any, filed by such organization pursuant to paragraph (2) is effective. The period for which a certificate filed pursuant to paragraph (2) is effective may also 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 subchapter."

(c) The paragraph of such section 1426 (1) herein redesignated as paragraph (6) is amended by adding at the end thereof the following new sentence: "If the period covered by a certificate filed pursuant to paragraph (1) of this subsection is terminated under this paragraph, the period covered by the certificate, if any, filed by the same organization pursuant to paragraph (2) shall also be terminated at the same time."

(d) The paragraph of such section 1426 (1) herein redesignated as paragraph (7) is amended to read as follows:

"(7) No renewal of waiver: In the event the period covered by a certificate filed pursuant to paragraph (1) or (2) of this subsection is terminated by the organization, no certificate may again be filed by such organization pursuant to such paragraph."

(e) The amendments made by this section shall become effective January 1, 1955. Nothing in this section shall be construed as affecting the validity of any certificate filed prior to January 1, 1955, under section 1426 (1) of the Internal Revenue Code. If a certificate filed during the calendar year 1955 pursuant to section 1426 (1) (2) of the Internal Revenue Code is in effect for any calendar quarter in 1955 which precedes the quarter during which the certificate was filed, the return and payment of the taxes for any such preceding calendar quarter with respect to service which constitutes employment by reason of the filing of such certificate shall be deemed to be timely made if

made on or before the last day of the first month following the calendar quarter in which the certificate is filed.

CHANGES IN TAX SCHEDULES

RATE OF TAX FOR EMPLOYEES

SEC. 209 (a) Section 3101 of the Internal Revenue Code of 1954 is amended to read as follows:

"(a) Non-Federal employment: In addition to other taxes, there shall be levied, collected, and paid upon the income of every individual a tax equal to the following percentages of the wages received by him after December 31, 1936, with respect to employment after such date, except that such tax shall not apply to the income of an individual for service performed in the employ of the United States or of an instrumentality which (i) is wholly owned by the United States, or (ii) was exempt on December 31, 1950, from the tax imposed by section 1410 of the Internal Revenue Code of 1939 by virtue of any other provision of law:

"(1) With respect to wages received during the calendar years 1939 to 1949, both inclusive, the rate shall be 1 percent.

"(2) With respect to wages received during the calendar years 1950 to 1953, both inclusive, the rate shall be 1½ percent.

"(3) With respect to wages received during the calendar year 1954, the rate shall be 2 percent.

"(4) With respect to wages received during the calendar years 1955 and 1956, the rate shall be 2½ percent.

"(5) With respect to wages received during the calendar years 1957 and 1958, the rate shall be 3 percent.

"(6) With respect to wages received during the calendar years 1959 and 1960, the rate shall be 3½ percent.

"(7) With respect to wages received after December 31, 1960, the rate shall be 4 percent.

"(b) Federal employment: In addition to other taxes, there shall be levied, collected, and paid upon the income of every individual a tax equal to the following percentages of the wages received by him after December 31, 1950, with respect to employment after such date to which the tax imposed by subsection (a) of this section does not apply:

"(1) With respect to wages received during the calendar years 1951 to 1954, both inclusive, the rate shall be 1½ percent.

"(2) With respect to wages received during the calendar years 1955 and 1956, the rate shall be 2 percent.

"(3) With respect to wages received during the calendar years 1957 and 1958, the rate shall be 2½ percent.

"(4) With respect to wages received during the calendar years 1959 and 1960, the rate shall be 3 percent.

"(5) With respect to wages received after December 31, 1960, the rate shall be 3½ percent."

WHEN COLLECTION OF TAXES FROM MEMBERS OF UNIFORMED SERVICES IS NOT REQUIRED

(b) Subsections (a) and (b) of section 3102 of the Internal Revenue Code of 1954 are amended to read as follows:

"(a) Requirement:
"(1) General provision: Except as provided in paragraph (2), 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.

"(2) Special exception for uniformed services: Whenever the President determines that, by reason of the large number of individuals who are being or have been drafted for service in the uniformed services of the United States or who are being or have been called to active duty in such services, the collection of the taxes imposed by section 3101 with respect to some or all of such serv-

ice or duty would not be in the best interests of the United States, he shall by Executive order direct the Secretary of Defense, the Secretary of Health, Education, and Welfare, the Secretary of the Treasury, and the Secretary of Commerce not to deduct the taxes imposed by section 3101 with respect to service as a member of any of the uniformed services of the United States (which may be made applicable with respect to any one or more of such uniformed services), or with respect to so much of such service as is performed in one or more designated areas or by individuals in designated pay grades, or both, as the President may find appropriate. Such Executive order shall be revoked whenever the President determines that it is no longer necessary in the interests of the United States.

"(b) Indemnification of employer: Every employer required so to deduct the tax or directed pursuant to paragraph (2) of subsection (a) not to deduct the tax shall be liable for the payment of such tax, and shall be indemnified against the claims and demands of any person for the amount of any such payment by such employer."

RATE OF TAX FOR EMPLOYERS

(c) Section 3111 of the Internal Revenue Code of 1954 is amended to read as follows:

"(a) Nonfederal employment: In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages paid by him after December 31, 1936, with respect to employment after such date, except that such tax shall not apply to the wages paid an individual with respect to service performed in the employ of the United States, or of an instrumentality of the United States which (i) is wholly owned by the United States, or (ii) was exempt on December 31, 1950, from the tax imposed by this section by virtue of any other provision of law.

"(1) With respect to wages paid during the calendar years 1939 to 1949, both inclusive, the rate shall be 1 percent.

"(2) With respect to wages paid during the calendar years 1950 to 1953, both inclusive, the rate shall be 1½ percent.

"(3) With respect to wages paid during the calendar year 1954, the rate shall be 2 percent.

"(4) With respect to wages paid during the calendar years 1955 and 1956, the rate shall be 2½ percent.

"(5) With respect to wages paid during the calendar years 1957 and 1958, the rate shall be 3 percent.

"(6) With respect to wages paid during the calendar years 1959 and 1960, the rate shall be 3½ percent.

"(7) With respect to wages paid after December 31, 1960, the rate shall be 4 percent.

"(b) Federal employment: In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages paid by him after December 31, 1950, with respect to employment after such date, to which the tax imposed by subsection (a) of this section does not apply:

"(1) With respect to wages paid during the calendar years 1951 to 1954, both inclusive, the rate shall be 1½ percent.

"(2) With respect to wages paid during the calendar years 1955 and 1956, the rate shall be 2 percent.

"(3) With respect to wages paid during the calendar years 1957 and 1958, the rate shall be 2½ percent.

"(4) With respect to wages paid during the calendar years 1959 and 1960, the rate shall be 3 percent.

"(5) With respect to wages paid after December 31, 1960, the rate shall be 3½ percent."

RATE OF TAX FOR SELF-EMPLOYED PERSONS

(d) Clauses (1) through (5) of section 1401 of the Internal Revenue Code of 1954 are amended to read as follows:

"(1) In the case of any taxable year beginning after December 31, 1950, and before January 1, 1955, the tax shall be equal to 2½ 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, 1954, and before January 1, 1957, the tax shall be equal to 3 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, 1956, and before January 1, 1959, the tax shall be equal to 3¾ 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, 1958, and before January 1, 1961, the tax shall be equal to 4½ percent of the amount of the self-employment income for such taxable year.

"(5) In the case of any taxable year beginning after December 31, 1960, the tax shall be equal to 5¼ percent of the amount of the self-employment income for such taxable year."

FOREIGN SUBSIDIARIES OF DOMESTIC CORPORATION

SEC. 210. Section 3121 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(1) Agreements entered into by domestic corporations with respect to foreign subsidiaries:

"(1) Agreement with respect to certain employees of foreign subsidiaries: The Secretary or his delegate shall, at the request of any domestic corporation, enter into an agreement (in such form and manner as may be prescribed by the Secretary or his delegate) with any such corporation which desires to have the insurance system established by title II of the Social Security Act extended to service performed outside the United States in the employ of any one or more of its foreign subsidiaries (as defined in paragraph (8)) by all employees who are citizens of the United States, except that the agreement shall not be applicable to any service performed by, or remuneration paid to, an employee if such service or remuneration would be excluded from the term 'employment' or 'wages', as defined in this section, had the service been performed in the United States. Such agreement may be amended at any time so as to be made applicable, in the same manner and under the same conditions, with respect to any other foreign subsidiary of such domestic corporation. Such agreement shall be applicable with respect to citizens of the United States who, on or after the effective date of the agreement, are employees of and perform services outside the United States for any foreign subsidiary specified in the agreement. Such agreement shall provide—

"(A) that the domestic corporation shall pay to the Secretary or his delegate, at such time or times as the Secretary or his delegate may by regulations prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 3101 and 3111 (including amounts equivalent to the interest, additions to the taxes, additional amounts, and penalties which would be applicable) with respect to the remuneration which would be wages if the services covered by the agreement constituted employment as defined in this section; and

"(B) that the domestic corporation will comply with such regulations relating to payments and reports as the Secretary or his delegate may prescribe to carry out the purposes of this subsection.

"(2) Effective period of agreement: An agreement entered into pursuant to para-

graph (1) shall be in effect for the period beginning with the first day of the calendar quarter in which such agreement is entered into or the first day of the succeeding calendar quarter, as may be specified in the agreement, but in no case prior to January 1, 1955; except that in case such agreement is amended to include the services performed for any other subsidiary and such amendment is executed after the first month following the first calendar quarter for which the agreement is in effect, the agreement shall be in effect with respect to service performed for such other subsidiary only after the calendar quarter in which such amendment is executed.

"(3) Termination of period by a domestic corporation: The period for which an agreement entered into pursuant to paragraph (1) of this subsection is effective may be terminated with respect to any one or more of its foreign subsidiaries by the domestic corporation, 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 agreement has been in effect for a period of not less than 8 years. The notice of termination may be revoked by the domestic corporation 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 as may be prescribed by regulations. Notwithstanding any other provision of this subsection, the period for which any such agreement is effective with respect to any foreign corporation shall terminate at the end of any calendar quarter in which the foreign corporation, at any time in such quarter, ceases to be a foreign subsidiary as defined in paragraph (8).

"(4) Termination of period by Secretary: If the Secretary or his delegate finds that any domestic corporation which entered into an agreement pursuant to this subsection has failed to comply substantially with the terms of such agreement, the Secretary or his delegate shall give such domestic corporation not less than 60 days' advance notice in writing that the period covered by such agreement will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Secretary or his delegate by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the domestic corporation. No notice of termination or revocation thereof shall be given under this paragraph to a domestic corporation without the prior concurrence of the Secretary of Health, Education, and Welfare.

"(5) No renewal of agreement: If any agreement entered into pursuant to paragraph (1) of this subsection is terminated in its entirety (A) by a notice of termination filed by the domestic corporation pursuant to paragraph (3), or (B) by a notice of termination given by the Secretary or his delegate pursuant to paragraph (4), the domestic corporation may not again enter into an agreement pursuant to paragraph (1). If any such agreement is terminated with respect to any foreign subsidiary, such agreement may not thereafter be amended so as again to make it applicable with respect to such subsidiary.

"(6) Deposits in trust fund: For purposes of section 201 of the Social Security Act, relating to appropriations to the Federal Old-Age and Survivors Insurance Trust Fund, such remuneration—

"(A) paid for services covered by an agreement entered into pursuant to paragraph (1) as would be wages if the services constituted employment, and

"(B) as is reported to the Secretary or his delegate pursuant to the provisions of such

agreement or of the regulations issued under this subsection,

shall be considered wages subject to the taxes imposed by this chapter.

"(7) Overpayments and underpayments:

"(A) If more or less than the correct amount due under an agreement entered into pursuant to this subsection 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 required by regulations prescribed by the Secretary or his delegate.

"(B) If any overpayment cannot be adjusted under subparagraph (A), the amount thereof shall be paid by the Secretary or his delegate, through the Fiscal Service of the Treasury Department, but only if a claim for such overpayment is filed with the Secretary or his delegate within 2 years from the time such overpayment was made.

"(8) Definition of foreign subsidiary: For purposes of this subsection and section 210 (a) of the Social Security Act, a foreign subsidiary of a domestic corporation is—

"(A) a foreign corporation more than 50 percent of the voting stock of which is owned by such domestic corporation; or

"(B) a foreign corporation more than 50 percent of the voting stock of which is owned by the foreign corporation described in subparagraph (A).

"(9) Domestic corporation as separate entity: Each domestic corporation which enters into an agreement pursuant to paragraph (1) of this subsection shall, for purposes of this subsection and section 6413 (c) (2) (C), relating to special refunds in the case of employees of certain foreign corporations, be considered an employer in its capacity as a party to such agreement separate and distinct from its identity as a person employing individuals on its own account.

"(10) Regulations: Regulations of the Secretary or his delegate to carry out the purposes of this subsection shall be designed to make the requirements imposed on domestic corporations with respect to services covered by an agreement entered into pursuant to this subsection the same, so far as practicable, as those imposed upon employers pursuant to this title with respect to the taxes imposed by this chapter."

DEDUCTIONS FROM GROSS INCOME FOR PAYMENTS WITH RESPECT TO EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS

Sec. 211. (a) The Internal Revenue Code of 1954 is amended by inserting after section 175 thereof the following new section:

"Sec. 176. Payments with respect to employees of certain foreign corporations

"In the case of a domestic corporation, there shall be allowed as a deduction amounts (to the extent not compensated for) paid or incurred pursuant to an agreement entered into under section 3121 (l) with respect to services performed by United States citizens employed by foreign subsidiary corporations. Any reimbursement of any amount previously allowed as a deduction under this section shall be included in gross income for the taxable year in which received."

(b) The table of sections to part VI of subchapter B of chapter 1 of subtitle A of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following:

"Sec. 176. Payments with respect to employees of certain foreign corporations."

TITLE III—PROVISIONS RELATING TO PUBLIC ASSISTANCE

TEMPORARY EXTENSION OF 1952 MATCHING FOR IULA

SEC. 301. Section 8 (e) of the Social Security Act Amendments of 1952 (Public Law

590, 82d Cong.) is amended by striking out "September 30, 1954" and inserting in lieu thereof "September 30, 1956."

TEMPORARY EXTENSION OF SPECIAL PROVISION RELATING TO STATE PLANS FOR AID TO THE BLIND

SEC. 302. Section 344 (b) of the Social Security Act Amendments of 1950 (Public Law 734, 81st Cong.) is amended by striking out "June 30, 1955" and inserting in lieu thereof "June 30, 1957."

TECHNICAL AMENDMENTS

SEC. 303. (a) Sections 3 (b) (1), 403 (b) (1), and 1003 (b) (1) of the Social Security Act are each amended by striking out "one-half" and inserting in lieu thereof "the State's proportionate share."

(b) Section 3 (b) of such act is amended (1) by striking out "clause (1) of subsection (a)" wherever it appears and inserting in lieu thereof "subsection (a)", (2) by striking out "such clause" in paragraph (1) and inserting "such subsection" in lieu thereof, and (3) by striking out "increased by 5 percent" immediately before the period at the end of paragraph (3).

TITLE IV—MISCELLANEOUS PROVISIONS

AMENDMENTS PRESERVING RELATIONSHIP BETWEEN RAILROAD RETIREMENT AND OLD-AGE AND SURVIVORS INSURANCE

SEC. 401. (a) Section 1 (q) of the Railroad Retirement Act of 1937, as amended, is amended by striking out "1952" and inserting in lieu thereof "1954."

(b) Section 2 (c) of the Railroad Retirement Act of 1937, as amended, is amended by striking out "six" and inserting in lieu thereof "twelve"; and subsection (5) (j) of such act, as amended, is amended by striking out "sixth" and inserting in lieu thereof "twelfth." The amendments made by this subsection shall be applicable only in the case of applications for annuities under the Railroad Retirement Act filed after August 1954; except that no individual shall, by reason of such amendment, be entitled to any annuity for any month prior to February 1954.

(c) Section 5 (1) (9) of the Railroad Retirement Act of 1937, as amended, is amended by striking out "\$3,600" the second time it appears and inserting in lieu thereof "\$6,000."

(d) Section 5 (i) (1) (ii) of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(ii) will have been under the age of 72 and for which month he is charged with any earnings under section 203 (e) of the Social Security Act or in which month he engaged on 7 or more different calendar days in non-covered remunerative activity outside the United States (as defined in sec. 203 (k) of the Social Security Act); and for purposes of this subdivision the Board shall have the authority to make such determinations and such suspensions of payment of benefits in the manner and to the extent that the Secretary of Health, Education, and Welfare would be authorized to do so under section 203 (g) (3) of the Social Security Act if the individuals to whom this subdivision applies were entitled to benefits under section 202 of such act;";

CROSS REFERENCES TO REDESIGNATED PROVISIONS

SEC. 402. References in the Internal Revenue Code of 1939, the Internal Revenue Code of 1954, the Railroad Retirement Act of 1937, as amended, or any other law of the United States to any section or subdivision of a section of the Social Security Act redesignated by this act shall be deemed to refer to such section or subdivision of a section as so redesignated.

Mr. LEHMAN. Mr. President, the social-security bill now before the Senate comes to us as a result of recommendations made by the Department of

Health, Education, and Welfare on behalf of the administration. Of all the President's recommendations, this is the one which I would characterize as being most in the public interest and as coming closest to campaign promises made.

I should like to give myself the pleasure of complimenting the distinguished chairman of the Committee on Finance, the Senator from Colorado [Mr. MILLIKIN], the ranking minority member of the committee, the Senator from Georgia [Mr. GEORGE], and the other members of the committee, for having done a devoted and, on the whole, a very successful piece of work.

Mr. MILLIKIN. Mr. President, I deeply appreciate the compliment of the Senator from New York.

Mr. HILL. Mr. President, if the Senator will yield, I should like to join in the tribute which the Senator from New York has paid to the distinguished Senator from Colorado and the distinguished Senator from Georgia.

Mr. MILLIKIN. I thank the Senator from Alabama very much.

Mr. LEHMAN. But, Mr. President, while the administration may take the credit for recommending these improvements in the social-security program, I should like to point out that the credit for originally suggesting these improvements may properly be claimed by this side of the aisle.

A glance at the CONGRESSIONAL RECORD, volume 99, part 6, page 7750, of July 1, 1953, will show that on that date I introduced a bill, S. 2260, on behalf of myself and 10 other Senators, which contained almost all the provisions now contained in the bill being considered by the Senate. An identical bill was at that time introduced into the House by a number of Democratic Members of that body, including Representatives DINGELL, of Michigan, and CELLER and ROOSEVELT, of New York.

In order to let these provisions be brought to the attention of the Senate, I have revised my bill in a few minor respects and reintroduced it as an amendment in the nature of a substitute to H. R. 9366. As such I wish to discuss it and compare its provisions with those of the administration bill.

The pending bill, H. R. 9366, may be described as having four major parts. These parts are:

- I. Extension of coverage.
- II. Increased benefits.
- III. Amendments to the retirement test.
- IV. Maintenance of the benefit levels of the disabled.

I. EXTENSION OF COVERAGE

Essentially, with respect to the extension of OASI coverage to persons not heretofore covered, my amendment and the administration bill are similar, with a few exceptions. However, the bill which I introduced more than a year ago, and which is now on the desk as a substitute, provides coverage for about 7 million people not covered by the administration bill. For example, my bill would extend coverage to self-employed farm operators. This particular extension of coverage was at one time recommended by the administration, but is not now included in H. R. 9366.

Mr. MORSE. Mr. President, will the Senator yield at that point?

Mr. LEHMAN. I yield to the Senator from Oregon.

Mr. MORSE. Is it not true that the mail of the Senator from New York, like my mail, shows that there is a great demand for coverage of this group of fellow Americans who are really being discriminated against by the administration bill?

Mr. LEHMAN. The Senator is absolutely correct. My mail is very voluminous on that subject. Of course, as I shall develop a little later in my remarks, I intend to press that measure at the next session of Congress.

Mr. MORSE. As in this session of Congress I was happy to join with the Senator from New York in this matter, so in the next session of Congress he can count on me for support on this issue, because I think those citizens ought to be brought under the social-security law. I think there is rank discrimination against them in the administration bill because it does not cover them.

Mr. LEHMAN. I concur in what the Senator from Oregon has said.

I wish to address my remarks particularly to the bringing of farm operators under the coverage of old-age and survivors insurance, because I consider it to be one of the most desirable improvements we could make in our present social-security system.

One of the basic justifications for the old-age and survivors insurance program is to provide old-age protection for the American people as a matter of right, without an individual test of needs, without requiring a so-called means test or a pauper's oath. In urban areas, where most of the working population has been covered by old-age and survivors insurance for the last 17 or 18 years, the insurance program is the central feature of the whole social-security system. In farm areas, however, the insurance program is not doing its full share. The reason for this, of course, is that farm operators and most farm workers are excluded from the insurance program.

The effect of this exclusion is shown clearly when we compare the percentage of old people in farm areas receiving insurance and assistance payments with the percentage in the nonfarm areas. In the farm counties—those in which more than 50 percent of the people live on farms—we find that 31 percent of the aged are getting old-age public assistance payments—public charity, in other words—and only 13 percent are getting social-insurance benefits, to which they themselves contributed. In the nonfarm counties the situation is reversed. Seventeen percent of the aged in nonfarm counties are getting public assistance or charity payments, and 36 percent are receiving insurance benefits. Unless we bring farm operators under the insurance program, we cannot hope to reduce the burden of public assistance in rural areas.

Extending OASI coverage to farmers is one of the most important improvements I proposed in my original bill, S. 2260, introduced last year, and provided in my substitute bill now on the desk. Bringing farmers into the old-age and survivors insurance program will

place them on an equal basis with other self-employed persons. It would remove the discrimination against our farm population that now exists. It would mean that farm groups, as well as people who work in business and industry, could now for the first time contribute systematically toward protection against poverty in old age and against hardship for their families if the breadwinner dies. It would strengthen the old-age and survivors insurance program by making it more universal.

My amendment would extend coverage to all the professional groups, except doctors. H. R. 9366 now before us does not include these groups. The other major group to which my bill would extend coverage would be members of the active military and naval services. Thus, when a man enters military service there would be no break or gap in his record under old-age and survivors insurance. The present protection provided for persons in the Armed Forces is temporary in nature and expires June 30, 1955.

Thus, in these categories alone—farm operators, the professional groups, and the Armed Forces—roughly about 7 million more persons would be covered under my bill than under the administration proposal.

The administration bill provides coverage for State and local government employees who are now covered by local retirement systems. Under present law, these employees are excluded, and many have complained that their retirement systems are inadequate. They have sought OASI coverage, and in some instances have been successful. Their OASI coverage, however, has been gained only after dissolving their existing systems.

The pending bill, H. R. 9366, improves this situation by authorizing the extension of coverage to State and local employees—except for policemen and firemen—as a result of a referendum by secret written ballot held among the members of the local retirement system. Inasmuch as I favor the widest possible OASI coverage among State and local government employees, with the exception of police and firemen, who object to and do not need such coverage. I have amended my original bill so that my substitute amendment is in line with the provisions of the administration bill.

At this point, I should like to state briefly that it is my opinion, and I think that of the administration, that the social-security program will become more effective as it is extended to more and more people. As Secretary Hobby, of the Department of Health, Education, and Welfare, stated before the House Committee on Ways and Means:

We firmly believe that if all these groups are brought into OASI so as to make it essentially a universal system, great advantages will accrue both to the individuals involved and to the Nation as a whole.

The chief difficulty to date with respect to extending coverage to new groups has been administrative. The only other objections have come from employers who do not wish to pay their portion of the social-security tax and from one particular professional associa-

tion—the American Medical Association—which has claimed that the social-security program is socialistic. Gradually, both the administrative difficulties and other objections are being overcome, making extension of coverage to new groups more feasible.

Mr. President, the second subject I wish to discuss is increased benefits.

When Secretary Hobby testified on social-security legislation before the House Ways and Means Committee, she listed six recommendations. Three of these recommendations were:

(a) Drop 4 years of lowest earnings in computing benefits—in some cases 5.

(b) Raise earning base to \$4,200.

(c) Increase benefits.

These three items may be considered separately, but the net effect of them is to increase benefits. They are designed to, and will, accomplish that objective. I should like briefly to refer to these recommendations and compare them with recommendations on the same points in my bill, S. 2260, introduced more than a year ago, and in my substitute now on the desk of the Senate.

At the present time when OASI benefits are computed, the law requires that the individual's entire working lifetime be considered. Obviously, in some of the years during his lifetime he has earned less than in other years. If he is permitted to compute his benefits excluding his 5 years of lowest income, his benefit level will be higher than it would have been if he were forced to take every year into account.

To the extent that this provision of the administration bill—to drop out the 5 years of lowest earnings—increases benefit levels, it is advantageous to the worker. However, as is true of many other provisions in this bill, it does not go far enough. In the Lehman substitute, it is provided that the worker may base his benefit upon his 10 best years. As the Senate knows, a worker is fully insured when he has worked and paid the tax for 40 quarters, or 10 years. If the worker were permitted to use that same 10-year figure in computing his benefits, he could eliminate all but the 10 highest income years, and thereby receive a considerably higher benefit.

WAGE BASE

The second of the three items I mentioned above refers to raising the earning or taxable base to \$4,200. At this point I would like to say that on June 20, 1950, the distinguished senior Senator from Georgia [Mr. GEORGE] offered an amendment to the bill then before the Senate, H. R. 6000, to increase the wage base from \$3,000 to \$3,600. Subsequently, former Senator Myers of Pennsylvania offered an amendment to the amendment of the Senator from Georgia to increase the wage base to \$4,200, the same figure which the administration now proposes. I am proud to say that on that date I was cosponsor of the amendment offered by Senator Myers, and I urged the Senate to adopt it. Unfortunately, the Myers amendment did not carry. It was rejected by a vote of 36 yeas to 45 nays. It will be most interesting to compare the vote of

June 20, 1950, with the vote on the pending bill.

At that time, the \$4,200 wage base would have been almost, but not quite, equivalent in terms of purchasing power to the \$3,000 base in 1939. Today, the \$4,200 wage base is no more appropriate than was the wage base of \$3,600 in 1950. All of us know that the cost of living and the scale of prevailing wages has increased since 1950. Even as early as June of 1953, I took cognizance of the increased wages and cost of living by proposing in S. 2260 to increase the wage base to \$6,000, which I think is much more in keeping with the increases in wages and cost of living which have occurred since 1950.

Let me make this one point clear. If we increase the wage base to \$4,200 or \$4,800 or \$6,000, as the case may be, it does not mean that the individual who earns \$3,600 will pay any more than he does today in the form of social-security taxes. However, the individual who earns more will be subject to social-security taxes on the income in excess of \$3,600 and up to \$4,200 if that figure is adopted. This, of course, will mean that his benefits will be higher upon retirement.

BENEFIT FORMULA

In referring to the third item, "increased benefits," Secretary Hobby described the benefit formula which, as the Senate knows, provides that the worker's primary benefit will be equal to 55 percent of the first \$100 of the worker's average monthly wage, and 15 percent of the remainder up to \$300. The formula presented in the administration bill would be 55 percent of the first \$110 of the worker's average monthly wage, and 20 percent of the remainder up to \$350.

THE VICE PRESIDENT. The time of the Senator from New York has expired.

MR. JOENSON of Texas. **MR. PRESIDENT,** I yield the distinguished Senator from New York [**MR. LEHMAN**] 15 minutes on the bill.

MR. LEHMAN. **MR. PRESIDENT,** my original benefit formula began with 55 percent of the first \$100. In my pending substitute I have included the administration's 55 percent of \$110 figure in my basic benefit formula, but have made the remaining 20 percent benefit applicable to a maximum of \$500 rather than to \$350 as in the administration bill.

DELAYED RETIREMENT CREDIT

So far, **MR. PRESIDENT,** I have compared provisions which appear in both the administration bill and in the Lehman bill aimed at the same general effect—namely, increasing benefits. There are, however, benefit-increasing provisions in my bill which are not included in the administration bill. One of these I call the Delayed Retirement Credit. With present OASI benefit levels so low, we know that many persons who reach retirement age actually do not leave their employment because they are aware that their social security benefits would not be adequate to meet even their minimum needs. These persons, therefore, delay their retirement and continue to work for 1, 2, or 3 additional years in

order to maintain their income. When this occurs, the social security fund gets the benefit. Not only does the fund continue to receive the taxes paid by this individual, but it saves to the extent that the individual in question does not collect his benefits.

Recognizing that the individual who delays his retirement contributes to the solvency of the fund and to the productivity of the Nation, my bill provides this individual with an additional credit at the rate of 2 percent a year for each year of work and contributions beyond the date at which he is first eligible for old-age insurance benefits. This accumulation of credit could continue until the individual reaches the age of 75—or 72 under the administration bill—at which age he would be entitled to social security benefits, regardless of the amount of his income from any source.

INCREMENT

A second feature of my bill, which is not contained in the administration bill, is a coverage increment. It will be recalled that prior to the 1950 amendments, the Social Security Act provided for an added benefit known as an increment to be added to the worker's primary benefit for each year of covered employment. In this way it was possible to provide higher benefits for those persons who had worked a greater number of years and, therefore, had contributed more to the fund. As the Senate knows, one of the basic general premises of the Social Security Act is that within certain bounds, the individual who contributes the most is entitled to the highest benefit.

It is true that in some cases the benefit formula is so weighted as to give additional credits to low-income workers. But prior to 1950, workers would receive still higher benefits if they were in covered employment for longer periods of time. In 1950, the increment provision was discontinued. One provision of my bill, S. 2260, and also of my substitute amendment, proposes to reinstitute the increment by providing the worker's primary benefit be increased by one-half of 1 percent for each year of coverage.

I should now like to discuss the minimum benefit.

The present law recognizes that there may be instances where the application of the benefit formula would result in an extremely low benefit by reason of the individual's work record. In these cases, the law establishes a minimum primary insurance amount of \$25. It is obviously impossible for anyone to keep body and soul together on a total income of \$25 per month. Consequently, this income must be supplemented in some way. What generally happens is that these beneficiaries seek public assistance. In order to obtain public assistance, they must divest themselves of whatever small assets they might possess, thereby making their situation even more precarious economically.

The bill H. R. 9366 would increase the minimum benefit to \$30 per month. Under my bill, the minimum benefit would be increased to \$35. I must admit that neither the \$30 figure nor the \$35 figure is really adequate. I merely point out that my bill represents some improve-

ment as far as the minimum insurance benefit is concerned.

RETIREMENT TESTS

One problem which constantly recurs and which is always a source of complaint from social-security beneficiaries is the retirement test. I am sure all Senators know the 1939 law provided that OASI benefits would not be available to those persons who earn over \$14.99 per month in covered employment. By subsequent amendments, the act now provides that a beneficiary may earn up to \$75 per month without loss of benefits. If, however, he earns over \$75 in any 1 month, he loses his entire benefit for that month.

Because of the numerous complaints I have had on this one provision alone, I am glad to say that I think that the changes in the retirement test in the bill reported out by the Finance Committee are a great improvement, and I congratulate the committee.

The administration bill now proposes to place the retirement test on an annual basis and to permit the beneficiary to earn \$1,200 per annum and thereafter requires him to forfeit 1 month's benefit for each unit of \$80 or fraction thereof earned within any month. This new formula is modified by a provision of the act which states that no month's benefit would be lost in a month in which the beneficiary did not perform substantial services.

This is a formula both more liberal and more flexible than what we have had to date, and for this reason I support it. I have included in my substitute, language identical to that contained in the bill as reported by the Senate with respect to the retirement test.

DISABILITY BENEFITS

MR. PRESIDENT, our present social-security laws, while meeting to a great extent the needs of aged persons for some degree of financial stability and freedom from economic want, have to date left a gaping hole in the protective cover which the Congress has tried to erect over our aged citizens. With the exception of payments made on behalf of dependent children, and the lump-sum death benefit, all of the payments from the OASI fund have been made to persons who have reached the retirement age of 65 years.

I am sure every Member of the Senate has at one time or another been asked to assist a constituent who has been forcibly retired, by some physical disability. With respect to these cases, our present law says that the covered worker who is disabled at age 40, 50, or 60 is on his own until he reaches the statutory retirement age. The law takes no cognizance of the fact that through no fault of his own, he cannot continue to work in covered employment and pay the required social-security tax. In fact, the law, by taking into account the period which elapses after disability and before retirement, actually works to reduce the OASI benefit which the worker has earned up to the date of his disability. It is even possible for the intervening time completely to wipe out any rights he might have to a retirement benefit.

I am pleased to see that the present administration has recognized the existence of this gap in our social-security protection. However, H. R. 9366, after recognizing this serious fault in our present law, takes a completely negative approach. H. R. 9366 makes the frank admission that the disabled worker, who is no longer able to continue in covered employment, labors under an extreme disadvantage. But H. R. 9366 proposes to correct this disadvantage by merely providing that when an individual is injured and forced to give up working, he will suffer no diminution of the OASI benefits he will receive on reaching the age of 65. In other words, the level of his expectable benefits will be maintained as of the date of his disability so that the time intervening between the date of disability and the date of retirement will not work to reduce his eventual benefits, at the age of 65.

Thus, the pending bill, while recognizing an inequity under the present law, simply expresses sympathy for the disabled worker and specifies that when he reaches age 65, if he does, he will be entitled to benefits at the level earned as of the date of disability.

In every interview I have ever had with disabled persons who formerly worked in covered employment, I have always heard these questions: "What am I to do until I reach retirement age? Since I am disabled I have no income at all. Does the Government expect me to wait until I reach age 65 before it pays me the benefits I have earned to date?"

Under the present law, that is exactly what the Government expects this person to do and under the bill, H. R. 9366, that is exactly what the Government requires this person to do. "But why," says the individual, "since I have paid the tax, cannot I at least withdraw from the fund the money I have paid in?" Obviously, if such withdrawals were permitted, the amounts would be small. But not even this small benefit is provided by the present law or H. R. 9366.

I have, therefore, included in my bill a provision to make benefits payable to disabled workers prior to attainment of retirement age. It should be borne in mind that I do not propose to make benefits payable to every disabled worker, but only to those who have a recent attachment to the social-security system. In other words, the individual must have had six quarters of coverage during the 13-quarter period preceding disability, and 20 quarters of coverage during the 40-quarter period preceding disability. Twenty quarters of coverage, Mr. President, equals 5 full years of coverage. Of those 20 quarters, 6 of the last 13, or a year and a half out of the last 3¼ years, must be covered.

The disabled worker, therefore, must demonstrate by his work record that he is more than a casual worker in covered employment and that during a good portion of his working lifetime he has contributed to the social-security fund.

When these same citizens, after contributing for years, are suddenly disabled, do they not have some claim?

Should we ignore their plight and in effect tell them that they will get their benefits—not when they need them most—but when they are 65 years of age?

Mr. President, on June 20, 1950, an amendment, similar to the disability provisions of my amendment, was proposed by former Senator Myers, of Pennsylvania. At that time the Senate was in the midst of its deliberations on H. R. 6000, the 1950 amendments to the Social Security Act. In all, there were 10 sponsors of the Myers amendment, and I am proud to say that I was 1 of the 10. At that time, Senator Myers pointed out that the disability-insurance amendment, as it was called, was recommended by the House Ways and Means Committee and adopted by the House. Unfortunately, the Senate Finance Committee did not recommend the amendment to the Senate.

Senator Myers pointed out that the Advisory Council on Social Security, appointed by the Finance Committee, in the 80th Congress, recommended that the social-security program be broadened to insure against income loss resulting from permanent and total disability prior to retirement age at 65.

As Members of this body will recall, in 1950 the House passed H. R. 6000, which contained disability provisions similar to those in my bill. At that time, it was testified by representatives of the administration that after 5 years of operation, the disability provisions of that bill would be 0.2 percent of payroll; after 10 years, 0.4 percent of payroll; and after 15 years 0.6 percent of payroll; and that on a level premium basis, the cost would be 0.5 percent of payroll. There may be some change in these estimates because of new benefit levels or because of new payroll levels, but essentially these estimates are still true and apply with equal force to the disability provisions of my bill—Source: page 35 of House Report No. 1300 on H. R. 6000, table 9.

Based on coverage provided by the administration bill as introduced in the House the payroll in 1960 should be about \$170 billion. Therefore, if the cost of the disability benefits provisions of my amendment is 0.2 percent of the payroll in 1960, this amendment will cost in the neighborhood of \$340 to \$350 million after 5 years of operation. Assuming again that the cost of disability payments is \$350 million and that the total cost of the program in 1960 is \$7,266,000,000 we find that the cost of disability benefits is less than 5 percent of the other costs of the program as estimated by the House committee.

The VICE PRESIDENT. The time of the Senator has expired.

Mr. HUMPHREY. Mr. President, I yield 3 additional minutes on the time of the bill to the Senator from New York.

Mr. LEHMAN. Mr. President, I hasten to say that the \$350 million which might be spent on disability benefits should not be regarded simply as an expense or a payment. As the Senate knows, we make considerable appropriations every year for public assistance grants to States. Total costs of public assistance in 1953 were over \$2½ billion,

including Federal, State, and local payments. It is estimated that public assistance payments per year to an individual average about \$750. Of the total cost, the Federal Government contributes \$1.3 billion, or about 52 percent. If this \$1.3 billion expense could be reduced by \$350 million, we would have reduced our public assistance expenditures by over 25 percent. I do not mean to imply that every dollar paid as a benefit payment to a disabled person under the social security bill would mean a savings of 1 dollar under public assistance, but it could bring about significant savings, both to the Federal and State Governments.

Secretary Hobby said in testimony before the House Ways and Means Committee:

The relationship between disability and public dependency is a significant one. At present the Federal-State public assistance programs support about 1 million persons who themselves are disabled or, in the case of the aid-to-dependent-children program, whose father or mother or other caretaker is disabled.

Later, speaking of disabled persons who could expect no help from private organizations, Mr. Nelson P. Rockefeller, said that "a substantial number of this group will go on relief at some time and get public assistance and will average about 9 years on public assistance."

We all know that the public assistance program is generally regarded as supplementary to the OASI program. Public assistance payments are made generally to those persons who do not qualify for OASI benefits because they have never been covered or because their coverage is not sufficient. And in general, persons who get OASI benefits do not get public assistance benefits. Our whole effort in these two fields has been to increase social-security coverage and reduce the amounts of Federal appropriations paid to the States for public assistance. Eventually it is hoped public assistance payments can be almost, if not entirely, eliminated. If this provision were adopted, some persons would be covered immediately and each year an increasing number of persons would be entitled to disability payments under the OASI program. There would be, I am sure, considerable reduction in the substantial number of disabled persons who, as Mr. Rockefeller pointed out, will go on relief and get public assistance for an average of about 9 years.

Mr. President, I shall not press to have my amendment voted on today because I do not wish to delay action on H. R. 9366. Millions of social-security beneficiaries are anxiously awaiting their increased benefits. It is now nearly 3 weeks since the Finance Committee reported out the bill. I proposed to reintroduce my bill at the beginning of next year and shall continue to press for its adoption. Meanwhile, I shall support the individual amendments to improve the bill offered by my colleagues.

Mr. DOUGLAS. Mr. President, the Senator from Massachusetts [Mr. KENNEDY] and I have an amendment which seeks to amend the social security bill so as to include protection against total disability for the Nation's workers. It

would permit workers who became totally and permanently disabled to retire on full annuities, on the same basis as those who retire at the age of 65. I shall not call it up at this time since the bill of the Senator from New York includes such a provision and I support his bill.

What happens when a family breadwinner gets sick or injured so that he can no longer support his family? The answer is one of tragic simplicity. He must rely on relatives and even charity, for few persons can afford the costs of private disability insurance.

Meager though it is, social security provides some help for persons who must retire after age 65. So far as it goes it is a fine program. Nevertheless, workers who become totally disabled often have even greater needs than the aged since they are younger and generally have more family responsibilities.

For many years, now, those of us who have sought to provide disability insurance as a part of social security protection have been balked by those who refuse to recognize its vital necessity. For example, we tried to get this program through during the debates on the social security revisions of 1950. At that time, we were blocked by a coalition of conservatives who apparently felt that welfare should be confined to the wealthy in the form of subsidies, high tariffs and special tax allowances. Yet the disability protection we urged would have paid for itself by means of low social security taxes.

The lack of protection against the personal disaster of becoming unable to earn a living stands today as a major gap in providing our Nation's workers with adequate security. If we do not pass such protection now, we should make it the number one item on our agenda for next year.

SOCIAL SECURITY AMENDMENTS OF
1954

The Senate resumed the consideration of the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code, so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

Mr. MORSE. Mr. President, will the Senator from Colorado yield me not more than 5 minutes to comment on the speech by the Senator from New York [Mr. LEHMAN]?

Mr. MILLIKIN. I yield to the Senator.

Mr. MORSE. Mr. President, I commend very highly the speech which has just been made by the Senator from New York in support of his originally proposed substitute social security bill. I am a little disappointed that we are not to have the opportunity to vote on it as a substitute amendment for the bill now pending before the Senate, but he has announced that it is his decision to reintroduce the bill next January, and I shall be very happy to joint with him in January as one of the sponsors of the bill.

I think it is very interesting that this great statesman from New York, with his background—I do not intend any personal embarrassment to a man whom we all know as one of the wealthy bankers of America—has, in spite of his riches, always understood that, after all, one of the primary obligations of a democratic form of government is to see to it that a legislative program is adopted which will promote the general welfare. The Senator from New York has a substitute bill which, in my judgment, goes much further in promoting the general welfare in the field of social security than does the administration's bill, on which we are to vote tonight.

I wish briefly to comment on 2 of the most important provisions of the bill of the Senator from New York, one of which seeks to cover farmers on a voluntary basis. We have somehow developed the false notion that if a person is a farmer, even a tenant farmer, the population of the country as a whole should not show an interest in what happens to that individual when he or she approaches old age. The fact is that there

are large numbers of occupants of the land in America who are in as great need of social security benefits when they approach old age as are factory workers and city dwellers.

The provision of the Senator's bill which seeks to extend the coverage of social security in our social security system is long overdue. I deeply regret that the administration bill does not provide such extended coverage, so that we might vote on the question tonight.

The next item in the Senator's bill on which I wish briefly to comment is the provision which seeks to do justice to the disabled.

Mr. President, I do not know what we are thinking of; I do not know how we can be so shortsighted—yes, Mr. President, when it comes to living up to what I believe is the real obligation of social conscience I do not see how we can be so cruel as to take the position that if someone 30, 35, 40, or 45 years of age becomes totally disabled, that person must wait until the retirement age under social security, when the Government will give him really no benefits under social security. It is plain cruelty, Mr. President. We should recognize that one of the great social and humanitarian objectives of the social security program is to be of assistance to fellow citizens who suffer misfortune. This country cannot afford to be so parsimonious in regard to the disabled. The disabled should not be compelled to follow the course which the Senator from New York has pointed out, namely, to get rid of their few assets in order to collect even charitable benefits in their respective States and localities. That is no way to treat totally disabled fellow citizens.

Even before we vote tonight, we should accept at least that section of the Lehman bill as an amendment to the administration's bill. I have more faith in the economic strength of America than to believe that we can justify the perpetuation of the kind of injustice which now exists in the social security law with respect to the disabled.

I close by saying that I hope the Senator from New York will offer tonight at least the section with reference to assistance to the disabled. I highly commend him for the statesmanship represented by his social security bill.

Mr. HUMPHREY. Mr. President, I offer a series of amendments which I send to the desk and ask to have stated. They relate to funeral directors or morticians.

The VICE PRESIDENT. The clerk will state the amendments offered by the Senator from Minnesota.

The LEGISLATIVE CLERK. On page 29, between lines 5 and 6, it is proposed to insert the following new subsection:

FUNERAL DIRECTORS

(1) Paragraph (5) of section 211 (c) of the Social Security Act is amended by striking out "funeral director."

On page 29, line 7, it is proposed to strike out "(1)" and insert in lieu thereof "(m)."

On page 29, line 11, it is proposed to strike out "subsection (c)" and insert in lieu thereof "subsections (c) and (1)."

On page 30, line 3, it is proposed to strike out "subsection (c)" and insert in lieu thereof "subsections (c) and (1)."

On page 108, between lines 24 and 25, it is proposed to insert the following new subsection:

(d) Paragraph (5) of section 1402 (c) of the Internal Revenue Code of 1954 is amended by striking out "funeral director."

On page 108, line 25, it is proposed to strike out "(d)" and insert in lieu thereof "(e)."

On page 109, line 1, it is proposed to strike out "and (c)" and insert in lieu thereof "(c), and (d)."

The VICE PRESIDENT. Without objection, the amendments will be considered en bloc.

Mr. MILLIKIN. Mr. President, will the Senator from Minnesota yield?

Mr. HUMPHREY. I yield.

Mr. MILLIKIN. Do these amendments deal entirely with funeral directors?

Mr. HUMPHREY. They are especially directed toward that particular category. As I have said to the Senator, I have in my hand a telegram from the president of the Funeral Directors' Association of America, who happens to reside in my State, and who has asked that funeral directors be included, after a vote which was authorized in their 1953 convention.

Mr. MILLIKIN. Mr. President, I do not believe there is a great deal of doubt as to whether or not funeral directors desire to come under this system. If there is strong opposition on the part of persons to coming under the system, we do not wish to bring them in, but so far as funeral directors are concerned, we agree that they wish to come under the system; and I am willing to take the amendments to conference.

Mr. HUMPHREY. I thank the Senator from Colorado.

Mr. GEORGE. Mr. President, will the Senator from Minnesota yield?

Mr. HUMPHREY. I yield.

Mr. GEORGE. Mr. President, when this question first arose I looked into the situation so far as funeral directors or morticians were concerned, and found that at that time they were divided on the question of coming under social security. There was then a divided judgment. When the House had this bill under consideration this year funeral directors were included; and again they called on me, through their representatives, having called on me in 1950 and 1951, and stated without exception—these officers who were representative of a large group of funeral directors all over the country—that they were not objecting to being placed under the Social Security Act. They said that the House having put them under the provisions of the bill, they were willing to remain.

Mr. HUMPHREY. I thank the Senator from Georgia.

The VICE PRESIDENT. The question is on agreeing en bloc to the amendments offered by the Senator from Minnesota.

The amendments were agreed to.

Mr. HUMPHREY. Mr. President, I call up my amendments 8-10-54-H, relating to dentists.

The VICE PRESIDENT. The clerk will state the amendments offered by the Senator from Minnesota.

The LEGISLATIVE CLERK. On page 29, between lines 5 and 6, it is proposed to insert the following new subsection:

DENTISTS

(1) Paragraph (5) of section 211 (c) of the Social Security Act is amended by striking out "dentist."

On page 29, line 7, it is proposed to strike out "(1)" and insert in lieu thereof "(m)."

On page 29, line 11, it is proposed to strike out "subsection (c)" and insert in lieu thereof "subsections (c) and (1)."

On page 30, line 3, it is proposed to strike out "subsection (c)" and insert in lieu thereof "subsections (c) and (1)."

On page 108, between lines 24 and 25, it is proposed to insert the following new subsection:

(d) Paragraph (5) of section 1402 (c) of the Internal Revenue Code of 1954 is amended by striking out "dentist."

On page 108, line 25, it is proposed to strike out "(d)" and insert in lieu thereof "(e)."

On page 109, line 1, it is proposed to strike out "and (c)" and insert in lieu thereof "(c), and (d)."

The VICE PRESIDENT. Without objection, the amendments will be considered en bloc.

Mr. HUMPHREY. Mr. President, I have in my possession information, letters, and communications from representatives of the dentistry profession. One of the gentlemen who appeared and testified before the Committee on Finance was Dr. Earl H. McGonagle, of Royalton, Minn., who is the president of the Midwest section of the American Dental Association. He spoke very forcefully in behalf of the inclusion of dentists under the terms of this bill. I shall not take too much time on this matter, but Dr. McGonagle, who is a member of very fine reputation and professional competence, makes this general comment in the letter which he has sent to the chairman of the committee:

Members of the American Dental Association house of delegates are usually selected among those who can afford to travel to distant points at their own expense. They are rarely instructed by the State association house of delegates, and when they vote at the ADA meeting there is no record made of the vote of the individuals. The members of the State association whom the delegates are representing have no way of learning how each delegate voted.

Mr. McGonagle points out, for example, since the Senator from Massachusetts is here, that they took a poll in Massachusetts of the dentists in that State and they found that 1,164 were for coverage and 51 were against it. In Minnesota they found out by actual poll of the Minnesota Dental Association that 927 were for coverage and 325 were against. In Oregon, 397 were for coverage and 140 were against.

Mr. HENNING. Mr. President, will the Senator yield?

Mr. HUMPHREY. I should like to complete my statement. The house of delegates turned down the old-age and survivors insurance for dentists by a vote

of 312 to 64. I yield to the Senator from Missouri.

Mr. HENNINGS. The distinguished Senator is presenting some very interesting figures from the poll. Does the Senator have a poll, may I ask, of all States of the Union?

Mr. HUMPHREY. I do not, I regret to say.

Mr. HENNINGS. If the Senator had such a poll, it would be most helpful if he would ask unanimous consent to have it inserted in the RECORD.

Mr. HUMPHREY. I am going to ask at the appropriate time to have an article on this subject inserted in the RECORD.

Mr. HENNINGS. It would be interesting to see how the States line up on this very important question.

Mr. HUMPHREY. I have just been informed by my legislative aid that only four States took polls on the basis of their State organizations, and I have mentioned Massachusetts, Minnesota, and Oregon. I gave those States because Dr. McGonagle, who is the editor of one of the leading publications and contributor to *Oral Hygiene*, which is a professional publication, has written an editorial entitled "If You Want Social Security, Tell Your Congressman."

I now yield to the Senator from Colorado, the chairman of the committee.

Mr. MILLIKIN. Mr. President, we have been impressed by the statement made by the Senator from Minnesota, and by other similar statements. I should like to say again that the committee is perfectly willing to bring in any professional group if there is a clearly demonstrable proof that they want to come in. I think I am voicing the unanimous opinion, or almost unanimous opinion, of the committee when I state that we should not bring in any group unless that group strongly wants in.

We were also impressed with the strong statement opposing coverage of dentists, which was presented on behalf of the American Dental Association during the hearings before the Finance Committee on this bill. Dr. J. Claude Earnest, vice president of the Association's Council on Legislation, and a member of its house of delegates, indicated this opposition in the following words:

In 1949, the American Dental Association, through its house of delegates, adopted a policy which opposed the inclusion of self-employed dentists in old-age and survivors insurance. On three later occasions the question of changing that policy has been on the agenda of the meeting and each time it has been voted down, most recently in 1953 by a vote of 312 to 64.

How representative of the opinion of all American dentists was this position? How did the association arrive at this decision? Again allow me to quote from the statement of Dr. Earnest:

The house of delegates functions in a manner similar to Congress. Matters can come before it by recommendation of the association's councils, by resolutions adopted by State societies, or by resolutions introduced by individual members of the House. Any matter before the house of delegates is referred to a reference committee which op-

erates like a committee of Congress. On the subject of OASI well-publicized public hearings were held in 3 separate years. In 1951 the association distributed to dental societies throughout the country complete information kits telling both sides of the OASI story. After all these years of study and discussion the association continues to maintain its position that dentists should be excluded.

Mr. President, I am convinced that we should continue to exclude self-employed dentists in view of the fact that the association's delegates voted against compulsory coverage, not by a simple majority, but by nearly 5 to 1.

I do not say that there are not some spots in some States wherein the picture is different, but we had to take the information from the place we could get it.

I am also convinced that this decision was reached in a democratic manner after extensive efforts had been made to determine the wishes of the majority of the members of the profession.

In view of the wishes of the dental profession as expressed by Dr. Earnest, I urge that the amendment be rejected. I should like to urge that it be withdrawn. I can say to the Senator from Minnesota that whenever it becomes clear that the dentists want to be included in the system, I do not believe I am going too far in saying that I feel quite sure the Senate Finance Committee members will bring them in, or will favor bringing them in. There is no purpose in excluding them, we want to bring people under this system, but we do not want to bring them under it if they do not want to come under it, and if we have to compel them to come in.

Mr. HUMPHREY. I thank the Senator from Colorado.

Mr. GEORGE. Mr. President, will the Senator yield?

Mr. HUMPHREY. I gladly yield to the Senator from Georgia.

Mr. GEORGE. I want to add that the committee is anxious for all of the professional groups to come in when they manifest a clear desire to do so. That is the attitude of the committee. At one time we went so far as to put them in under a voluntary system, but there are objections to the voluntary system in a system of compulsory insurance so far as the workers are concerned. Therefore, we abandoned the idea and rescinded a vote that had been taken to put them in on a voluntary system, but with the full understanding that in the case of any profession, be it lawyers, doctors, dentists, or what not, when we have a reasonable showing that there is a clear desire of the majority to come in, we will bring them in. That is the attitude of the committee.

But here is what I arose to say: We all recall the late Senator Hunt, who was himself a dentist and had been president, I believe, of the American Dental Association. In the last days of his life the Senator had a bill prepared to bring the dentists in on a voluntary basis, expressly providing in the bill that whenever the dentists elected to treat their services as a trade or business they might come in. In other words, it was a voluntary system.

Mr. HUMPHREY. Could we take that method?

Mr. GEORGE. Let me explain. Following the death of Senator Hunt, at the request of his assistant, I introduced the bill, and the bill has been here since June 24. I have received, of course, a great many responses to the bill, and all the dentists who wrote me indicated, "We do not wish to be forced in, but we would be willing to come in on a voluntary basis."

At that time, as I say, we were hopeful that we might induce the agency to try out a voluntary system so far as the professions and farm operators were concerned. However, they convinced the committee that the voluntary system would not work. It was too hazardous to undertake to try it. As a longtime advocate of that system, I felt that it might work under certain conditions, but there was one notable example of its failure to work, and that was in the case of Canada. Under a social-security plan much like ours they tried the voluntary system, and it did not prove successful.

I merely call attention to the bill to which I have referred. I do not intend to offer it as an amendment because we abandoned the voluntary basis of coverage so far as the professions were concerned. I call attention to the fact that the late Senator from Wyoming, Mr. Hunt, who was himself a dentist, and had kept in very close touch with his profession, had drawn the bill and I merely introduced it following his death.

Mr. HUMPHREY. Would it not be possible to experiment at least with one area of the professional class, such as dentists? I do not wish to prolong this discussion.

Mr. GEORGE. I am a strong advocate of permitting any group which so desires to enter under the plan, but we were convinced that it would not work. We are experimenting with the idea of having preachers and ministers come under the plan.

Mr. HUMPHREY. Yes; I know that. Mr. GEORGE. But there are special reasons why we have decided to select them.

The THYE. Mr. President, I wish to comment briefly on what the able Senator from Georgia made reference to, the question of the coverage of farmers. I have received a great number of letters on the subject. I took the question up with the chairman of the committee, the Senator from Colorado [Mr. MILLIKIN], and the committee staff, in an attempt to explore the possibility of having coverage for farmers. After all, farmers are paying a great deal into the social-security fund in the prices which they must pay for the articles which they purchase in their daily or annual farm operations. The chairman made it quite clear to me that some of the farm organizations objected to farmers being covered because they themselves had not solved all their problems. I think I am stating the situation correctly, am I not?

Mr. MILLIKIN. The difficulty has been that organizations sometimes have stated that they were in favor of such coverage, but we have not been able to reach the grassroots and obtain an au-

thetic poll showing that farmers desire to be covered. Once there is evidence that farmers show a strong interest in being covered, they will get coverage. We do not wish to pull them in by the ears, when there is not sufficient strength behind the requests which have come to us to indicate that farmers in overwhelming numbers desire to be covered by social security.

Mr. THYE. A few farmers have written to me. I share the feeling of my colleague. Mention was made of dentists. Quite a number of my personal friends in the dental profession have consulted me. I appreciate the problems with which they are faced. I am glad this discussion has taken place, because it gives us some understanding of the problems involved.

Mr. MILLIKIN. As being of further possible interest regarding the farmer aspects of the problem, members of the committee held a sort of impromptu poll regarding the mail they had received. We received much mail from organizations, but it was very seldom that a letter came from an individual farmer saying, "I want to come in," or "I do not want to come in." Whenever the farmers show in demonstrably clear fashion that they wish to be covered under social security, it is my opinion that they will be covered.

SOCIAL SECURITY AMENDMENTS
OF 1954

The Senate resumed the consideration of the bill (H. R. 9366) to amend the Social Security Act and the Internal

Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

Mr. HUMPHREY. Mr. President, I should like to complete my statement on the pending amendment. I understand my time has run out, so I will ask the chairman of the committee to yield me sufficient time to enable me to complete my statement.

Mr. MILLIKIN. I will yield. Let us start with 5 minutes.

Mr. HUMPHREY. I wish to ask the Senator this question: Is it not true that the professional groups are included in the House bill?

Mr. MILLIKIN. Yes, on a mandatory basis except for self-employed physicians.

Mr. HUMPHREY. Is it possible this bill may go to conference?

Mr. MILLIKIN. There may be a conference on it.

Mr. HUMPHREY. If it does go to conference, will the Senator keep at least an open mind on the question of including in it the professional group, the dentists, to which I have just referred?

Mr. MILLIKIN. Not on a voluntary basis. We have discussed that question in the committee thoroughly. It was the committee's opinion that to include such a provision would reverse the original attitude the committee took, because, based on later information and more mature thought, it was realized that our particular security system cannot be operated on a pick-and-choose voluntary basis.

Mr. HUMPHREY. Mr. President, I should like to ask unanimous consent to have printed in the RECORD an editorial entitled "If You Want Social Security, Tell Your Congressman," written by Dr. Earl H. McGonagle.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

IF YOU WANT SOCIAL SECURITY TELL YOUR CONGRESSMAN

(By Earl H. McGonagle, D. D. S.)

The Congress may mistakenly regard the house of delegates as an accurate barometer of all dentists' sentiments.

There seems to be a discrepancy between the action on social security by the house of delegates of the American Dental Association and the sentiment of the members that it represents. The house of delegates turned down old-age and survivors insurance for dentists by a vote of 312 to 64.

To my knowledge three State associations have conducted reply postal card polls of their entire membership on the subject of old-age and survivors insurance (OASI) for dentists, with the following large majorities favoring it:

	Yes	No
Massachusetts.....	1,164	51
Minnesota.....	927	325
Oregon.....	397	140

The totals of these figures are 2,488 yes and 510 no, or approximately 80 percent favoring OASI. It will require a psychologist to explain the action of the delegates, considering this evidence of the true sentiment of their constituents. Perhaps if it had been a secret ballot, instead of a standing vote, the

count would have been different. If complete polls were to be conducted in other States it is probable that the results would be similar to those of the three States listed here.

At the meeting of the reference committee on insurance held in the Statler Hotel in Cleveland it was evident that the members of our profession know little about the cost and benefits of OASI. One question directed to the chairman was, "If dentists were covered and one would die leaving a widow and children ages 1 and 3 years, what would the family receive in benefits?" The committee chairman, acting as moderator, referred the question to the attorney, who read a few figures and percentages, but the question was not answered. Anyone who knows anything about it could have given the answer in a minute. The answer is, "From the date of the father's death to the date the youngest child becomes age 18; the widow and children would receive approximately \$33,000. In addition, if she does not marry, the widow would receive a lifetime annuity of \$63.80 per month at age 65."

AIDS YOUNG MEN

If dentists were covered in OASI, it would ease the anxiety of the young man with a family, who is unable to carry sufficient life insurance for proper protection such as his neighbors enjoy with the additional protection of social security. It would ease the load of older dentists who see their ability to appeal to potential patients slipping. In large industrial areas where the effects of such protection are better understood, you will find that the dentists are most favorable to OASI. Will Rogers once said: "We are most down on that which we are the least up on."

Regardless of what we may think of the social-security program, it is with us to stay. All pension funds are largely financed by passing the cost on to the consumer. Your utility company places a designated amount in its retirement fund and pays its share of the social-security tax, all of which is figured as expense and, along with other expenses, is used as a gage in determining the retail price of its services. When deductions cause the worker's pay check to shrink, he demands a raise to offset the loss, and that, also, is passed on to the consumer. If dentists were included, the social-security tax, the premium on OASI, would become an expense that all dentists must pay, and it would be added to the cost of services produced by every dentist. No one dentist would have an advantage over the other, and each would have to determine his fees with this cost included. Although a minute amount, nevertheless, that is the way it works out. The question is, Can we remain outside the program without being hurt and placing our families in an uncomfortable position? We are paying for OASI indirectly but receive no benefits.

The resolution passed at the 1953 session of the house of delegates simply states that there has been no change in the attitude of the American Dental Association with reference to old-age and survivors insurance and that the organization will explain its position when details of the proposed new law are known. Its position, unchanged, is embodied in the resolution passed by the house of delegates at San Francisco in 1949, which states, "The policy expressed by the 1948 house of delegates is hereby rescinded, and the council on legislation is directed to seek amendments eliminating dentists from any proposals to extend old-age and survivors insurance to the self-employed."

There are already several thousand dentists under OASI through being employed or being self-employed in a side line, and you do not hear objections from them. The remainder may be brought into it without asking for it, as requested by President Eisenhower, but with the house of delegates'

overwhelming vote of 312 to 64 against OASI, our Congressmen may hesitate. It is important that Congressmen should be informed of the wishes of the individual dentists, and letters should be written to them without delay.

Mr. HUMPHREY. Mr. President, I ask unanimous consent to have printed in the RECORD a letter I have received from the Department of Health, Education, and Welfare in answer to a communication I had received earlier from Dr. C. D. Mitchell, Crookston, Minn., pertaining to coverage of dentists under the old-age insurance program.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF HEALTH,
EDUCATION, AND WELFARE,
SOCIAL SECURITY ADMINISTRATION,
Washington, D. C., July 27, 1954.

HON. HUBERT H. HUMPHREY,
United States Senate,
Washington, D. C.

DEAR SENATOR HUMPHREY: This is in reply to your communication of June 28 with which you forwarded a letter from Dr. C. D. Mitchell, Crookston, Minn., Dr. Mitchell questions the advisability of covering self-employed dentists under the Federal old-age and survivors insurance program.

As you know, H. R. 9366, the bill introduced to carry out the President's recommendations on the old-age and survivors insurance program, was passed by the House of Representatives on June 1, and is now being considered by the Committee on Finance of the Senate. H. R. 9366 as passed by the House would extend old-age and survivors insurance coverage to self-employed dentists and to all of the other self-employed professional groups now excluded except physicians. While the Senate Committee on Finance has not yet issued a report on H. R. 9366, we understand that the committee has voted to continue the present exclusion from coverage of self-employed professional groups.

As Dr. Mitchell points out in his letter, the American Dental Association opposes the compulsory coverage of self-employed dentists under the old-age and survivors insurance program. Opposition to compulsory coverage also has been expressed by several State and local dental societies. On the other hand, many self-employed dentists and several societies have expressed a desire to participate in the program. The results of several polls taken by State dental associations and district societies in 1953 and 1954 were reported at the recent hearings on H. R. 9366 held by the Senate Committee on Finance. The members of the societies which were polled have indicated that they favor old-age and survivors insurance coverage as follows: Massachusetts (95.8 percent), Minnesota (74 percent), Oregon (73.9 percent), New York District No. 1 (88.9 percent), and the Chicago Dental Society (82.6 percent).

Dr. Mitchell may be interested in what President Eisenhower said about the old-age and survivors insurance program in his special message to the Congress on January 14, in which he again urged that the coverage of the system be extended to millions of current workers now excluded and made other recommendations to improve the program. Enclosed is the text of the President's message.

The President's recommendation to include self-employed dentists under the old-age and survivors insurance program was made only after very careful consideration. Moreover, the question of covering this group was given thorough study by a group of consultants to the Secretary of Health, Education, and Welfare. These consultants, who were recognized experts in social security with backgrounds in business, labor,

agriculture, and private pension plans, also came to the same conclusion.

There is no doubt but that many Americans may be able to make provisions which, barring personal catastrophes, will provide adequate family security when they die or become too old to work. Yet they, as part of the American society, cannot escape the ill effects which poverty among many other families would have on our whole economy and on our way of life. Old age and death are such universal threats to family security, and therefore to our society as a whole, that the responsibility for protecting society against these common hazards should be universal. Without universal coverage, many persons will have no opportunity to participate in the old-age and survivors insurance program and to provide economic security for themselves and their families; other people may participate for too short a period of time to qualify for benefits. People who are unable to acquire protection under the program against the loss of income due to retirement or death would have to rely in case of need upon public assistance, and the individuals under old-age and survivors insurance would have to bear a large part of the financial burden of the costs of assistance.

In his letter, Dr. Mitchell mentions the amount of life insurance which a person could buy with an amount of money equivalent to his old-age and survivors' insurance contributions. The differences between the kind of protection offered by private insurance and that provided under old-age and survivors insurance are sufficiently marked to make comparisons difficult. Private insurance and social security are basically not competitive, but are complementary to each other. Old-age and survivors insurance, with benefits related to past earnings, is intended to provide a base on which an individual can build his own security through the addition of income from all forms of private savings, home ownership, and private insurance. You may wish to send Dr. Mitchell the enclosed pamphlet on old-age and survivors insurance, as it contains information about the benefits payable under this program.

I trust this information will assist you in replying to Dr. Mitchell. I am returning his letter.

Sincerely yours,

JOHN W. TRAMBURG,
Commissioner.

Mr. HUMPHREY. Mr. President, I also ask unanimous consent to have printed in the RECORD a copy of a letter from Dr. McGonagle, addressed to the chairman of the Committee on Finance [Mr. MILLIKIN].

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

JULY 10, 1954.

SENATOR EUGENE D. MILLIKIN,
*Chairman, Senate Committee on Finance,
Washington, D. C.*

DEAR SENATOR MILLIKIN: I wish to add the following statement to my restricted testimony presented before the Senate Committee on Finance on July 6, 1954.

First, I wish to call your attention to testimony submitted by Dr. J. Claude Earnest on April 9 and July 6, 1954. In these statements he emphasized the fact that retirement income for dentists was unimportant as most dentists do not retire. Either through insufficient knowledge of details of the OASI program or through willful omission the more important features of protection for the families of young men and the widows of older men were omitted. As you know, if a young man dies leaving a wife and 2 children ages 1 and 3, that the family would receive approximately \$38,000 up to the day the youngest child becomes age 18,

and then when the wife reaches age 65 she would be entitled to a monthly income of \$81.40 for life.

While many dentists do not retire there are many who should, and would if they could afford it. The wife, due to being younger on the average and enjoying a greater life expectancy, usually outlives the husband by about 10 years. At age 65 she would be entitled to a monthly income of \$81.40 for life.

According to investigations by two of the leading diagnostic clinics in our country, the most common disease of dentists is "anxiety state." If the young men and the elderly men could enjoy the security referred to above much of this condition should disappear. If dentists are not included in OASI it will probably become more prevalent as the condition called "anxiety state" is caused largely through tension brought on due to a feeling of insecurity.

Members of the American Dental Association house of delegates are usually selected from among those who can afford to travel to distant points at their own expense. They are rarely instructed by the State association house of delegates and when they vote at the ADA meetings there is no record made of the vote of the individual. The members of the State association, whom the delegates are representing, have no way of learning how each delegate voted.

At the last session of the house of delegates in Cleveland when the vote on old-age and survivors insurance for dentists was taken a request for a secret ballot was denied those who requested it. In the standing vote then taken I observed the members of one State delegation voting against it although a complete statewide poll taken by the State association that they represented had approved OASI. I have been informed that other State delegations voted in a similar manner. There seems to be so much pride within the individual delegate that he has not the courage to stand up and acknowledge that he is in favor of OASI even though it is the sentiment of his constituents back home. If the vote in the house of delegates had been done on the voting machine it is very probable that the result would have been quite different.

The statements made by Dr. Earnest that OASI would encourage a dentist to retire at age 65 is absolutely silly. If an elderly dentist cannot earn much more than the retirement benefit of OASI it is time to retire, but if he is still able, and can command enough patients to earn considerably more than the OASI benefits, he would not be encouraged to discontinue his practice. Rather, he would be in a better mental state to continue as he would enjoy the feeling of security due to the protection he and his wife would enjoy under OASI in case it is needed.

Even though there are claims that most dentists oppose coverage under OASI it is not substantiated by complete secret polls that have been taken, as listed in my testimony before your committee.

Your committee likes to please the majority when consistent with the general welfare. If you recommend coverage of dentists in OASI you will please those who openly request coverage, and for those whose pride restricts them from requesting it, you will satisfy most.

At present thousands of dentists are covered through working for other dentists, hospitals, and associations. When a physician or dentist who has been employed by an association like the Mayo Clinic leaves its employ he is no longer covered. Many dentists are covered through operating a business on the side which they can sell or lease at age 65 and receive full benefits of OASI and continue practicing his profession at will. OASI should cover every worker, both employed and self-employed, so that posi-

tions can be changed without altering the status under pension setups.

Dentists and their wives were made happy when the House of Representatives included them in OASI. Most of them think they are in, definitely, so you will not hear from many favoring OASI. The American Dental Association, with its facilities, will see that you receive many requests that they be eliminated. Please judge these letters and telegrams with that in mind.

Thank you for consideration of my statement.

Sincerely,

EARL H. MCGONAGLE, D. D. S.

NOTE.—All figures pertaining to OASI benefits are according to the new proposed schedule, and assumes that the average annual income would exceed \$4,200.

Mr. HUMPHREY. Mr. President, I also ask unanimous consent to have printed in the RECORD some excerpts from the testimony before the Senate Finance Committee on the subject matter of including dentists under the provisions of the bill.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

STATEMENT OF EARL H. MCGONAGLE BEFORE THE SENATE COMMITTEE ON FINANCE PRESENTED JULY 6, 1954

Mr. Chairman, I am Earl H. McGonagle, of Roylton, Minn. I am a self-employed practicing dentist who has been a member of the American Dental Association, the Minnesota State Dental Association, and the West-Central District Dental Society since 1916. It is my privilege to presently serve as president of the MTW Tri-County Dental Society and am a past president of the West-Central Minnesota District Dental Society. I am also associate editor of North-West Dentistry, the official publication of the Minnesota, North Dakota and South Dakota dental associations. And, incidentally, I am one of the thousands of dentists who are presently covered under the old-age and survivors' insurance program holding social security number 474-34-4887.

This lengthy introduction is given you because I am representing no official body of dentists and want you to understand my background. I wish to plead the case of all dentists who do not agree with the action of the American Dental Association house of delegates in regard to the inclusion of dentists in old-age and survivors' insurance.

I will first present to you evidence that indicates that the majority of dentists do want to be included in the old-age and survivors' insurance program. Second, that the vote of the house of delegates and the result of the response to the questionnaires mailed to members of the American Dental Association in 1951 are not conclusive, and third, to explain why dentists are not like physicians economically and should not be eliminated from coverage in OASI just because the physicians have been eliminated by the action of the House of Representatives.

Any polls taken other than in secret and in full coverage are of little value so I will refer only to polls that have been taken in that manner. I can refer you to others that are favorable to OASI but they are not a true and accurate poll of full coverage as I have indicated, and are not of great value.

Three State dental associations have sponsored reply postal card polls of their entire memberships with the following results:

The figures are as follows:
Massachusetts, 1,164 yes, 51 no (95.8 percent yes); Minnesota, 927 yes, 325 no (74 percent); Oregon, 397 yes, 140 no (73.9 percent).

In addition, two large district societies have conducted similar polls.

New York district No. 1, 2,141 yes, 267 no (88.9 percent); Chicago Dental Society, 1,295 yes, 271 no (82.6 percent).

The results of these reply postal card polls are impressive and if other State and district dental associations would conduct similar polls it is probable that results of such polls would be similar to those I have listed. Any reference to States or sections that some claim do not agree with this sentiment of favoring old age and survivors insurance have no such evidence produced by any such polls and statements are made without sustaining evidence.

The questionnaire conducted by the American Dental Association in the year 1951 was mailed to 1 member in each 7 on its mailing list. Replies received on the question of old age and survivors insurance represented only 2,240, less than 3.5 percent of the entire membership. The result was 48.3 percent favoring and 51.7 percent opposing old age and survivors insurance for dentists. It is not known how the other 96.5 percent felt about it. However, this is the only direct contact with its members that the American Dental Association has to guide its action and even it shows a bare majority.

I feel that there is no doubt that a large majority of dentists favor inclusion in this program. In the workings of the American Dental Association house of delegates there is a psychological factor that makes it appear to an outsider that dentists are opposed to it. The delegates rarely go to the national meetings instructed and are influenced by personalities and situations at hand.

The work required of dentists and their incomes are not similar to that of physicians who were excluded from the OASI program by action of the House of Representatives. A physician can practice his profession as long as he maintains a sound mind. However, a dentist must maintain almost perfect health to carry on his office work, and it cannot be done on a part-time basis, as overhead is high and full time and full speed are necessary in order to continue practice. Many disabilities, such as skin diseases, arthritis, trembling or injured hands, impaired eyes, and a host of other conditions, will render a dentist useless in his office.

To make the old-age and survivors insurance program sound it should include every worker, both employed and self-employed. There are thousands of dentists covered through being employed by other dentists and associations and many through conducting a covered business in addition to his dental practice. I doubt that your committee has received many objections from those covered individuals.

As long as some groups are excluded from this program there will be technicalities that will make it unfair to some, and the innocent families will suffer.

In the interest of the dentists and their families, I pray that your committee will recommend their inclusion in the old-age and survivors insurance program as has been done by act of the House of Representatives.

Mr. HUMPHREY. Mr. President, I shall withdraw the amendment, so that there will not be involved the problem of going to conference with an amendment which may not be accepted.

The PRESIDING OFFICER. The Senator withdraws his amendment.

The bill is open to further amendment.

Mr. HUMPHREY. Mr. President, I should like to call up my amendment 8-10-54-1.

The PRESIDING OFFICER. The clerk will state the amendment.

Mr. HUMPHREY. I ask unanimous consent that the amendment be printed at this point in the RECORD.

There being no objection, Mr. HUMPHREY'S amendment was ordered to be printed in the RECORD, as follows:

On page 25, between lines 5 and 6, insert the following new subsection:

"ACCOUNTANTS

"(1) Paragraph (5) of section 211 (c) of the Social Security Act is amended by striking out 'certified public accountant, accountant registered or licensed as an accountant under State, or municipal law, full-time practicing public accountant.'"

On page 29, line 7, strike out "(l)" and insert in lieu thereof "(m)."

On page 29, line 11, strike out "subsection (c)" and insert in lieu thereof "subsections (c) and (l)."

On page 30, line 3, strike out "subsection (c)" and insert in lieu thereof "subsections (c) and (l)."

On page 108, between lines 24 and 25, insert the following new subsection:

"(d) Paragraph (5) of section 1402 (c) of the Internal Revenue Code of 1954 is amended by striking out 'certified public accountant, accountant registered or licensed as an accountant under State or municipal law, full-time practicing public accountant.'"

On page 108, line 25, strike out "(d)" and insert in lieu thereof "(e)."

On page 109, line 1, strike out "and (c)" and insert in lieu thereof "(c), and (d)."

Mr. HUMPHREY. Mr. President, this amendment pertains to the inclusion of accountants under the terms of the old-age insurance program and the social-security program. I have been consulted by the National Society of Public Accountants. I have been informed that on the basis of a poll of their membership the vote was 4 to 1 in favor of being included. Here, again, is an actual membership which strongly desires inclusion.

I realize the difficult problem the Committee on Finance has with regard to including such professional groups, when there are differences of opinion within a group and within the profession. However, many times in Congress we do not follow the advice of associations on legislative matters. We have not always taken the advice of the American Federation of Labor or the National Association of Manufacturers, or any trade association. Usually we try to make our own decisions.

In this instance, I feel that as we move along toward the consideration of broader coverage of old-age insurance and other benefits under social security we cannot always rely upon the so-called house of delegates of any group or their delegate assemblies.

Considerable evidence has been brought to my attention that the majority numbers in many of these groups are desirous of coverage.

I ask the chairman of the committee what his view is. I should like to have his advice.

Mr. MILLIKIN. Mr. President, it is true that a recent poll of the members of the National Society of Public Accountants shows that they favor coverage under the social-security provisions, but, according to the society's executive director, James E. Keys, a substantial number of the members qualified their ballots by indicating that they favored coverage only if all professions were to be covered. This position was based on the fact that the self-employed account-

ant seldom retires abruptly at age 65, and normally continues to work as long as he is able to do so.

Therefore, when the committee reached its decision to continue the exclusions in existing law of certain professional groups, we were moved by the considerations stated to make no exception in the case of accountants. We also took into consideration the fact that no member of the profession appeared before the Committee on Finance to request coverage.

I must necessarily urge upon the Senate, in order to coincide with the opinion of the committee and other views expressed here, that this amendment be defeated, if pressed. I hope the Senator from Minnesota will not press it. I hope he will convey to those who have communicated with him the feeling, so far as I can determine it, of the Senate Committee on Finance, that the accountants can come in whenever we receive evidence that they want to come in. I refer to evidence which is not the subject of controversy or dispute.

Mr. HUMPHREY. I respect the judgment of the chairman of the committee. These are most difficult decisions to make.

While I know the position the Senate committee has taken, I am also aware of the position the House committee has taken. If the bill goes to conference there will have to be a little give and take. I hope the Senator may give a little and not merely take. If the Senator will give in a little and take in the accountants and dentists, the junior Senator from Minnesota will be very happy.

In the meantime, in order to make the Senator happy, I shall withdraw my amendment.

Mr. MILLIKIN. I thank the Senator very much.

SOCIAL SECURITY AMENDMENTS
OF 1954

The Senate resumed the consideration of the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code, so as to extend coverage under the old age and survivors insurance programs, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

The PRESIDING OFFICER. The Chair announces that the amendment by the Senator from Minnesota has been withdrawn. The bill is open to further amendment.

Mr. KENNEDY. Mr. President, I call up an amendment which is at the desk, "8-11-54-C," which I have modified, and ask that it be read.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 63, between lines 3 and 4, it is proposed to insert the following new subsection:

EXTRA CREDIT FOR POSTPONED RETIREMENT

(j) Section 202 (a) of such act is amended by striking out the second sentence of such section and inserting in lieu thereof the following: "Such individual's old-age insurance benefit for any month after 1954 shall be equal to his primary insurance amount for such month plus one-twelfth of 1 percent of such primary insurance amount for each month (A) which occurs (i) after 1954, (ii) after the day before the first month in which he is eligible for old-age insurance benefits, and (iii) prior to the month in which he files application for old-age insurance benefits, and (B) during which either he is not entitled to any monthly benefit under section 202 or an event specified in section 203 (b) (1) or (2) occurs. For the purposes of the preceding sentence an individual shall be deemed eligible for old-age insurance benefits in the first month in which he is both fully insured and has attained retirement age."

Mr. KENNEDY. Mr. President, this amendment has been modified to change one-sixth to one-twelfth, which has the effect of changing the credit given to a worker who delays his retirement past 65 from 2 percent to 1 percent a year. As the committee knows, we face a problem of equity concerning men and women who reach the age of 65 and who continue to work. They continue to make contributions to the program but receive no benefits, though they would be eligible to receive them.

In addition, many of these men and women when they reach the age of 65 find that their earnings drop. According to the Social Security Administration, the average age of retirement for men is 69 years of age and the average age of retirement for women is 68.

The purpose of this amendment is to give workers who reach the age of 65 an additional incentive to continue to work.

The incentive is very moderate. I have changed it to 1 percent of their benefit. It seems to me that would encourage such men and women not to retire at age 65. They have, under the mortality table, 14 years, as an average, ahead of them. This amendment would encourage them to continue to work for a portion of that period, thus aiding their self-sufficiency and our productive economy. It would give them a very moderate incentive and would not be very costly to the program.

I wonder if the Senator from Colorado would be inclined to accept this amendment.

Mr. MILLIKIN. Mr. President, I think the distinguished Senator from Massachusetts is working on a very laudable undertaking. The committee is very much interested in how to keep elderly people working, if they want to work, at employment for which they are fitted.

Mr. KENNEDY. The committee has made a great contribution to this effort.

Mr. MILLIKIN. We are making a study at this time. We have considered many times the problem of the aging continuing to work. We are deeply interested in what the Senator is endeavoring to do. It is a large subject, and it is one that we cannot resolve on the Senate floor.

Also, as the Senator has now modified his amendment, it would add a cost of \$250 million a year, and certainly before that occurs it should be carefully studied by the committee. I wish the Senator would not press his amendment. I can assure him of the continued interest of the committee in this subject. We shall be glad to have the Senator come before us when we begin consideration of another social security bill, which is a continuing subject, also.

Mr. KENNEDY. The Senator is correct in his statement as to how much this provision would cost, but as Mr. Myers, the actuary, pointed out before the Senate Finance Committee, it is preferable not to deal in amounts but in percentages. The cost is 0.14 of 1 percent. I have looked at the figures, the high and the low, which the actuaries for the Senate Finance Committee have projected for the next 60 or 70 years. It seems to me that 0.14 percent of 1 percent would not be an excessive drain on the retirement fund. If we take the optimum conditions about which Mr. Myers talked, we find that by the year 2020 there will be \$345 billion in the fund. That, I agree, is the optimum. Nevertheless, it indicates that the percentage of drain which I have discussed should not break the fund, and these people could be receiving money for their years of employment from age 65 to age 70 when they continue to work and pay in.

I should like to see them get some compensation, particularly when we are not in a period of massive unemployment, as we were in the thirties, when we were attempting to get people out of the labor market.

Mr. MILLIKIN. I am very sympathetic toward what the Senator is endeavoring to do. The best information I have confirms the cost of \$250 million.

That is a large sum of money. Considering all the other benefits in this bill, I believe it is a very beneficial bill and involves considerable additional cost.

I suggest that the Senator not press his amendment. Let us make this matter the subject of continuing consideration by ourselves and by the committee. I am sure the Senator will find no lack of interest there.

Mr. KENNEDY. Mr. President, at the suggestion of the Senator from Colorado [Mr. MILLIKIN], I withdraw the amendment.

Mr. MILLIKIN. I thank the Senator very much.

The PRESIDING OFFICER. The Senator withdraws the amendment.

Mr. KENNEDY. Mr. President, I have one more amendment at the desk which I should like to call up, "8-10-54-C," sponsored by the Senator from Rhode Island [Mr. PASTORE], the Senator from Minnesota [Mr. HUMPHREY], and myself. The debate on the amendment will be very brief.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 35, it is proposed to strike out the first 3 figures in column I of the table appearing on such page and insert in lieu thereof "\$10 to \$12.48."

On page 35, it is proposed to strike out the first 3 figures in column II of the table appearing on such page and insert in lieu thereof "\$25 to \$30."

On page 35, it is proposed to strike out the first 3 figures in column III of the table appearing on such page and insert in lieu thereof "\$35."

On page 35, it is proposed to strike out the first 3 figures in column IV of the table appearing on such page and insert in lieu thereof "\$64."

On page 62, line 23, it is proposed to strike out "\$30" and insert in lieu thereof "\$35."

On page 63, line 3, it is proposed to strike out "\$50" and insert in lieu thereof "\$35."

Mr. KENNEDY. This is a comparatively simple amendment. The committee raised the minimum from \$25 to \$30. I am anxious to raise it from \$30 to \$35. I do not feel it would be an excessive drain upon the fund. I believe it would be of material assistance to those beneficiaries of the old-age and survivors insurance who will receive the minimum of \$30 a month. As the Senator from Colorado knows, the average public assistance payment in April 1954 was \$51.34. Those who are beneficiaries of the Railroad Retirement Fund, with respect to which the tax is substantially higher, receive \$97.75. Civil service retirement beneficiaries in March 1954, average \$120, including disability.

The Senator knows that even \$35 would not go very far toward maintaining a retired man, particularly with the disabilities which a man over the age of 65 is likely to have.

Therefore, I do not believe that even taking this minimum up to \$35 would be a solution to the problem. Nevertheless, even though I appreciate the fact that the committee raised the figure to \$30, I believe we should raise it from \$30 to \$35. Even though that would not

be of tremendous assistance to the beneficiary, I think it would lessen the burden on public assistance. Obviously a man cannot live on \$30 a month, but must look to other systems, State or Federal, or to other sources of income.

Mr. MILLIKIN. As I see it, we are faced with a very practical problem, which we must consider with respect to anything we do on this subject. The House thought it was making a big improvement in the system when it increased the amount by \$5. I do not believe that the House would accept an additional increase. That is the practical problem. It may well be that we may weight this bill down so heavily with amendments that we may find ourselves ultimately with no bill at all, because the House may very well refuse to accept such amendments. As I am informed, the amendment would cost approximately \$80 million, which is not a very big figure, comparatively speaking, or as some people would regard it, but neither is it a very small amount.

I suggest that we wait for the development of some experience with the present rates, which I consider to be a little improvement over what they have been in the past. I suggest that we take a little time for observation, to find out how the program will work.

Mr. KENNEDY. According to Mr. Myers, when he testified before the committee, the best basis of figuring costs is as a percentage of payroll, rather than considering the progress of the trust fund. In those terms, the cost of this amendment would be one-twentieth of 1 percent; and if we consider the sound condition of the trust fund and the condition it will be in for the next 70 years, if we take the halfway mark between the low-cost figure and the high-cost assumptions of Mr. Myers, this would not be an excessive drain. Let us instead consider how little \$35 must be for the average man to live on, an amount which we realize obviously must be supplemented.

Mr. MILLIKIN. The last thing I would want to do would be to open up for discussion at this time of night the subject of the trust fund. There is a great difference of opinion as to what the trust fund may be used for; not only as to what it may be used for, but also what the proper policy for its use should be. I believe we would encounter tremendous objection in the House in that respect. I know the House feels it went as far as it could go when it took its action in this field, which action the Senate committee adopted.

I have considerable appreciation, of course, for the arguments made by the Senator from Massachusetts. However, I do not want to become involved in doing something tonight which might stymie the whole program.

Mr. HUMPHREY. Is it not true that under the old-age assistance program, considered separately from the old-age insurance program, the Federal Government pays \$25 of the first \$30?

Mr. MILLIKIN. That is my recollection.

Mr. HUMPHREY. In many States there is an aggregate of old-age insur-

ance payments and old-age assistance payments.

Mr. MILLIKIN. That is correct.

Mr. HUMPHREY. Therefore, actually by raising the old-age insurance payment we would not be spending any more money. Is not that correct?

Mr. MILLIKIN. But each of the two systems rests on a different basis.

Mr. HUMPHREY. That is correct.

Mr. MILLIKIN. If we are to have old-age assistance for as long as we are to have it, we are bound to put it to the needs test, which is obnoxious to me, and perhaps to others also. I do not know of anyone who likes that test.

The point is that in old-age assistance we must meet the need. We do not follow all kinds of philosophies. We find out whether people are in need. Every dollar a person gets in the form of interest on a Government bond, every dollar he gets from the Social Security System, and every dollar he gets from small rental property, or from anything else, has the same value, when we figure the need. When we start to fool with anything else, we destroy the whole philosophy of the system.

Mr. HUMPHREY. I do not believe the Senator and I are in disagreement. I should like to point out that the Federal Government appropriates a rather substantial sum of money every year for the old-age assistance program. I believe it is something like \$400 million.

Mr. MILLIKIN. Something like that.

Mr. KENNEDY. One of every eight old-age assistance beneficiaries also receives public assistance.

Mr. HUMPHREY. If we raised the old-age insurance minimum benefits, at least with respect to persons who are the recipients of old-age assistance along with old-age insurance benefits, we would not actually have spent any more money. We would merely have taken money from one fund, to be sure, in larger amounts than was originally contemplated, but the sum total of public moneys that would go to an individual would not be changed.

I also wish to make note of the fact that the old-age insurance fund has been established for the benefit of the people who are covered by that fund. It is not a fund that is to be used for the Department of Agriculture or for the Department of Commerce. It is an old-age insurance fund established for the benefit of the people who are covered under that insurance plan. From all I have been able to gather, the fund, at least in accounting theory, if not in fact—and I think it is so in fact also—is in very good shape. I do not believe that the extra cost of the amendment would be a heavy burden upon the fund, and it may very well relieve the burden upon localities, States, and counties.

Mr. MILLIKIN. That comes back to what I thought we might be getting into when we started to discuss this point. The fund has been collected from people who expect certain things from it. We would be adding additional burdens for which those people did not think they would have to pay.

Mr. HUMPHREY. The benefit under the amendment proposed by the Senator from Massachusetts would go only to the

people who are covered by the old-age insurance program. Every person who is covered by old-age insurance hopes that the Government will increase the benefits.

Mr. MILLIKIN. That depends entirely on who gets it and by how much we increase it, and when it becomes available.

Mr. KENNEDY. We are already treating unfairly the people under the fund who are in the higher income brackets, because the fund is weighted in favor of the people in the lower income brackets. We are treating many groups unfairly as compared with other groups.

Mr. MILLIKIN. I have some opinions on that subject which I cannot express publicly.

The purpose of the fund is one of test; that is, whether anything will happen to the bonds which are in the fund, and which are the security of the obligation, because the American taxpayer must buy those bonds. The person who contributed money for social insurance, the social insuree, will also, as an American citizen, have to meet the appropriations with which to buy those bonds.

Mr. HUMPHREY. Mr. President, any time the Senator does not think those bonds are very good, since he seems to be able to look at the social-security system with more insight than the Senator from Minnesota has, I wish he would serve up some of those bonds on a platter.

Mr. MILLIKIN. The point I was making is that those who thought they were buying insurance will find that they will have paid double. They will have paid at the time, and when they get ready to redeem the bonds—and I hope they will be redeemed—they will have to pay their share of the bonds. All of that, of course, argues for the soundness of the bonds.

Mr. KENNEDY. If we take the depressing view the Senator from Colorado takes of the value of the bonds, the fund is already in bad shape. If we take the more optimistic view, it is in very good shape. The very best actuaries of our country can disagree on a prognosis by about \$200 billion to zero as to what their prophecy would be as to the shape of the fund 50 or 60 years from now. Inasmuch as the cost of this amendment is one-twentieth of 1 percent, the cost would not seem to me to be excessive, particularly when we consider its beneficial effects in reducing old-age-assistance rolls and expanding the economy.

Mr. MILLIKIN. All I know about the subject is that our own staff says it would cost, as an estimate at the present time, \$80 million a year, which is a great deal of money. I hope the Senator will not press his amendment, because I am sure the House would not accept it.

Mr. KENNEDY. I thought we might have a vote on the amendment, because of the general support it has.

Mrs. SMITH of Maine. Mr. President, will Senators speak a little more loudly? I cannot hear what is being said.

The PRESIDING OFFICER. The Senator from Maine requests that the Senators speak more loudly.

Mrs. SMITH of Maine. Will they not take us a little more into their confidence?

Mr. KENNEDY. Mr. President, I agree that the conversation is becoming increasingly intimate, but we have finished our discussion. I will inform the Senator from Maine, because I would appreciate her support, that my amendment would increase the amount of the minimum benefit from \$30 to \$35, and the cost of it would be only one-twentieth of 1 percent of the public payroll.

The PRESIDING OFFICER. The question is on agreeing to the amendment, as modified, offered by the Senator from Massachusetts [Mr. KENNEDY] for himself and other Senators.

The amendment was rejected.

other income and still be eligible for assistance.

Before the enactment of section 344 (a) of the Social Security Act Amendments in 1950, it had been held that Missouri and Pennsylvania could not receive Federal money even for those recipients who had no other income because the States also wished to grant assistance, out of their own funds, to some blind people while permitting them to have income in excess of the amount allowed under the Federal law. The question of States' rights is involved, as well as what we consider fair treatment for the blind people of the States of Pennsylvania and Missouri.

Earnings up to \$1,100 do not seem to me, nor do they seem to the people of my State, as exemplified by our State law, to be unduly high. From what I have learned in conversations with the distinguished Senators from Pennsylvania, it does not seem to the people of Pennsylvania that \$1,100 is unduly high.

In my opinion, it is only fair and proper that we should be permitted to retain this standard permanently, provided that only State funds are used for payments to individuals who do not qualify under the more restrictive conditions required for Federal assistance.

The Federal law provides \$600. We believe that \$1,100 is not excessive for the blind to receive as income in order to come under the State provisions. In our State we are very happy to make this additional contribution to our blind people. We do not believe that the blind people who fall within the \$600 limitation should be excluded, because all the blind in our State do not come under that \$600 limitation. We feel that our State is advanced and is perhaps considerably more enlightened on this question than are some other States.

The enactment of section 344 (a) made these States eligible for Federal assistance for aid payments to blind individuals who meet the income limitations imposed under the Federal program. At the present time, the Federal Government shares in payments of assistance to almost two-thirds of those receiving aid in Pennsylvania and slightly more than three-fourths of the number of blind recipients in Missouri.

The States bear the entire cost of assisting those who are not eligible under the Federal program. Of the total expenditures for aid to the blind in these States in 1953, Pennsylvania bore 63.7 percent of the cost and Missouri bore 53.2 percent. In neither State was one Federal dollar used to pay aid to any individual who did not meet the stringent eligibility requirements of the Federal law. The effect of the time limitation in the present law, and also in the amendment proposed by the House and the Finance Committee, is that States which have entirely State-supported programs more beneficial to the blind than those in which the Federal Government participates, will be penalized after a specified period of time by the withdrawal of Federal funds.

Mr. THYE. Mr. President, will the Senator from Missouri yield?

Mr. HENNINGS. I shall be glad to yield in a moment. I am speaking under a limitation of time.

I believe, Mr. President, that the present situation is unjust both to the States and to the blind individuals in need of assistance.

Mr. THYE. The question which occurs to me is whether the situation in Missouri and Pennsylvania is different from that in any other State of the Union? What is the situation in those two States?

Mr. HENNINGS. I have undertaken to state the difference.

Mr. THYE. I realize that, but what is the difference?

Mr. HENNINGS. In Missouri, State assistance to the blind who get over \$1,100 a year from State funds.

Mr. THYE. But the question is, What is the situation in other States? Is it entirely different, or is the situation in Missouri and Pennsylvania percentage-wise greatly different from the situation in other States? I was trying to get clear in my mind what might be the situation in Massachusetts, for example.

Mr. HENNINGS. I do not know what the situation is in Massachusetts. Perhaps the distinguished chairman of the committee could help me by answering that question.

I am concerned with the problem in the States of Pennsylvania and Missouri. I know that in those States a more liberal view of the matter is taken. We are willing to do more for our blind in those States, but we are not asking for any more Federal money.

Mr. THYE. But this is an amendment to a Federal law. I wanted to be certain how the amendment would affect other States in the Union.

Mr. HENNINGS. It would have no effect whatsoever on any of the other States.

Mr. THYE. Other than Pennsylvania and Missouri?

Mr. HENNINGS. I now think I see the point which my good friend from Minnesota was undertaking to make. I am sorry for not having been more responsive to his question. I should like to be corrected by the distinguished chairman of the committee if I am in error.

I can see no way in which this amendment would affect other States of the Union.

Mr. MILLIKIN. I think it offers some special treatment which is not available to other States in the Union.

Mr. HENNINGS. Prior to 1950, Missouri was required to meet the Federal standard of not giving State aid, upon the pain of not getting Federal contributions, where the amount earned per year was in excess of the Federal criterion. Am I not correct?

Mr. MILLIKIN. The Senator is asking for Federal aid in the case of the States of Missouri and Pennsylvania, which do not comply with the requirements imposed upon other States. With the thought in mind of enabling the States to get the matter straightened out, we have given time, or have been willing to investigate and give more time. I understand the Senator desires the same thing, but he wants it permanently.

SOCIAL SECURITY AMENDMENTS OF 1954

The Senate resumed the consideration of the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code, so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

Mr. HENNINGS. Mr. President, ask up my amendment 8-6-54-D, and ask that it be stated.

The PRESIDING OFFICER. The clerk will state the amendment offered by the Senator from Missouri.

The CHIEF CLERK. On page 136 it is proposed to strike out lines 16 through 21, and insert in lieu thereof the following provision:

EXTENSION OF PROVISION RELATING TO STATE PLANS FOR AID TO THE BLIND

SEC. 302. Section 344 (b) of the Social Security Act Amendments of 1950 (Public Law 734, 81st Cong.) is amended to read as follows: "

"(b) The provisions of subsection (a) shall be effective on and after October 1, 1950."

Mr. HENNINGS. Mr. President, I am glad to have joined with me as cosponsors of this amendment my colleague, the junior Senator from Missouri [Mr. SYMINGTON], the distinguished senior Senator from Pennsylvania [Mr. MARTIN], and the distinguished junior Senator from Pennsylvania [Mr. DUFF].

Mr. President, this amendment relates to the blind. It would change section 344 (b) of the Social Security Act Amendments of 1950 so as to make the provisions of section 344 (a) of that act applicable without limitation as to time. At present the time limit on section 344 (a) is June 30, 1955, approximately a year from this time. The bill passed by the House of Representatives and reported by the Senate Finance Committee would retain a time limitation but would extend it for 2 additional years, until June 30, 1957.

The Social Security Act now permits maximum earnings of \$50 a month to be disregarded by the State agencies for the blind in determining whether blind individuals are entitled to assistance under the Federal-State program. My own State of Missouri, and the State of Pennsylvania as well, have long had laws which permit blind recipients of aid to have approximately \$1,100 a year in

Mr. HENNINGS. That is exactly right. I hope to answer the Senator's point later, as I go into a discussion of the amendment which has been offered, and which we believe is sound from the standpoint of administration and the standpoint of simple justice. We believe it is fair to the States of Missouri and Pennsylvania, and that it is fair to the Federal Government. It provides for these States nothing more than equal treatment with other States. But it removes the sword of Damocles which now hangs over them. I strongly feel that the amendment should be agreed to, so that these States may proceed upon a long-range basis.

Aid to the blind is more generous and liberal in Missouri and Pennsylvania than that which has been permitted under the Federal law. We believe that broad and worthwhile State programs of assistance to the blind ought to be encouraged and helped by the Federal Government, rather than having their development discouraged and hampered.

In asking for the complete elimination of the time limitation on the 1950 amendment, Missouri and Pennsylvania are not asking for special treatment permitting them to use Federal funds for purposes not authorized in other States. They are merely asking for equal treatment in claiming a right to receive Federal contributions to blind people admitted by everybody to qualify under authorized Federal-State programs.

Since Congress itself, in the 1950 Amendments Act, established the principle that blind persons receiving aid ought to be allowed to earn up to \$600 a year, it is very hard for us to understand why the Federal Government should deny funds to Missouri and Pennsylvania because, at their own expenses, those two States have extended this principle to include blind persons in distress, or who earn up to \$1,100 a year.

Missouri and Pennsylvania have, through their State-financed programs, kept alive hope and opportunity of better lives and the achievement of self-support for all their blind people. Assisting blind individuals to rehabilitate themselves and make their contribution to society by enlarging their economic opportunities through reasonable exemptions of income and accumulations of property is an objective which ought to be at the foundation of all aid programs for the blind. Programs of assistance should not help only blind persons in distress, but should help them to get out of distress.

In answer to the suggestion made by the chairman of the committee, that we have been given some time to straighten ourselves out, as he put it, we have not viewed the situation in that way, but have interpreted it as an indication that this is unduly restrictive discretionary action by Federal administrators; and the promise by Congress, as we interpret it, is a promise of action before 1955 to clarify the rights of the States to be free from interference with State programs where no Federal funds are involved, as in this case.

We believe it is very important that action be taken now; because the principle remains the same, whether it is

adopted now or in the future. The sooner this question is decided, the better it will be for everyone concerned.

The important issue is whether Federal funds are to be used as grants-in-aid to assist States to raise their standards, or are to be used to coerce States into lowering their standards as affecting blind persons within their boundaries.

Mr. MARTIN. Mr. President, will the Senator yield?

Mr. HENNINGS. I yield.

Mr. MARTIN. I appreciate very much the fine manner in which the distinguished Senator from Missouri has presented the case. We of Pennsylvania are fully in accord with what he has said.

Mr. HENNINGS. I thank the distinguished Senator from Pennsylvania.

Mr. MARTIN. I am certain the case could not have been better presented. We believe that this is an important issue, and that our States are entitled to relief.

Mr. HENNINGS. This proposal will not cost the Federal Treasury 1 cent. We believe that our program for the blind is an enlightened one, and that we should not have to pay a penalty because we are ahead of other States. We believe we should be entitled to have \$1,100 a year for our blind. We are not relinquishing the position we have taken on behalf of our unfortunate citizens.

Mr. MILLIKIN. Mr. President, the committee gave careful consideration to the proposal contained in the amendment offered by the Senator from Missouri, under which Federal grants to certain States having aid-to-the-blind programs which do not meet the needs test provision of Federal law would be made permanent. It was the decision of the committee to provide another 2-year extension rather than a permanent extension, so that the present practices in administering aid to the blind in Pennsylvania and Missouri could be continued and in turn ample time would be allowed for further study on which to base a final determination.

That has already been decided upon and is in the bill. Missouri and Pennsylvania are not under any present need. They have 2 years in which to adjust their plans in accordance with those of the Federal Government.

By extending the expiration date from June 30, 1955, to June 30, 1957, as is provided in H. R. 9366, the States of Pennsylvania and Missouri would be enabled to carry out what is in effect two aid-to-the-blind programs—one under which payments to recipients would be matched by Federal funds because the need-test requirement of Federal law would be met and the other would be financed without Federal funds because the Federal requirement relating to need was not met.

To make the provision permanent at this time, as proposed by the Senator from Missouri, would be to say that the States of Pennsylvania and Missouri should continue for all time to receive special treatment that is not available to other States. In opposing this amendment, it is my thought that before June 1957, the Congress would have an opportunity to determine whether the practices in Missouri and Pennsylvania

are sound and should be extended to the rest of the States. On the other hand, if the practices are found not to be sound, then Pennsylvania and Missouri should be required to meet the same conditions as are met by the other States.

I do not purport to judge what the final decision should be. I urge that the defeat of the amendment to H. R. 9366 would give ample protection to the two States now administering aid to the blind programs without a needs test. By June 30, 1957, we shall be in a better position to determine whether or not this special provision should be made applicable to all States or whether it should be deleted from the Federal law governing aid to the blind programs in which the Federal Government participates.

Mr. HENNINGS. Mr. President, will the Senator yield?

Mr. MILLIKIN. I yield to the Senator from Missouri.

Mr. HENNINGS. Do I correctly understand the distinguished Chairman of the Finance Committee to suggest that it is possible that the Federal Government may conclude that the Pennsylvania and Missouri plans are superior to those of the other States which are now under the plan?

Mr. MILLIKIN. They might conclude that after study; and if so I have made the suggestion then that this privilege should be open to all the States, and it should be the privilege of all of the States. At the present time we are preserving the position of Missouri and Pennsylvania by keeping it open so they can follow what they are doing for another 2 years at least and give them time to make adjustment if they want to make adjustment, and at the same time give the Federal Government a chance to determine whether it wants to give the same sanction to all States.

Mr. HENNINGS. May I ask the distinguished chairman another question in that connection? If Missouri starts to make its adjustment downward, to go from \$1,100 to \$600 in order to meet the requirements of the act, and if after this study which the distinguished chairman of the committee suggests be made the Federal Government decides to go up to \$1,100, if Missouri is working down and the Federal Government is going up, we are adjusting to something which it has been suggested may work out entirely different, so that while we are going down the Federal Government is going up.

Mr. MILLIKIN. That simply emphasizes the difficulty, one runs into when one carves out 2 States from the 48, and puts them into a special position.

Mr. HENNINGS. Is this program costing the Federal Government any money?

Mr. MILLIKIN. I am not complaining about that situation on a temporary basis. During such a period we should be liberal, and we are liberal because we have advanced the time for 2 more years, but all the effects that the Senator is talking about result from that separate, peculiar situation in 2 States of the Union, which may be sound.

Mr. HENNINGS. That is true, because our States are more liberal.

Mr. MILLIKIN. If it is sound it should be available to all of the States.

Mr. HENNINGS. I ask the chairman this question for my own enlightenment: It is true, is it not, that under this system the blind who do not come within the category required under the Federal provisions do not get any money or the benefit of any participation in Federal funds?

Mr. MILLIKIN. I take it the Senator's State does have a State system.

Mr. HENNINGS. We do have a State system. I am speaking of the Federal contribution.

Mr. MILLIKIN. If the State does not comply with the Federal requirement, the State does not receive Federal funds, and if the State feels that it is able to do so—and I assume it does—the State has another system in which the State manages its own rules and regulations. My sole point is that if the system in the Senator's State is a good one, let us extend it to the 48 States rather than carve out 2 exceptions for 2 of the States, and accommodate the peculiar situation which those 2 States find themselves in. We do not say, "Off with your necks," but we have twice extended the period so that the State could change if it wanted to and so that the Federal Government could change if it wanted to.

Mr. HENNINGS. Of course, it is most desirable from our standpoint to change if we must change, and to know what we must do, but I am always greatly encouraged by the Senator from Colorado to know that the Federal Government has been studying this problem for 4 years.

Mr. MILLIKIN. I probably made a misstatement. We have extended it for 2 years, which indicates it was before us for the first extension of 2 years, and it was before us this year, and I have no doubt that so long as those two States are as ably represented as they are at the present time we will hear from those States again next year and the following year, and I hope we do.

Mr. HENNINGS. I suggest that we will not give up hope. At least we have the mental hospitality of the distinguished chairman of the committee. I feel that he will entertain our suggestions, as will the other members of the committee when the time comes.

Mr. MILLIKIN. The Senator has my mental hospitality; and I am deeply grateful for the Senator's remarks.

Mr. HENNINGS. I appreciate very much the spirit of cooperation which the distinguished chairman of the committee has given to all of us in that connection. This is not an easy problem. It is a very difficult one. I wish to make it clear that our State is not seeking anything more from the Federal Government. We are simply contributing more out of our own State funds to our own State program, and want to be included insofar as the other States are included and with relation to the same criteria as apply to the other States insofar as concerns the contributions to those who are below the criteria.

Mr. MILLIKIN. I thank the Senator very much.

Mr. HENNINGS. I thank the distinguished chairman.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Missouri [Mr. HENNINGS].

The amendment was rejected.

Mr. JOHNSTON of South Carolina. Mr. President, I call up my amendment 8-12-54-C and ask that it be stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. On page 104, between lines 7 and 8, insert a new section as follows:

Sec. 115. (a) Section 216 (a) of the Social Security Act is amended by striking out "sixty-five" and inserting in lieu thereof "sixty."

(b) The amendment made by this section shall be effective in the case of monthly benefits under title II of the Social Security Act for months after August 1954, and in the case of lump-sum death payments with respect to deaths occurring after August 1954.

Mr. JOHNSTON of South Carolina. Mr. President, the purpose of this amendment is to reduce the eligibility age from 65 to 60, so that our citizens who have reached the age of 60 and who can qualify will be eligible to receive monthly benefits under title II of the Social Security Act. The same principle would also apply in the case of lump-sum death payments. During the past several months thousands have been laid off, especially in the textile plants, and these people have been unable to secure employment.

As Senators are aware, it is very difficult for one to secure suitable employment after a person reaches the age of 60. From my knowledge of existing conditions, I feel that this amendment is very much needed.

To call attention to what is taking place in the cotton mills of South Carolina, I might say we have approximately 160,000 people employed in the industries of my State. Having worked in the cotton mills, I know exactly what they have to do, and what they have to contend with. Let a man or a woman reach age 60, and thereafter it will be found that he or she cannot maintain the production that a younger person can. To illustrate my point, I will state what they must do.

In the weave room, the weaver will probably operate some 26 or 30 looms or more. They must walk up and down continuously all day long, and they do not have any place to sit. They must continue walking. One can imagine how long a person who reaches 60 is going to last doing that. Therefore, at the first opportunity the operators of the mill find something wrong, and these people are laid off. They cannot come in under the social-security system until they are eligible by reason of age. The situation is causing a great many people to be out of employment. Many of these people did not go to work when they were 20 years of age, but rather when they were 11, 12, or 13 years of age. I know from my own knowledge because I went to work in the cotton mills when I was 11 years of age. There are others who went to work at ages even younger than that in those days.

To give an idea as to how many people it would cover, according to the Statisti-

cal Abstracts of the United States, 1953, there are the following age groups in the United States 60 years of age and over:

In the age group of 60 through 64, up to age 65, there are 6,059,475 people. We know, of course, that even in the age group up to 65 a great many people will continue to work. That does not mean there will be 6 million people on the rolls, although of course, that many people would be eligible. If there were that many people added to the rolls, it would represent a cost of more than a billion dollars, but that situation would not occur. In certain industries workers lose out more than in other industries, however.

We know that in some industries elderly people can continue to work, but in other industries it is almost impossible for them to do so.

In the age group of from 65 to 69 there are 5,002,936 people. At the present time more than 3 million people are working at that age. That statement does not mean that they all come under social security. Only a small percentage of those people have been covered in the past.

We find, also, that as the age groups go up the figure as to workers employed goes down.

According to these statistics we have 18,329,012 people who are above the age of 60. Of course, all the citizens I have mentioned will not qualify, but something must be done to take care of this situation, because those people are not going under old-age assistance when they are out of employment. Probably each person has a daughter or somebody else in the family working, which disqualifies him for drawing benefits under old-age assistance.

I know at this time the bill under consideration covers other matters. It is possible the chairman of the committee will not think it is advisable to attempt to include this matter. However, I desired to call it to the Senator's attention, and in the future I hope the Senate will provide something along this line.

Mr. MILLIKIN. Mr. President, will the Senator yield?

Mr. JOHNSTON of South Carolina. I yield.

Mr. MILLIKIN. The purpose of the amendment is most laudable. As long as I have been around the Capitol and have been on the Senate Finance Committee, we have hoped that we could reduce the age requirements. However, the cold fact of the matter is that the way the system is set up and the way we can picture the system as being set up in the reasonably near future, at least, to provide such coverage would cost too much to be practicable.

Mr. JOHNSTON of South Carolina. Mr. President, may we have order, please. I cannot hear the Senator.

The PRESIDING OFFICER. The Senate will be in order.

Mr. MILLIKIN. Let me repeat. I think the Senator's solicitude for the people of that age group is very commendable, and is shared by the members of the Senate Committee on Finance. However, as long as I have been on the committee we have always considered

the question of age whenever we have considered a social security bill. What is the correct retirement age? How much can we pay? When shall the payments begin?

This suggestion, I most respectfully say, involves a very exorbitant cost. On a level premium basis, the cost would be 2¼ percent of the payroll. The actuarial estimates disclose that if the age requirement were dropped to 60 years the expenditures in the first year would be increased by \$1.5 billion or \$2 billion.

The adoption of this amendment would mean that the ultimate combined tax rate would have to be about 10½ percent of the payroll, instead of the present estimate of 8 percent.

Therefore, I say to the Senator that even recognizing how laudable his purpose is, no one has been able to figure out a system which will be able to carry that cost at the present time.

Mr. JOHNSTON of South Carolina. Is there any method which can be worked out to cover the situation of a person who cannot secure employment, after reaching the age of 60? Assume the person is disabled for work. Would there be any way to include one in that category?

Mr. MILLIKIN. I believe that would open up a vast field. I do not say it could not be figured out, but I think we would have to consider much larger questions, which would divide the Senate very severely. That matter may be well worth going into, but we cannot do it here.

I hope the Senator will not press his amendment, because I know it would not be accepted by the House, and I do not believe it is practicable as of this time.

Mr. GEORGE. Mr. President, will the Senator yield for a suggestion?

Mr. JOHNSTON of South Carolina. I yield.

Mr. GEORGE. It is very easy to think of a \$19 billion fund, which is constantly increasing in amount, as being no burden on the Treasury. That is true in a sense, because this trust fund is collected for the benefit of the beneficiaries or those who may become beneficiaries of it.

However, I call the attention of the Senator to the fact that now, in view of the present condition of the Treasury, if we made a change in the social security law which would cost about \$1½ billion or \$2 billion, we would have to obtain the money some place. The Government's bond is in the fund. The Government will have to pay its bond.

The total revenue which is now available to the Government would be reduced if such a change were made in the law. When we begin to reduce it by such a sizable amount as \$2 billion—and that is about what this would cost; from \$1½ billion to \$2 billion—with the Treasury in its present condition, that action would detrimentally affect our financial stability.

It may be that we ought to take such action. Maybe we should not have the trust fund; but we have it. The fund is not composed of money. The money

would have to come from some other source for the time being.

I invite the Senator's attention to that fact. I have long worked toward reducing the retirement age in the case of women to 60 years. I thought men might very well work somewhat longer, but I felt women should be allowed to retire at the age of 60. I still believe we ought to work toward that end. At this time, however, when the Government is availing itself of all the funds at its command, and has merely IOU's out for those funds, if we are going to make a change in the system which will cost \$1½ billion or \$2 billion, it seems to me we had better be slow about it and that we should wait until we improve the condition of the Treasury.

Mr. JOHNSTON of South Carolina. I realized the cost when I offered the amendment, but I thought, when we were sending billions and billions of dollars overseas for other people, we certainly ought to be looking out for our own people here at home who are in need. That is my opinion. That is the only reason I have advocated anything like this. If we could not cut off the billions of dollars for aid for people who are not even giving us anything in the United States, it seems to me we could provide something for our own people here at home.

SEVERAL SENATORS. Vote! Vote! Vote!

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from South Carolina [Mr. JOHNSTON].

The amendment was rejected.

Mr. STENNIS. Mr. President, I call up my amendments designated "8-11-54-D."

The PRESIDING OFFICER. The clerk will state the amendments.

Mr. STENNIS. Mr. President, I ask unanimous consent that the reading of the amendments be dispensed with and that the amendments be included at this point in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendments offered by Mr. STENNIS are as follows:

On page 3, beginning with line 3, strike out all through line 20.

On page 3, line 21, strike out "(5)" and insert in lieu thereof "(3)."

On page 4, beginning with line 3, strike out all through line 6.

On page 29, line 14, strike out "(1), (2), and (3)" and insert in lieu thereof "(1) and (2)."

On page 29, line 16, strike out "paragraphs" and insert in lieu thereof "paragraph."

On page 29, line 17, strike out "(4), (5), and (6)" and insert in lieu thereof "(3)."

On page 114, beginning with line 10, strike out all through line 18.

On page 114, beginning with line 23, strike out all through page 115, line 13, and insert in lieu thereof "Sec. 204. (a) Section 3121 (b) of the Internal Revenue."

On page 115, line 20, strike out "(c)" and insert in lieu thereof "(b)."

On page 119, line 9, strike out "(d)" and insert in lieu thereof "(c)."

On page 119, line 14, strike out "(e)" and insert in lieu thereof "(d)."

On page 119, line 15, strike out "(c) and (d)" and insert in lieu thereof "(b) and (c)."

On page 119, line 17, strike out "subsections (a) and (b)" and insert in lieu thereof "subsection (a)."

On page 120, line 2, strike out "(8) (B)."

The PRESIDING OFFICER. Without objection, the amendments offered by the Senator from Mississippi [Mr. STENNIS] will be considered en bloc.

Mr. STENNIS. Mr. President, I yield myself 10 minutes.

The PRESIDING OFFICER. The Senator from Mississippi is recognized for 10 minutes.

Mr. STENNIS. Mr. President, these amendments together propose to restore the present law with reference to farm workers. The House bill contained certain provisions with reference to farm workers which added approximately 1,300,000 persons. The Senate bill has another provision for farmers which adds approximately 2,500,000 persons.

I oppose the trend of adding people to the social security system, not by the thousands or hundreds of thousands, but by the millions. Certainly with reference to some of these groups, we are adding to a roll which will become a pension roll, and the Federal Government will have to finance a great percentage of it.

Here in one breath we are adding 2½ million people to these rolls who in time will become eligible for at least partial pensions. The basic concept of the social security system is that it is primarily for industrial workers, and I do not believe it is supposed to include great groups of people who are situated as this group is situated.

I find that there is some difference of opinion, in the first place, as to whether or not a tenant farmer, a man who leases the land, is covered by the Senate bill. I should like to ask the chairman of the committee for his opinion whether or not the provisions of the Senate bill cover a leaseholder, that is, a man who rents 50 acres or 100 acres of land. He leases the land for a year.

Mr. MILLIKIN. He is not covered, sir.

Mr. STENNIS. Under the definition of the Senate bill, is he covered?

Mr. MILLIKIN. Does he rent the land?

Mr. STENNIS. He rents it for a year. To that extent he is a leaseholder.

Mr. MILLIKIN. He is not covered if he is a renter.

Mr. STENNIS. I am glad to hear the Senator make that statement. I understood there was some difference of opinion as to whether or not the Senate bill covers a man who is renting the land, whether he is called a leaseholder, a sharecropper, or whatever he may be called in the common terminology.

I understand that one of the attorneys for the Social Security Board was of the opinion that farm tenants were included in the coverage.

I raise that point to show that there has been some uncertainty about it.

Mr. President, as I said, workers are being added to the rolls by the hundreds of thousands and even by the millions. To qualify, an individual has only to earn as much as \$50 within one quarter. Under the present law he has to be regularly

employed for one quarter, and when that quarter is up he becomes eligible for the first time to be on the rolls. In the second quarter he has to earn as much as \$50 and has to work, I believe it is provided, as much as 60 days during that quarter.

According to the report, about the only real reason assigned for changing the law is the difficulty of keeping the records. The Senate committee report contains this sentence:

In general, after a farm worker has worked for one employer continuously for an entire calendar quarter, he is regularly employed in succeeding quarters if he works for that employer on a full-time basis on at least 60 days during the quarter.

In other words, the present law does not take in all the migrants who ramble around over the country and work a little here and there, here today and gone tomorrow.

Reading further, the report says:

Records must be kept over a substantial period before it is clear whether or not an individual is covered.

The Federal law makes it rather severe on the employer and holds the employer responsible for knowing whether or not the man was employed during the preceding quarter, and when he meets the requirements. But this onus is certainly not sufficient reason to add 2½ million more to the rolls, merely to avoid book-keeping.

Mr. DANIEL. Mr. President, will the Senator yield?

Mr. STENNIS. In a moment.

The report further says:

The bill—

Meaning the Senate bill—

would substitute a simple coverage test for the present test—

Meaning that under this law the bill would give a simple coverage test, and that is about the only real justification.

I am now glad to yield to the Senator from Texas.

Mr. DANIEL. Does the Senator mean to say that under the bill which is now before the Senate, anyone is eligible for coverage who earns as much as \$50 during a quarter?

Mr. STENNIS. The Senator is correct. I read from the report:

A farmworker would be covered with respect to his work for an employer if he is paid at least \$50 in cash wages by that employer in a calendar quarter.

It is a fact, Mr. President, that the only thing a person has to do to qualify and to be covered under this law is to earn the relatively small sum of \$50 during a 90-day period. He then comes under social security coverage. That kind of worker is not going to pay any of the cost. The entire burden will fall on the employer. He will be the only one who will be responsible.

I submit in all seriousness that for such a small charge, such a small contribution, such a little showing on his part—and actually he will not pay anything—it is not fair to those who are already in the social security system, who have paid into this fund, and who have a vested interest in it, to put the name of such a person on the list so in the

future he will have in many respects the same vested rights as those who are regularly employed and are making regular payments.

I submit to the Senate that this is a matter of keeping faith with those who are already on the rolls, who are making contributions, and who are making this fund work. I believe it is such additions as this which will eventually trip up this program and cause it to become unsound financially. When that happens, it is automatically converted into a pension system.

Mr. JOHNSTON of South Carolina. Mr. President, will the Senator yield?

Mr. STENNIS. I am glad to yield.

Mr. JOHNSTON of South Carolina. If it be true that the worker must earn \$50 in a quarter, or 90 days, how much would he receive each 90 days after he was 70 years of age?

Mr. STENNIS. The Senator from Mississippi does not have that figure at hand.

Mr. JOHNSTON of South Carolina. The Senator will find he would draw at least \$30 per month, \$90 each quarter. I think that is true.

Mr. STENNIS. That is a very good point, indeed. By the comparison between those figures, the Senator from South Carolina has brought out in very vivid form, in actual dollars and cents, just what the situation would be.

By this amendment I do not attempt to change the present law. The amendment would strike out the additions under this bill and revert to the present law. I assume that those who are already covered by the law have a vested right. It is contractual to an extent, and I would not try to disturb it. When we restore the present law we go back to the formula, reading from the report:

Under the present law, in order to be covered, a farmworker must be "regularly employed" by one employer and receive cash wages of \$50 or more in a calendar quarter from that employer.

The definition of "regularly employed" is complicated and difficult to apply. In general, after a farmworker has worked for one employer continuously for an entire calendar quarter, he is "regularly employed" in succeeding quarters if he works for that employer on a full-time basis on at least 60 days during the quarter.

In other words, if he stays on a job for 90 days and has the stamina and permanence and is a fixture and an economic unit, when he goes into the second quarter, he is eligible under this system and he is a rather stable and substantial regular worker. That is under the present law.

Under the bill, we are to bring in all the groups of migrant and reckless and irresponsible workers, who will pay virtually nothing, and the entire burden will fall on the employer, and those workers will get a vested right in the fund, to which they will contribute very little. In justice to those who are covered and have been paying into the fund, this amendment ought to be adopted.

Mr. MILLIKIN. Mr. President, the amendment offered by the Senator from Mississippi would exclude a group of workers who are most in need of the protection provided by the old-age and

survivors insurance system. They have less opportunity to build up resources for their old age than do most other members of the working force. They are not covered by any other retirement plan. And because they must often move from place to place to perform their work, they are often unable to meet the residence requirements of public assistance programs.

I feel called upon, therefore, to make a special plea on the behalf of the coverage for agricultural workers provided in the bill as reported by the committee. Four years ago when the 1950 social security amendments were before the Senate I said, in discussing the need for making the system more effective in agricultural areas, that we must deal with the question of coverage of farm workers more thoroughly than we had so far. I also said at that time:

We are covering only a small proportion of the farm workers. The administrative difficulties of trying to keep track of migrant workers, of getting and keeping them covered * * * seem at times to be almost insurmountable. Yet I am hopeful that further study will result in clarifications.

Mr. President, I am satisfied that these administrative problems have been solved, and that the provision of the present bill—to cover agricultural workers who earn at least \$50 in a calendar quarter from one employer will present no burdensome administrative problems on the farmers of the Nation. The \$50 cash test, for example, makes it unnecessary for the farm employer to report on workers hired for only 2 or 3 days and would also avoid nuisance reporting of small amounts of wages. At the same time the \$50 test sets a level which will cover some migrant agricultural workers who must move from one job to another in order to harvest our crops.

The committee was influenced by the fact that this method for covering agricultural workers was recommended by the President in his message of January 14, 1954, after a study had been conducted as to the feasibility of extending coverage of the system. A distinguished group of consultants—including representatives of the National Grange, the American Farm Bureau, the life insurance industry, labor, and the Departments of the Treasury, Agriculture, and Health, Education and Welfare—participated in this study. This group concluded that the regularly employed test in existing law should be eliminated. Under this regularly employed test after a farmworker has worked for one employer continuously for an entire calendar quarter, he is covered if in succeeding quarters he works for that employer on a full-time basis on at least 60 days during the quarter. It was the opinion of the study group that this test is an unnecessary complication. The test in existing law limits coverage of agricultural workers to only about 700,000 individuals. By employing the \$50 cash test provided in H. R. 9366, an additional 2.6 million farmworkers would be afforded the protection of the system. These people need protection against want in their old age. Their families

need protection when the breadwinner dies.

Finally, I wish to point out that lack of coverage of farm workers has an important effect on public assistance costs. In the farm counties of this country, 31 percent of the aged people are receiving old-age assistance while only 13 percent are getting old-age and survivors insurance benefits. In nonfarm counties the situation is almost reversed since around 36 percent of aged persons get old-age insurance benefits while only 17 percent receive old-age assistance payments.

A situation which finds nearly 1 out of ever 3 aged persons in farming areas on public relief is not good for human dignity, and morale, and not desirable from the standpoint of the taxpayers either. Coverage of additional farm workers will thus be an important step in decreasing the number of people who are forced to ask for old-age assistance in their declining years, and thus help to decrease the cost of the assistance programs which are financed from general revenues.

Around 2.6 million farm workers would lose the right to social security benefits if this amendment is accepted.

Mr. STENNIS. Mr. President, will the Senator yield?

Mr. MILLIKIN. I yield.

Mr. STENNIS. The amendment would not affect anyone who is already on the rolls. That is correct, is it not?

Mr. MILLIKIN. That is correct.

Mr. STENNIS. I understood the Senator to say that 2,600,000 persons would lose the benefit of the act. They do not have the benefit now, and therefore the amendment would not deny the benefit to them.

Mr. MILLIKIN. I am not saying that they already have coverage. However, 2,600,000 people who do not have protection at the present time would get it if the bill passes unamended in the particular which the Senator has described.

Mr. STENNIS. The Senator from Colorado is correct.

Mr. MILLIKIN. I urge the Senate to reject the amendment, so that these workers who are most in need of such protection may be covered by the social-security system.

Mr. STENNIS. Mr. President, I yield myself 2 minutes. This is certainly not a relief measure. It is certainly not a pension plan. If it were, of course the people to whom the Senator from Colorado has referred would be entitled to be placed on the rolls. That is not the purpose of the bill. If we maintain the system as a sound social-security program, it must be maintained on a sound financial basis. That is one of the main reasons for my objection to those people being included. I come from a State which has many farm workers.

Mr. THYE. Mr. President, will the Senator yield for a question?

Mr. STENNIS. I yield.

Mr. THYE. Is it not true that when the program was first put into effect, the people who are covered under it had to meet certain qualifications for old-age insurance? In other words, they had to qualify in the first quarter during which they contributed. We are always con-

fronted with that situation. We are confronted with it now. Unless we broaden the system and permit these people to come under it, we will have many people walking up and down the streets asking for handouts, trying to find some support through gifts or other generosity of the public. I believe those people must be taken care of. We must take care of the people who reach the age of 65, and who are reaching the age of 65 within this calendar year, even though they have been working and making a contribution for only a period of 3 months. At any rate, if a person has already reached the age of 65, I am sure the Senator would not deny him the right of coming into this program and receiving the benefits of it.

The PRESIDING OFFICER. The time of the Senator from Mississippi has expired.

Mr. STENNIS. Mr. President, will the Senator yield me 2 minutes?

Mr. MILLIKIN. Certainly. I should like to have the Senator yield to the Senator from Minnesota.

Mr. THYE. I will say to the Senator from Mississippi that the chairman has some time available. I fully appreciate the fact that I have trespassed on the time of the Senator from Mississippi. I have completed my statement, and I am happy that the chairman has surrendered some time to the Senator from Mississippi.

Mr. MILLIKIN. I am glad to yield some time to the Senator. How much time does the Senator from Mississippi desire?

Mr. STENNIS. I would appreciate it if the chairman would yield me 2 minutes.

Mr. President, my point is that as to persons 60, 62, 64, or 65 years of age, it is not good practice to try to exclude them from the program. I am talking about the long-range program. If we want to give them special relief, that can be provided by another bill. I am talking about the choking-down effect in afteryears. I have before me figures from the report. The Senator from South Carolina is correct in his statement. The minimum monthly benefit amount for a retired worker would be \$30. I shall not go into further detail.

Mr. THYE. Mr. President, will the Senator from Mississippi yield?

Mr. STENNIS. They could get up to \$30 a month on reaching the age which I have mentioned.

I yield to the Senator from Minnesota.

Mr. THYE. A man must work a minimum of a year and half before he is eligible. There is no way of reaching this question, because we shall always have men or women reaching that age, no matter what we do. Therefore, if they work a year and a half before they can become qualified, that is a safeguard in itself.

Mr. President, I believe the Senator's amendment should be defeated. He is trying to give aid to those who otherwise would be on direct welfare if they did not come under such a bill as that which is before us.

Mr. HOLLAND. Mr. President, will the Senator from Minnesota yield?

Mr. THYE. I shall be glad to yield if I have a right to yield.

Mr. HOLLAND. Is there anything peculiar about the old-age program with reference to the point of qualification? Is it not true that under commercial life insurance, disability insurance, or accident insurance policies, if only a few payments are made and an accident or disability occurs, the benefits accrue? Is it not true that in connection with every other type of commercial insurance the decision is based on the average, and not on individual cases?

Mr. THYE. The Senator is entirely correct. There must be a beginning, and it is determined actuarially, based upon life expectancy. I think the committee should be commended for having gone into this subject, and for extending and expanding the law so as to enable people to live in dignity when they approach old age.

Mr. HOLLAND. With reference to living in dignity, I am sure the Senator means that instead of having to live, in the event of old age, on a dole granted by a friendly government, the beneficiary lives upon something that has been earned, whether by few payments or many payments. He has the benefit of something as a matter of right. That would lend dignity to one who claims under this kind of an act, rather than by receiving a dole.

Mr. THYE. That is the thought and the philosophy which brought about the Old-Age Insurance and Survivors Act.

Mr. CASE. Mr. President, will the Senator yield?

Mr. MILLIKIN. I am glad to yield some time to the Senator from South Dakota.

Mr. CASE. In my own operations I have discovered that someone who worked for me in the haying season was not covered. Under the law I withheld regular contributions for my regular workers. The man did not work enough in the succeeding quarter to earn his qualification. It seems to me that if we are to treat them all alike, we should permit them to work for a short period in other types of employment. A person who works for 3 or 4 months can qualify, but if a man works through the entire summer season, unless he works for more than a limited number of days, he is not setting aside anything for his entitlement. It seems to me it is desirable to treat all laborers alike, and not to discriminate against farm laborers.

Mr. MILLIKIN. Mr. President, I wish to add one reminder. We are talking about a measure of social security and protection for 2½ million persons who have, perhaps, the greatest need of assistance of any group of our people. I hope we shall take an enlightened, progressive attitude toward this problem and bring under the coverage of this system those people who so badly need assistance.

SEVERAL SENATORS. Vote! Vote!

The PRESIDING OFFICER. The question is on agreeing en bloc to the amendments of the Senator from Mississippi [Mr. STENNIS].

The amendments were rejected.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. HAYDEN. Mr. President, I call up my amendment 8-11-54-B offered on behalf of myself and my colleague, Mr. GOLDWATER, who is now occupying the chair, and ask to have it stated.

The PRESIDING OFFICER. The clerk will state the amendment offered by the Senator from Arizona.

The LEGISLATIVE CLERK. On page 24, between lines 4 and 5, it is proposed to insert the following:

ARIZONA TEACHERS' RETIREMENT SYSTEM

(j) If, prior to January 1, 1953, the agreement with the State of Arizona entered into pursuant to section 218 of the Social Security Act is modified pursuant to subsection (d) (3) of such section so as to apply to service performed by employees in positions covered by the Arizona Teachers' Retirement System the modification may, notwithstanding section 218 (f) of the Social Security Act, be made effective with respect to service performed in such positions after an effective date specified in the modification, but in no case may such effective date be earlier than December 31, 1950. For the purposes of any such modification, all employees in positions covered by the Arizona Teachers' Retirement System shall be deemed, notwithstanding the provisions of section 218 (d) (6) of such act, to constitute a separate coverage group.

On page 24, line 7, it is proposed to strike out "(j)" and insert in lieu thereof "(k)."

On page 28, line 18, it is proposed to strike out "(k)" and insert in lieu thereof "(l)."

On page 29, line 7, it is proposed to strike out "(l)" and insert in lieu thereof "(m)."

On page 29, line 23, it is proposed to strike out "and (k)" and insert in lieu thereof "(j), and (l)."

Mr. HAYDEN. Mr. President, I yield myself 3 minutes.

The Arizona teachers' retirement system had to be abolished in order to bring the teachers under the Federal social-security system. The State thought that had been done, but it was decided that the system was not actually abolished. What we are trying to do by this amendment is to take proper action to make the benefits of the system retroactive to the time when the State thought it had abolished the system.

That is about all there is to the amendment.

Mr. MILLIKIN. Mr. President, I am familiar with the amendment offered by the distinguished Senator from Arizona. I believe his amendment does correct an error. I believe the error should be rectified, and I shall be very happy to take the amendment to conference. The distinguished senior Senator from Georgia [Mr. GEORGE] agrees with me.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Arizona [Mr. HAYDEN] for himself and his colleague [Mr. GOLDWATER].

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. KERR. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The clerk will state the amendment offered by the Senator from Oklahoma.

The LEGISLATIVE CLERK. On page 18, line 3, after the word "shall", it is proposed to insert a comma and the following: "if the State so desires."

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Oklahoma.

Mr. KERR. Mr. President, I yield myself 2 minutes.

On page 17 of the bill, beginning at line 24, and continuing on page 25, the following language occurs:

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—

At this point my amendment would insert—

if the State so desires—

Then the text of the bill would be resumed, as follows:

be deemed to be a separate retirement system for the employees of each such institution of higher learning.

The sole purpose of the amendment is to make the provision contained in the bill effective in the event the affected State so desires. I believe the amendment is agreeable to the distinguished chairman of the committee.

Mr. MILLIKIN. Mr. President, I think the omission of the words "if the State so desires" probably was an inadvertence. In any event, I am certain the committee would agree that the words should be inserted; therefore, I am glad to accept the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Oklahoma [Mr. KERR].

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. KERR. Mr. President, I offer another amendment, which I ask to have stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. On page 9, line 1, after "ministers", it is proposed to insert "and Christian Science practitioners."

On page 9, line 13, it is proposed to strike out "effect." and insert in lieu thereof the following: "effect. The provisions of paragraph (5) shall not apply to service performed by an individual in the exercise of his profession as a Christian Science practitioner during the period for which a certificate filed by him under section 1402 (e) of the Internal Revenue Code of 1954 is in effect."

On page 107, line 15, it is proposed to strike out "effect." and insert in lieu thereof the following: "effect. The provisions of paragraph (5) shall not apply to service performed by an individual in the exercise of his profession as a Christian Science practitioner during the period for which a certificate filed by him under subsection (e) is in effect."

On page 107, beginning with line 19, it is proposed to strike out all through

line 20 and insert in lieu thereof the following:

(e) Ministers, members of religious orders, and Christian Science practitioners.

On page 107, line 22, after "is", it is proposed to insert "(A)."

On page 108, line 1, after "order", it is proposed to insert "or (B) a Christian Science practitioner."

On page 108, beginning with line 6, it is proposed to strike out all through line 7, and insert in lieu thereof the following: "Security Act extended to service, described in subsection (c) (4) or (5), as the case may be, performed by him."

On page 108, line 14, beginning with the word "regard", it is proposed to strike out all through line 16, and insert in lieu thereof the following: "regard, in the case of an individual referred to in paragraph (1) (A), to paragraph (4) of subsection (c), and in the case of an individual referred to in paragraph (1) (B), without regard to paragraph (5) of such subsection) of \$400 or more, any part of which was derived from his performance of service described in such paragraph (4) or (5), as the case may be."

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Oklahoma.

Mr. KERR. Mr. President, I yield myself 3 minutes.

This amendment would merely provide voluntary coverage for Christian Science practitioners in the same manner as coverage is afforded to ministers in the bill which has been reported to the Senate by the Committee on Finance.

The amendment is being offered at this time because after the Committee on Finance had concluded its work on the bill, it became clear that the vast majority of Christian Science practitioners desired to be covered on a voluntary basis, together with ministers, under the self-employed provisions, rather than to be excluded.

I am certain that the amendment is agreeable to the distinguished chairman of the committee, because it is in accordance with other provisions which the committee adopted. I hope the amendment will be acceptable.

Mr. MILLIKIN. Mr. President, while the committee did not consider the specific amendment offered by the Senator from Oklahoma, it gave much thought to the question of how Christian Science practitioners should be classified and followed what we believe was their desire.

Later they evidenced to us—or at least those who communicated with the chairman of the committee did—that the treatment which has been suggested in the amendment of the Senator from Oklahoma would be entirely acceptable and desirable.

I am very glad to say that I shall be glad to accept the amendment. I believe the distinguished Senator from Georgia [Mr. GEORGE] feels as I do.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Oklahoma [Mr. KERR].

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. KERR. Mr. President, I offer a final amendment, and ask that it be stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. On page 9, after line 13, it is proposed to insert the following:

(3) Section 211 (a) of the Social Security Act is amended—

(A) by striking out the period at the end of paragraph (7) and inserting in lieu thereof a semicolon, and

(B) by inserting after paragraph (7) thereof a new paragraph, as follows:

"(8) An individual who is—

"(A) a duly ordained, commissioned, or licensed minister of a church or a member of a religious order; and

"(B) a citizen of the United States performing service described in subsection (c) (4) as an employee of an American employer (as defined in section 210 (e)).

shall compute his net earnings from self-employment derived from the performance of service described in subsection (c) (4) without regard to 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."

On page 108, after line 24, it is proposed to insert the following:

(4) Section 1402 (a) of the Internal Revenue Code of 1954 is amended—

(A) by striking out the period at the end of paragraph (8) and inserting in lieu thereof a semicolon, and

(B) by inserting after paragraph (8) thereof a new paragraph as follows:

"(9) an individual who is—

"(A) a duly ordained, commissioned, or licensed minister of a church or a member of a religious order; and

"(B) a citizen of the United States performing service described in subsection (c) (4) as an employee of an American employer (as defined in sec. 3121 (h)).

shall compute his net earnings from self-employment derived from the performance of service described in subsection (c) (4) without regard to 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)."

Mr. KERR. Mr. President, I yield myself 3 minutes.

The bill as reported by the committee provides for a voluntary coverage of ministers and members of religious orders on the basis of self-employment. Due, I believe, entirely to an oversight, ministers who are engaged as missionaries beyond the boundaries of the United States do not come under the definition and language of the bill.

The object of the amendment which I have offered is to make available to those within this classification who are engaged as missionaries outside the United States the same coverage as is made available to ministers of the same classification who are pastors or who are otherwise engaged in the continental United States.

I am happy to say that this amendment also is acceptable to the distinguished chairman of the committee, and I hope that it will be accepted by the Senate.

Mr. MILLIKIN. I think the amendment of the Senator from Oklahoma should be taken to conference.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Oklahoma [Mr. KERR].

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. LONG. Mr. President, I call up my amendment 7-13-54-C, and ask that it be read.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 120, between lines 18 and 19, it is proposed to insert the following new section:

AMOUNTS DISREGARDED IN DETERMINING NEED

Sec. 304. (a) Section 2 (a) (7) of the Social Security Act is amended to read as follows:

"(7) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming old-age assistance; except that in making such determination the State agency shall disregard, in the case of an individual entitled to insurance benefits under title II, the amount by which the benefit amount of such individual under such title, as increased by reason of the amendments contained in section 102 of the Social Security Amendments of 1954, exceeds the benefit amount to which such individual would have been entitled but for the enactment of such amendments."

(b) Section 1002 (a) (8) of such act is amended to read as follows:

"(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of the individual claiming aid to the blind; except that in making such determination the State agency (A) shall disregard the first \$50 per month of earned income, and (B) shall disregard, in the case of any individual entitled to insurance benefits under title II, the amount by which the benefit amount of such individual under such title, as increased by reason of the amendments contained in section 102 of the Social Security Amendments of 1954, exceeds the benefit amount to which such individual would have been entitled but for the enactment of such amendments."

(c) Section 1402 (a) (8) of such act is amended to read as follows:

"(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the permanently and totally disabled; except that in making such determination the State agency shall disregard, in the case of any individual entitled to insurance benefits under title II, the amount by which the benefit amount of such individual under such title, as increased by reason of the amendments contained in section 102 of the Social Security Amendments of 1954, exceeds the benefit amount to which such individual would have been entitled but for the enactment of such amendments."

(d) The amendments made by the preceding subsections shall be effective, in the case of any State not prohibited by State statute from disregarding the amounts referred to in such amendments, on and after October 1, 1954, and, in the case of any State which is prohibited by State statute from disregarding such amounts, on and after the first complete calendar quarter following the date on which the legislature of such State first convenes after the date of enactment of this act.

Mr. LONG. Mr. President, I yield myself 10 minutes. The amendment I am

offering is to take care of what I have always thought was a blind spot in the social security old age assistance program. Many persons draw social security benefits, but in such meager amounts that they are compelled to seek State public welfare assistance. For example, in the United States today, my best information is that there are 442,000 individuals whose social security benefits are so meager that they are compelled to go to the State welfare boards and ask for public welfare assistance.

A strange thing has happened as we have increased social security benefits. Every time social-security benefits have increased for the particular class I have mentioned, persons in that class have found that their State welfare assistance payments have been reduced by the same amount. Let me give an example. Prior to 1950 the minimum monthly benefit for old-age payments was \$10. In the State of Louisiana, of which I have the honor to represent in part, more than one-third of the persons who were receiving benefits from social security payments were drawing \$10 a month. Those persons found that their needs were so great and that \$10 was so meager a payment that they had to apply for State public welfare assistance. Many of them did so. They merely succeeded in getting \$10 less from State welfare public assistance than they would have received if they had been receiving no social-security benefits at all. If the State was able to pay \$50 a month, a person who was drawing \$10 in social security payments would get from his State only \$40 instead of \$50, and he would be no better off than if he received no social security benefits at all.

In 1950 the social-security minimum payments were increased from \$10 to \$20. The State welfare agency of Louisiana, as well as that of every other State, was required by Federal law to reduce payments to persons receiving State welfare assistance payments by the same amount as the social-security payments were increased.

Since that time there have been further increases in social-security payments, and the same thing has occurred each time. Every time needy persons have had their social-security payments increased, they have had their State public welfare assistance payments decreased by the same amount as the social-security benefits were increased.

The bill before us would benefit 6 million persons. They would receive anywhere from \$5 to \$13 a month more than they are receiving now. Yet while we proceed to benefit 6 million persons who are retired and drawing social-security benefits, 442,000 persons who are drawing such meager amounts in social-security benefits that they require State public welfare and assistance would not be benefited at all, unless my amendment were agreed to. The Federal law, without my amendment, would require public assistance payments to be reduced by the same amount that social-security benefits were increased.

If we can afford to pass a bill which would provide increases of from \$5 to \$13

a month for every retired person receiving social-security benefits, whether he needs it or not—and the theory of the social-security law is that retired persons should benefit whether they need it or not—certainly it would seem to be wise to permit those who have paid into the social-security fund to receive a net benefit of the minimum \$5 a month increase.

Without my amendment, if the bill were enacted into law it would mean that when social-security benefits are increased for the 442,000 persons on public welfare assistance rolls, the public welfare agencies would be required to reduce assistance payments to such persons by the amount of social-security increases.

I have been joined in sponsoring the amendment by the Senator from California [Mr. KUCHEL], the Senator from Florida [Mr. SMATHERS], and the Senator from Nevada [Mr. MALONE].

It seems to me that my amendment would serve a very necessary purpose. When there is an overlap between State public-assistance payments and social-security benefits, it seems to me it would be fair and reasonable to make sure that the persons receiving both benefits would be benefited by the net increase made in social-security payments.

I realize, Mr. President, that logical arguments can be made against the amendment. I fully recognize that fact. However, I also recognize that the facts are that, without the adoption of my amendment, the enactment of the bill into law would mean that those who need assistance most would receive none of the benefits provided in the bill. I hope the Senate will agree to the amendment. I also hope that the distinguished chairman of the committee will take the amendment to conference.

I point out that the amendment would not result in increasing the cost of the bill 5 cents. My amendment would merely provide that when social-security payments are increased, State welfare benefits would not be decreased by a like amount. My amendment would prevent what has been required to be done by law, which is to cut out any net benefit of increases in social-security payments to the 442,000 persons who have required extra help from State public assistance agencies.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. LONG. I yield to the Senator from Minnesota.

Mr. HUMPHREY. I have an amendment on this subject, which is identified as 8-12-54-A. The amendment was directed to somewhat the same situation, except that it would cover all persons receiving old-age assistance. As I understand the amendment of the Senator from Louisiana, it would apply to the limited number of persons who are receiving old-age assistance and old-age insurance benefits. That is a limited category out of the total of 4 million or more persons affected. That is about one-tenth of that number.

Mr. LONG. Seventeen percent of those who are drawing old-age assistance are also drawing old-age and survivor's insurance under social security.

It is those 442,000 needy individuals that my amendment is designed to assist.

Mr. HUMPHREY. It has been my feeling, to be very candid about it, that some base figures of earned income or any other kind of income ought to be permitted before we start to apply old-age assistance, and we should build from that point on. I felt that somewhere across the board at least \$20 or \$25 ought to be allowed to any person, and be disregarded in the basis for determining need for old-age assistance or other forms of public assistance. I point out that the Senator's amendment at least corrects what is obviously an inequity in the law as it now stands. If this amendment is not adopted as proposed by the Senator from Louisiana, we shall find ourselves in a situation in which we say that we have legislated benefit increases only to find that in many instances such increases were not increases in fact, but only in theory. Is that not correct?

Mr. LONG. That is correct. I yield to the Senator from Illinois.

Mr. DOUGLAS. I commend the Senator from Louisiana for putting his finger on one of the striking weaknesses in our care of the aged. In those cases, nearly half a million in number, where the aged person receives both old-age security and old-age assistance, as the Senator from Louisiana has pointed out, an increase in social security has not meant an increase in protection to the aged. It has meant assistance to the States.

The States have thereby diminished the amounts which they otherwise would contribute, and it has meant that the Federal Government has assumed the portion of the burden which the States should properly have taken. The same thing, I may say, was true when we increased the Federal contribution to old-age assistance itself. In most cases the States did not increase the amounts to the individual. What they did was to diminish the amounts which the States paid, and therefore the more the Federal Government has given in such cases, the less the State has given, and the result has been aid to the State and not aid to the needy aged. The Senator from Louisiana has directly struck at one of the weak spots in the whole system, and I hope very much that his amendment may be adopted.

Mr. MILLIKIN. Mr. President, the difficulty with the amendment is that it upsets the whole needs test, which I think is offensive to most of us, but which is a part of our social-security system in the public-assistance portion. So far as the needs test is concerned, we have it, and it must continue to mean something or the whole public-assistance side of our program will fail.

It does not make a bit of difference whether the dollar which the public assistance recipient receives is from the insurance side of the Government, from interest on a bond of the Government, from rents, or from any other source of income. It diminishes need, and it diminishes just as much its part of the insurance system if the income is obtained from other sources. So when we commence making exceptions, we are commencing to cut down the needs sys-

tem; and when we cut down the needs system, we are raising the expenses of every State in the country, as well as the Federal Government.

Mr. LEHMAN. Will the Senator yield?

Mr. MILLIKIN. I yield to the Senator from New York.

Mr. LEHMAN. It seems to me that the argument advanced by the distinguished Senator from Louisiana and reinforced by my colleague from Illinois is unanswerable—that the money which the Federal Government claims to be giving to the people for old age assistance is really assistance to the States. It does not increase the amount of money that is made available to the person who needs it, but it certainly reduces the responsibility of the States and the cities.

Mr. MILLIKIN. It is true that the more we increase the cost of our public assistance program the more we increase the cost to the Federal Government and to the States. The more we decrease our standards of need the more we impose expense on the States or the Federal Government. What we wind up with is a decrease, and we take whatever one gets out of social security off the means quota under public assistance; and, therefore, the State, if it has true regard for the means of its people—and we assume that that is taken out of the picture, as though it had disappeared—must put up more money to satisfy public assistance and take care of the people who are under the system.

Mr. LEHMAN. As I understand the proposal made by the Senator from Louisiana, it would not increase the cost to the Federal Government at all. The cost would remain constant. Under the proposal, there would not be an increase or decrease in the total amount of assistance the beneficiary receives. All this proposal would do would be to relieve the States of part of their share of the assistance, which is given through public assistance.

Mr. MILLIKIN. Whatever the needs may be—and let us assume they are X—to meet the amount of X need in public assistance there must be either a contribution from the State or from the Federal Government, or both. If the needs test is reduced \$5—if that represents the amount of increase to which the Senator is speaking—and we take the position we will not count that, someone must make good that amount. That is made good by a sharing between the Federal Government and the States.

Mr. LEHMAN. Mr. President, will the Senator yield for one more question?

Mr. MILLIKIN. I yield.

Mr. LEHMAN. I should like to have a little more information with regard to this question.

As I understand, we claim in this bill to be increasing Federal grants to those who are entitled to benefits from old-age and survivors insurance. We are emphasizing the claim that we are doing something that is very worthy. However, as a matter of fact, it seems to me the beneficiary does not gain anything. The situation remains constant. The beneficiary does not receive any part of the additional amount which is paid by

the Federal Government, so far as his total subsistence grants are concerned. There is a deduction of an equal amount by the State, as I understand.

Mr. MILLIKIN. That is entirely true. That is what I have been talking about. The individual takes in \$5 more on his insurance program. The State refers to that \$5, and says, "This is revenue you have to meet your need. We are not going to raise the needs test \$5. This is \$5 more money to meet your needs, whatever they are."

It would be the same as if the individual received that \$5 from interest on Government bonds or if he received it from stocks, or if he received it from rents. The situation would be the same.

The point of the old-age assistance part of the program is that first we set up a test of the man's needs, and then the State and Federal Government contribute toward that program. If we increase the need, we make it necessary for the Federal Government or the State, or both, to contribute more.

Mr. LEHMAN. Mr. President, will the Senator yield for one more question?

Mr. MILLIKIN. Certainly.

Mr. LEHMAN. I fail to see that we are carrying out the purposes of the bill, so far as these particular beneficiaries are concerned, because the purpose of this provision, as I have understood it, is to make the lot of 442,000 people a little bit easier, to the extent of \$5 or \$13. We have failed to do that. I have never understood that the social-security law was drafted or administered for the benefit of States, relieving the States and cities of their public-assistance charges.

Mr. MILLIKIN. I do not understand the Senator's point. I say that most respectfully.

Two things are involved. One is public assistance, and the other is insurance. Under what is proposed, the man is going to get \$5 more, let us say, paid on his insurance. He also receives public-assistance money. Therefore, the agency will say to him, "Your need is X dollars a month. You are getting \$5 a month additional revenue from your insurance. We are going to count that against your revenue."

The Senator from Louisiana says, "Do not count that particular \$5."

If we followed that theory, we could exclude everything else the man receives. It is revenue, as I have said 3 or 4 times. It is the same kind of revenue as if he received a payment for Government bonds or a payment for stocks or a payment for rental. It is money which is added to the money he has, to be applied against his need.

The Senator from Louisiana is saying simply, "Deduct that money from the needs test." That certainly is not our purpose; and we are not taking into consideration the Public Assistance Act, either.

SEVERAL SENATORS. Vote! Vote! Vote!
Mr. LONG. Mr. President, how much time have I remaining?

The PRESIDING OFFICER. The Senator has 5 minutes remaining.

Mr. LONG. I do not believe I shall require more than about 2 minutes. I yield myself 3 minutes.

I point out, Mr. President, that under this bill we are providing a gratuity of anywhere from \$5 to \$13 a month for 6 million people.

Let us consider the typical case of a man making \$200 a month. Under the present law, if he retired he would receive \$70 a month. If he is at present retired, we propose to increase his check from \$70 to \$78.50. On what basis? It is an outright gratuity. That is the basis for it. We would like to raise the benefits. It is an outright gift. We propose to make a gift of anywhere from \$5 to \$13 to 6 million people.

There is only one group of the 6 million people who are not going to be benefited. They are the 442,000 people who are classified as being needy.

In other words, we are going to take care of 6 million, but those who are classified as being needy, those who have been compelled to go to the welfare agencies and apply for welfare assistance, those who have no reserves, those who have no resources, the most needy of them all, receive no benefit. Why? Because without my amendment, Federal law requires welfare departments to go down the list and find every one of these 442,000 people, and every time they get a \$5 increase in income cut their welfare check by \$5.

The junior Senator from Louisiana says that if we can make a gift of \$5 to \$13 to 6 million people who are not needy, we let the needy have \$5. I do not understand the point.

A good, logical argument has been made by the distinguished chairman of the committee. It can be said that social security does not depend upon a needs test, and that public welfare does depend upon a needs test. The only point I make is, where there is an overlap, if it is really believed that we can afford to give an extra \$5 to 6 million people, Federal law should not require that payments to the needy be reduced by \$5, so everybody except the needy would get a gratuity of \$5 a month from the Federal Government based on this bill. In spite of all the logical arguments which can be made to the contrary, the needy should be told, "When you get your \$5 you can keep it, just as all those who are not needy can keep their \$5."

Mr. MILLIKIN. Mr. President, I shall not labor the argument for very long. I think the distinguished Senator is misconceiving what we are trying to do tonight. We are changing the rates, and the benefits in various instances, of a social insurance system. We are not opening a big barrel and throwing out \$5 to one, \$10 to another, \$2.50 to another. The basis of the Senator's argument is that if we are giving something to people in one category, we should give everybody else something. I think that is the basic fallacy of his argument.

Mr. LONG. Mr. President, will the Senator yield for a question?

Mr. MILLIKIN. Certainly.

Mr. LONG. Can the Senator tell me upon what basis we increase the benefits to a man who had been making \$200 a month from \$70 to \$78 without his paying an extra 5 cents for it?

Mr. MILLIKIN. We are increasing the benefits and doing all kinds of good things because the revenues of the system, into which the employer and the employee pays will carry the cost of the system. That is what we are told. The Senator heard the testimony. I heard the testimony. We are not opening a barrel to give things to people.

Mr. LONG. The Senator certainly agrees that all the retired individuals who will receive these increases are not making any additional contribution to the fund in order to pay for the increased benefits.

Mr. MILLIKIN. Let us say that is true. The fund includes many objectives which are not limited to a chess-playing operation, based upon how much a man puts on one side of the scale and on the other side of the scale. We are trying to increase the security of the people of the United States.

I am not one to say that every man gets exactly what he puts in. We are doing better than that for several classes. We are doing it consciously, not as a barrel-opening operation. This is not a gift procedure. If I were not opposed to the amendment anyway, I would be compelled to do so because the committee opposed it.

Mr. GEORGE. Let me say to the Senator from Colorado that the people who may be interested in benefits under the social security system did not deal at arm's length with the Government. The Government said, "You are in the system. You are going to be taxed. We are going to pay you such-and-such a sum each month when you qualify for such payments and have reached the retirement age." They had not a thing to say about how much they should be paid, except that Congress may have listened to their importunities. So what they were doing was contributing to a system which we now discover is able to increase the benefits to which they are entitled. The same benefits should go to those who have been retired as well as those who remain in the system and must pay the rates of taxes we impose on them. They do not indicate the amount they are to receive, as in the case of an ordinary insurance policy. They must rely upon the Congress alone to deal fairly and equitably with them when the system justifies an increase in their benefit payments.

The confusion arises between a system to which the workers have made contributions, and a voluntary system of benefits conferred by Government upon people who make no contribution whatever directly to the Government or to any fund.

It seems to me that the amendment should be rejected.

SEVERAL SENATORS. Vote! Vote!

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Louisiana [Mr. LONG].

The amendment was rejected.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. MARTIN. Mr. President, I call up the amendment of the junior Senator from Louisiana [Mr. LONG] and myself, 7-19-54-D, and ask unanimous consent

that the reading of the amendment be dispensed with and that the amendment be included at this point in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment offered by Mr. MARTIN and Mr. LONG is as follows:

At the end of the bill, add the following new section:

"ADJUSTMENTS IN RATES OF TAXES TO FINANCE OLD-AGE AND SURVIVORS INSURANCE

"Sec. 403. The Congress shall, on or before the 1st day of April 1955, and of each succeeding odd-numbered year, determine the amount of the benefit payments and other sums which it estimates will be paid from the old-age and survivors insurance trust fund during the 2-year period beginning with the first day of the year in which the determination is being made and shall make such adjustments, if any, in the rates of tax provided for by sections 480, 1400, and 1410 of the Internal Revenue Code as may be necessary to assure that the amount of taxes collected under such sections for such 2-year period, together with any other sums covered into such fund for such period, is not less than the amount of the benefit payments and other sums which it estimates will be paid from such fund during such 2-year period."

Mr. MARTIN. Mr. President, this is the pay-as-you-go amendment. The amendment suggests that on or before April 1, 1955, and each odd-numbered year thereafter, the Congress fix the rate required to put the system as nearly as possible on a pay-as-you-go basis.

For several years I have been greatly worried that the social security system of the United States would crash under its own weight.

I have prepared an argument which I believe will sustain my position, but we do not have time to debate it properly tonight, because the hour is growing late. I ask unanimous consent that my remarks may be incorporated in the RECORD at this point.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR MARTIN

In the so-called pay-as-you-go amendment to H. R. 9366, the social security bill, I am happy to be associated as cosponsor with the distinguished junior Senator from Louisiana [Mr. Long]. I cannot praise too highly the great interest he has taken in the work of the Finance Committee. He is the youngest member of our committee. I mention this because the future stability of our country means more to men of his age than any other group.

The purpose of this amendment is to provide a biennial review of the financing of the social-security program, in order to establish a rate of payroll taxation sufficient to meet the estimated benefits to be paid out under the old-age and survivors insurance system in the 2-year period.

The amendment provides that the Congress shall make an estimate on or before April 1, 1955, and each odd-numbered year thereafter, of the rate required to put the system, as nearly as possible, on a pay-as-you-go basis.

The method of financing social security has been carefully studied by some of the best economists of our country.

Some of these experts have proposed making social-security coverage universal, without using the contributory plan. Such a plan calls for the payment of social-security benefits from general tax revenue.

Another group wants to make the plan actuarially sound. This would require a contribution from the employed, employer, and the self-insured large enough to build up a fund that would take care of the future requirements of the system.

The method proposed in this amendment would take care of the payments to the beneficiaries from currently collected funds.

Those who believe in the fine ideals of social security and have always suggested that it be considered a form of insurance or savings have the desire to maintain the high morale of our people. Without a plan requiring a contribution by the beneficiary, the system would quickly degrade into a form of dole. We do not want a dole in the United States, because that would weaken the morale of our people. The great majority of Americans are self-reliant. They want to make their own security. They have done so throughout our history, and that plan has contributed greatly to the strength and growth of our country.

The people of America have always been very considerate of their unfortunate. The ideal plan would eventually make it possible for all in their old age, or if misfortune befalls them, to depend upon income earned by their own work and thrift. Government can never make security for us.

If the contributory system is abandoned and we pay for the benefits from general taxes, coverage must be all inclusive, extending to all our people.

In the consideration of social security, we must never forget the economy of the Nation. How far can we go without damaging the productive power of the country? How much can we have without damaging the national economy?

One of the strongest factors in the greatness of the United States is that we produce more per man-hour than any other country in the world.

This comes about because of our better equipment and the better know-how of our skilled craftsmen. It is because we have the savings to expand production. Also because there is a profit left for the workers and the stockholders after expenses are paid. Profit is the great incentive. It takes an investment of from \$7,000 to \$25,000 in plant, tools and equipment to create the job of each worker. Our workers are better educated than those of any other country of the world.

We must always remember that whatever is taken from the people in any form of taxation, whether general taxation or contributions for social security, takes that much out of their hands to spend as they see fit and to further expand our economy. The money that the people spend for schools, hospitals, churches and a better living standard makes a greater market for our industrial and agricultural production.

The American people must be informed that there is no pot of gold at the end of the social-security rainbow. They must be made aware that adequate benefits can be provided only by contributions in the form of direct or payroll taxation. It all comes out of their pockets.

The fact must always be made clear that higher benefits are impossible without a higher rate of contribution or increased taxation, and that both come from the pockets of those who work and those who invest their savings.

We are continuing to meet pressures for additional coverage and higher benefits and this will always continue. It is good politics to offer higher benefits and broader coverage. Ours is a political country and both parties play this political game. Unfortunately, all that we give to the people comes from the people themselves.

Since starting the social-security system in 1937, we have built up a trust fund of about \$19 billion. This accumulation has

been made possible because income has exceeded expenditures. For example, in 1953 we collected from employers, employees, and self-employed, and from trust fund earnings \$4,359,000,000. We expended from this, including administration, \$3,094,000,000, or a profit to the fund of \$1,265,000,000. This profit has been used by the Government.

For the year 1954, we estimate that we will collect \$5,567,000,000, and our expenditures will be \$3,655,000,000, or a gain of \$1,912,000,000.

As you know, the present rate is 2 percent each from the employee and the employer, and 3 percent from the self-employed. We contemplate increasing this in 1960 to 2½ percent each for the employee and the employer, and 3¾ percent for the self-employed. It is contemplated that we will have a further increase in 1965 and again in 1970.

From estimates based on minimum costs the fund will amount to \$23,500,000,000 in 1955, \$30,500,000,000 in 1960, and almost \$52 billion in 1970.

All of this accumulated trust fund exists only in the form of a promise to pay from the United States Government. There are actually no funds available as in the case of insurance companies and retirement funds established by subdivisions of government. Insurance company funds are invested in productive enterprise and benefit from the earnings of American industry. On the other hand there is no investment for the social security trust fund other than Federal Government bonds, on which the interest is paid from general taxation.

Mr. President, there is no way of getting away from the fact that the working force in the United States must shoulder the burden of paying for the benefits to the retired and to the aged. The problem is how to make it clear to the American public that they pay all the bills.

Mr. President, it is our proposal that we begin to do something about it—to take a first step at least in the direction of putting the expenditures on a balance with estimated income. We are always going to be faced with the possibility of reduced income due to fluctuating economic conditions—and we are always going to be faced with the possibility and probability of an increased number of persons living far beyond the retirement age. But we can estimate on an annual or a biennial basis and thus keep a check upon the conditions we face.

Mr. President, I contend that the pay-as-you-go principle should be put into effect for the following reasons:

1. It is practically impossible to put social security on a sound actuarial basis.

2. The special trust fund has no significance because it is an unsecured Federal promise to pay.

3. As it now stands, the Government is collecting considerably more than it pays out in benefits. This is a tax on individuals and upon earnings.

4. A biennial estimate of what is required would give the people an opportunity to study proposed increases and expansions as suggested from time to time.

5. There is no economic danger from a plan that pays its way each year.

6. Individual security is spiritual as well as material. Reckless Government spending will not insure security because Government has nothing except that which it takes or borrows from the people. A pay-as-you-go plan gives the people an opportunity to study different proposals and to consider whether or not they can afford them.

Mr. President, I strongly urge the adoption of this amendment.

Mr. LONG. Mr. President, will the Senator yield?

Mr. MARTIN. It is a great pleasure, indeed.

Mr. LONG. Mr. President, I am glad to join as a cosponsor of this amendment with the Senator from Pennsylvania. It seems to me that sooner or later we shall arrive at the conclusion that the only way in which any program, a social-security program or any other type, can be financed is out of the productivity of the American people. If we do not produce the wherewithal for the sustenance of life, we shall not be able to take care of our people, no matter how many million dollars we claim to have in the trust fund.

It seems to the junior Senator from Louisiana that year by year we are extracting more than a billion dollars from the blood stream of circulation by having the social security fund take in much greater collections than the fund pays out. So long as the fund is taking in as much money as it needs year by year, it seems to me that is adequate to assure that the fund will continue. After all, we have a reserve of more than \$19 billion, which is enough to guarantee that the fund will be solvent and that the Government will continue to make social security payments year by year. That I regard as a sufficient reserve to keep on hand.

Mr. FERGUSON. Mr. President, will the Senator yield?

Mr. MARTIN. I yield.

Mr. FERGUSON. Do I correctly understand that the Senator from Pennsylvania does not intend to call up his amendment?

Mr. MARTIN. I have already offered the amendment and asked that it, and also the remarks which I had intended to make in support of the amendment, be incorporated in the body of the RECORD. But the hour is growing late, and I do not intend to press it at this time. I hope that Members of this body will read this statement and other statements on the subject of social security. We now have a fund of \$19 billion, but there is not really anything in the fund.

Of course the Government owes the social security system that amount of money. We must remember that we do not have any money in this fund, or in any other fund, which the Government does not either take from the people in taxes or borrow from the people.

Mr. FERGUSON. Mr. President, will the Senator yield?

Mr. MARTIN. I yield.

Mr. FERGUSON. I am sympathetic to what the Senator has in mind, and I feel the same way, namely, that the \$19 billion in the fund are really in the form of I O U's from the United States Government, which has, in effect, those I O U's from the taxpayers of America.

Mr. MARTIN. That is correct.

Mr. FERGUSON. Sooner or later we will have to get on a pay-as-you-go basis, with a sufficient surplus to carry it. I think that is the proper way to operate this insurance program.

Mr. MARTIN. I thank the Senator.

Mr. MONRONEY. Mr. President, will the Senator from Pennsylvania yield?

Mr. MARTIN. I yield.

Mr. MONRONEY. Will the distinguished senior Senator from Pennsylvania tell the junior Senator from Okla-

homa why the Government securities which are issued to the social security fund, and bear no higher rate of interest than the bonds which are held by the New York Life Insurance Co. or the Massachusetts Mutual Co., or any other insurance company, should not be considered a debt against the Government. In other words, if those bonds do not represent legitimate value in the social security fund, why do the major insurance companies of the country keep 50 percent of their funds with which to pay off their beneficiaries in Government securities?

Mr. MARTIN. I do not say that the bonds of the United States are not good. The bonds of the United States at the present time are the best investment in the world. I wish to keep the bonds in that position. We had before us this afternoon the question of raising the national debt ceiling. The junior Senator from Colorado and the senior Senator from Virginia and the senior Senator from Georgia expressed the situation very well, and I shall not try to repeat what they said.

However, when we set the limit on the national debt at a new figure, which will expire next July, we told the American people that it was our plan to keep the bonds of the United States on a sound basis. We want America to remain on a sound basis, and to keep our social-security system on a sound basis. Therefore, I believe that sooner or later we must put the system on a pay-as-you-go basis.

Mr. BUSH. Mr. President, will the Senator yield?

Mr. MARTIN. I yield.

Mr. BUSH. If the Senator will permit me, I suggest that the answer to the question of the Senator from Oklahoma is that the difference between insurance companies and the Government is that the Government has the taxing power. The Government has the taxing power, whereas the insurance companies do not have that power.

Mr. MONRONEY. Mr. President, will the Senator yield?

Mr. MARTIN. I yield.

Mr. MONRONEY. Is it not the same liability so far as the Government is concerned? Is not the same pledge carried on the obligations that are held by the insurance companies as is carried on the obligation contained in the social-security system? What are we going to do with the \$19 billion worth of interest-bearing bonds which are invested in the sinking fund, if we do not allow the social-security system to hold them, and if the New York Life Insurance Co. and the Massachusetts Mutual Co. and other private insurance companies must hold the same bonds, and we must float more bonds with the public, because we are abolishing the reserves behind the social-security system?

Mr. MARTIN. If I had had my way at the beginning of the social-security system in the United States, it would have been put on a pay-as-you-go basis at that time.

The Senate has been in session for a long time, and I was trying to save some time. I would very much have liked to deliver the speech, because I

put a great deal of time into its preparation. If any Senators who are interested would read my speech, I would be very much complimented. I appreciate very much what the junior Senator from Oklahoma is stating. I do not want to be misunderstood. Of course, I feel that the bonds of the United States are the best investment that any insurance company or anyone else could possess. I do not want to be misunderstood.

Mr. MONRONEY. Would the Senator from Pennsylvania tell the junior Senator from Oklahoma whether the bonds or securities held within the social-security system are worth any less than the securities which are held by the insurance companies?

Mr. MARTIN. Not in the least.

Mr. MONRONEY. That is the point I am making.

Mr. MARTIN. No; of course they are not.

Mr. MONRONEY. I have often heard it said, if the distinguished Senator from Pennsylvania will yield further, that there are nothing but I O U's of the Government behind the social-security system. It has been said that there is something vastly different between the securities held by the social-security system and the same type of securities held by every major insurance company in the country. Of course, they bear the same interest, and it is the same security, and the Government is pledged to redeem those securities.

A great hoax has been attempted to be perpetrated, when it has been claimed that there is something phony going on in the social-security system, when the social-security system holds the same securities of the Government that the private insurance companies hold.

Mr. MARTIN. I wish to make that point clear. I apologize for taking this time. I could have read my speech in the same time and probably we would not have had this controversy. I wish to be clearly understood that I have the greatest faith in the bonds of the United States.

Unfortunately, this trust fund of \$19 billion, which by 1970 will be increased to \$50 billion, is encouraging the American people to believe that there is a rainbow at the end of the social-security system, and that we can add to the benefits it provides, as has been suggested, \$5 here and \$5 there. On the other hand, if we put it on a pay-as-you-go basis, the people of the country will realize that they are paying the bills. That is why I am suggesting the pay-as-you-go plan.

The PRESIDING OFFICER. Has the Senator from Pennsylvania withdrawn his amendment?

Mr. BUSH. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Connecticut will state it.

Mr. BUSH. What is the pending question?

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Pennsylvania [Mr. MARTIN]. Does the Senator from Pennsylvania withdraw his amendment?

Mr. MARTIN. Yes; I withdraw the amendment.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. MILLIKIN. Mr. President, I yield 3 minutes on the bill to the Senator from Oregon.

Mr. MORSE. Mr. President, although the Senator from Pennsylvania has withdrawn his amendment, nevertheless he has made a partial record on it. I do not intend to take any great time in discussing his amendment, although come January, when we introduce the Lehman social security bill, which was discussed earlier tonight, I shall discuss it at length.

What I wish to do this evening is reject the major premise laid down by the Senator from Pennsylvania. I have heard for a long time a great deal of talk about the pay-as-you-go plan with respect to social security.

I wish to say that it represents a great underlying fallacy, because behind the social-security system are two considerations; first, the security and wealth of the United States, and, second, the moral obligation of the people of the United States to make sure that when people reach an age where they can no longer be productive, those who have the ability to pay taxes will see to it that those people live out their old age in decency.

That is the great social objective of the social-security system. We will completely fail in our moral obligation to the people of the United States if we ever accept the notion that before we do right by them we must adopt a pay-as-you-go program. I would have Senators keep in mind that millions of people in this country never can pay as they go for the type of old-age decency to which they are entitled. Those are the people who have an annual gross income of less than \$3,500 a year. I have said before, as I repeat tonight, that the whole economic system of our country would collapse if it were not for the productivity of the people who gross less than \$3,500 a year.

Mr. President, as to those people, it is perfectly fallacious to argue that we cannot adopt a social-security system which will give them an old-age decency unless we first adopt a pay-as-you-go system.

I close, Mr. President, by repeating that what is behind the social-security system is the wealth of the Nation and the recognition of the moral obligation of 160 million people to see to it that we maintain a system which gives to people in their old age a life of decency. I am a little weary of the argument that we must build up some kind of a banking account that puts the social-security system on a ground analogous to commercial insurance. We are dealing with a social-security obligation of the people who can produce in relation to those who have reached the point where they cannot produce.

Mr. LONG. Mr. President, I offer the amendment, which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The clerk will state the amendment offered by the Senator from Louisiana.

The CHIEF CLERK. It is proposed to insert:

STUDY OF FEASIBILITY OF PROVIDING INCREASED MINIMUM BENEFITS UNDER TITLE II

SEC. 404. (a) The Secretary shall conduct a full and complete study with a view to determining the feasibility of increasing the minimum old-age insurance benefits under title II of the Social Security Act to (1) \$55 per month, (2) \$60 per month, and (3) to \$75 per month.

(b) Such study shall include (1) a detailed analysis of the estimated increase in cost, if any, involved in increasing such minimum benefit to each of the above referred to amounts, (2) estimates of the financial impact such increase would have upon the old-age and survivors insurance on this fund, and (3) an estimate of the amount, if any, by which Federal grants to the States for public assistance would be reduced by the raising of such increase in minimum old-age insurance benefits.

(c) The Secretary shall report to the Congress at the earliest practicable date the results of the study provided for by this section.

Mr. LONG. Mr. President, I have discussed this amendment with the distinguished chairman of the committee and with the senior Democratic member of the Finance Committee, and it is my understanding that they both feel that the amendment can well be taken to conference. One of the particular items the cost of which we should try to find is the extent to which the public welfare burden of the Federal Government will be reduced by such a program.

Mr. MILLIKIN. Mr. President, I have no objection to taking the amendment to the conference, and the distinguished Senator from Georgia also has no objection.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Louisiana [Mr. LONG].

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. HUMPHREY. Mr. President, I call up my amendment 8-3-54-C, and I wish to modify it by striking out all in the amendment up to line 6, on page 2.

The PRESIDING OFFICER. The clerk will state the amendment offered by the Senator from Minnesota.

The CHIEF CLERK. On page 103, between lines 16 and 17, it is proposed to insert the following:

(d) Section 202 (e) and (f) of such act is amended by striking out "three-fourths of" wherever appearing therein.

On page 103, line 18, strike out "113" and insert in lieu thereof "114."

On page 103, line 23, strike out "114" and insert in lieu thereof "115."

Mr. HUMPHREY. Mr. President, the present social security law provides that a widow or widower is entitled to three-fourths of the benefit of the original recipient. If Mr. Jones is receiving \$60 a month, and he dies, Mrs. Jones will receive \$45. Or if she is the breadwinner and receives \$60 a month, and dies, Mr. Jones will receive \$45. It is like saying that when a man who has a life insurance policy of \$2,000 dies, his widow should receive \$1,500. The widow is as much entitled to the benefit as her husband would have been. The member

of the family who is left after the breadwinner has passed away is entitled to the same benefit. I modified my amendment, but I will say very candidly that if any member of the committee can explain to me why when a man dies his wife should not receive all the benefits to which he would be entitled under the insurance system, I want to hear it. I have no more to say, Mr. President. I await a reasonable explanation.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Minnesota [Mr. HUMPHREY], as modified.

The amendment, as modified, was rejected.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. HUMPHREY. Mr. President, I call up my amendment 8-12-54-B. I ask unanimous consent that the reading of it be dispensed with, and that it be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HUMPHREY's amendment is as follows:

On page 136, beginning with line 11, strike out all through line 15, and insert in lieu thereof the following:

"INCREASE IN BENEFITS

"SEC. 301. (a) Section 3 (a) of the Social Security Act is amended to read as follows:

"Sec. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1954, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$60—

"(A) five-sixths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$30 multiplied by the total number of such individuals who received old-age assistance for such month; plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose."

"(b) Section 403 (a) of such Act is amended to read as follows:

"Sec. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1954, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children,

equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$33, or if there is more than one dependent child in the same home, as exceeds \$33 with respect to one such dependent child and \$24 with respect to each of the other dependent children, and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds \$33—

“(A) five-sixths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of \$18 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus

“(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A); and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to one-half of the total of the sums expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$18, or if there is more than one dependent child in the same home, as exceeds \$18 with respect to one such dependent child and \$12 with respect to each of the other dependent children; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purpose.”

“(c) Section 1003 (a) of such act is amended to read as follows:

“Sec. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1954, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of any such expenditure with respect to any individual for any month as exceeds \$60—

“(A) five-sixths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$30 multiplied by the total number of such individuals who received aid to the blind for such month, plus

“(B) one-half of the amount which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.”

(d) Section 1403 (a) of such act is amended to read as follows:

“Sec. 1403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the permanently and totally disabled, for each quarter, beginning with the quarter commencing October 1, 1954, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$60—

“(A) five-sixths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$30 multiplied by the total number of such individuals who received aid to the permanently and totally disabled for such month, plus

“(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A); and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to one-half of the total of the sums expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the permanently and totally disabled, or both, and for no other purpose.”

“(e) The amendments made by the preceding sections of this act shall be effective on and after October 1, 1954.

“(f) (1) If—

“(A) during the 1-year period beginning October 1, 1954, or the 1-year period beginning October 1, 1955, the total State expenditures (as defined in par. (2)) for any State under a State plan approved under title I, IV, or XIV of the Social Security Act are less than the total State expenditures for such State under such plan during the base period (as defined in par. (2)), and

“(B) the State expenditure per recipient under such plan for such year is less than the State expenditure per recipient under such plan during the base period, then the amount payable to such State under such title for such year shall be reduced by whichever of the following is the least:

“(C) the amount by which the total State expenditures during the base period under such plan exceeds the total State expenditures during such year under such plan;

“(D) the amount by which the State expenditure per recipient during the base period under such plan multiplied by the monthly average of the number of individuals who received aid or assistance under such plan during such period exceeds the State expenditure per recipient under such plan for such year multiplied by the monthly average of the number of individuals who received aid or assistance under such plan during such year; or

“(E) the amount by which the sum which would be payable to such State for such year under such title but for the provisions of this section exceeds the sum which would be payable to such State for such year under such title if this section had not been enacted.

“(2) For purposes of this subsection, the term ‘total State expenditures’ means, in the case of a State plan approved under

title I, IV, X, or XIV of the Social Security Act, the difference between (A) the total expenditures (other than expenditures to meet the cost of administering the State plan) with respect to which amounts are payable to the State under sections 3, 403, 1003, and 1403, respectively, and (B) the amount so payable to the State; the term ‘State expenditure per recipient’ with respect to any year or with respect to the base period, as the case may be, means, in the case of a State plan approved under title I, IV, X, or XIV of the Social Security Act, the total State expenditures during such year or period under such plan divided by the monthly average of the number of individuals who received aid or assistance under such plan during such year or period; the term ‘base period’ means the 1-year period ending September 30, 1954; and the term ‘State’ includes Alaska, Hawaii, and the District of Columbia.

“(g) Section 1108 of such act relating to limitation on payments to Puerto Rico and the Virgin Islands is hereby repealed.”

Mr. HUMPHREY. I should appreciate an explanation of the very peculiar situation to which I was referring a moment ago. If any Senator can explain to me that when a husband dies his wife should not receive the benefits which he would have received if he had lived, I would like to hear a logical explanation. I know the law does not permit it, but I think the law is a little “nuts” on that proposition, and I think it should be corrected. [Laughter.]

My amendment would offer an opportunity to do something for the folks at home.

A day or two ago the Senator from Louisiana [Mr. LONG] proposed an amendment to reduce the authorization for foreign appropriations by \$1 billion. Then he offered an amendment to cut it \$500 million, and it was agreed to. But when the bill came from the conference committee he lost \$500 million, and he did not even know what happened. It was because there are some people in Italy, in France, and in Formosa—the Senator from Louisiana has met those Formosans; they are good constituents of the Senator from Louisiana [Laughter]—who had to have that money.

But, Mr. President, if we suggest an extra \$5 on old-age insurance we are met with, “Oh, no, we cannot do that.” Insurance company executives get to thinking that the money of the company is theirs, but it belongs to the policyholders. Congress is thinking that this money belongs to us. It does not. It belongs to the policyholders. We have a right to raise the benefits. The taxpayers of this country can provide the money to furnish a decent income for the senior citizens of this country. There are two classes of people that deserve consideration. They are not Senators, not Representatives; they are children and old people.

Persons between the ages of 18 and 65, if they have an education, should be able to take care of themselves pretty well. They do not need any pump priming or very much extra help. But folks who are 65 and over and are in need, are receiving \$51.34 a month, which is the average payment of old age assistance in the United States. It is \$51.34 a month in the richest Nation on the face of the earth, a country which has spent \$5 billion to smoke cigarettes, \$7 billion to

make people think they feel better than they really are by the use of spirits, \$700 million to paint themselves up with cosmetics to look a little better than they are, but when we suggest that grandma and grandpa get something, we are told that the old budget is going to break. There is something wrong with the Treasury.

I always remember what my dad said. My father was a wonderful man. He never once told his son what time to go to bed. But I am here to say that he was an expert on getting him up. He knew what time to get his son up. If the son came in at 5 in the morning, his father got him up at 6. If he came in at 4, his father got him up at 6:30. The later the son got in, the earlier he got up.

This Senator does not believe in telling the people of America how to live. Some persons may want to waste their lives away; some may want to drink their lives away; some may want to go to the horseraces every day. I suppose if they want to do it, they have a right to do it. But if they are going to "horse" around like that, then they are going to pay for grandpa, too. They are going to provide for old-age assistance. If they are going to day for the Devil, they are going to help keep the churches open, too.

The PRESIDING OFFICER. Will the Senator from Minnesota state the amount of time he yields to himself?

Mr. HUMPHREY. The whole works—15 minutes. This is my last amendment. I have not had much good fortune to-night. I was able to get the undertakers—the funeral directors—into the bill, but no others.

I am proposing that the old-age assistance payments be increased \$5 a month to help the needy, the aged, the poor, the helpless, the sick; \$5 a month for the blind and disabled; \$3 a month for dependent children. Do not let me hear anyone say that we cannot afford it. We cannot afford it? It will not cost half as much as it costs every time we try out an atom bomb on the French Flats in Nevada to see if it will work. I do not know whether we have proved anything particularly, but we have found that they do work.

We have made an appropriation for Indochina, and we do not even know to whom we have given it. That is a fact. We appropriated \$1,300,000,000, if I am not mistaken; I do not have the exact figures. We were not certain which side was going to get it, where it was going to go, or who was going to get it.

I heard the arguments on the floor that that money was needed. Not only that, it was said that since we did not know where it was going to go, we should give it to the President; that he would determine where it would go. Let Senators examine the RECORD. They will see exactly what we did. We said we were not sure, but we might need it. After all, things are tough all over; we might need it. So we gave \$1,300,000,000 to the White House. We gave it to the President. We trust the President. Yes, I trust the President. I voted to give the money to him. I thought he

might need it. I thought there might be a time and a place for its use.

Now I appeal to the Senate to do something for the senior citizens of this country, the persons who live in shacks, those who are sick, those who are old, those who are weary; the persons who have spent their lives; who have given their sons and daughters to the service of their country; persons who have worked their hearts out.

In 1946 we increased the old-age assistance payments by \$5. In 1948 we increased them another \$5. In 1952 we increased them another \$5. We have helped older people to the tune of \$15 in 9 years.

Mr. LONG. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. LONG. I am delighted to support the Senator's amendment. Unfortunately, the bill is going to help all retired persons except the needy. I believe the Senator's amendment would improve the bill, so that those who receive old-age pensions will receive additional assistance.

Mr. HUMPHREY. That is what should be done. I know that my amendment will increase the cost by a great amount. I assume it will cost \$200 million for all those receiving old-age assistance, the blind, the disabled, and the dependent children. I might as well say what it will cost, because someone will certainly remind us later of what it will cost. But it will be the best \$200 million that Congress will have spent. It represents Christian compassion. It represents what we should be doing unto the least of our brethren. It represents help to the helpless, help to the weary, help to the heavily laden.

Some days ago I voted for a tax bill that did not help the weary, that did not help the heavy laden. That bill helped the strong, the well born, and the rich.

I have read reports recently which indicated that the corporations in the United States have had the biggest corporate profit returns they have had in years, despite fewer sales and less gross income. But they have received more net income. Congress fixed it that way for them. Let us not "kid" ourselves. We fixed it.

Now we are at the point where we are going to help grandma and grandpa, who need some assistance. Let Senators try to get along on an average pension payment of \$51 a month in the United States of America, in the year of our Lord 1954. No human being can do it in decency. I ask the Congress of the United States to help by another \$5.

If the Long amendment had been adopted, then the States would not have been able to put \$5 in their pockets and to say that they were saving the money to the State treasury. I am not interested in helping State auditors to prove that they have better financial reports. I am interested in the recipients of aid to the blind, to dependent children, and the aged.

Mr. President, I ask that the Senate give the amendment favorable consideration. I think that by so doing we shall end this session of Congress with kindness, decency, humanitarianism,

and compassion, which the country is looking for, and that its worthy citizens deserve.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Minnesota [Mr. HUMPHREY].

Mr. MORSE. I ask for the yeas and nays.

The yeas and nays were not ordered.

Mr. MORSE. I ask for a division.

On a division, the amendment was rejected.

The PRESIDING OFFICER. The bill is open to further amendment.

If there be no further amendment to be proposed, the question is on the engrossment of the amendments, and the third reading of the bill.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time.

Mr. HUMPHREY. Mr. President, before its passage I desire to speak on the bill.

Mr. President, the progress this Nation has made in the field of social security has been slow but sure. I am glad that it has been sure but it is a matter in which we cannot afford to be slow. The needs of America's aged, widowed, orphaned, and disabled are not matters to which we can, in conscience, give leisurely attention. As I said more than 9 months ago:

We can study social security to death, and it will not feed any hungry people. It is time for action, not more talk. Both political parties have promised such action.

Every man and certainly every political party has the right to change its mind on the important issues of the day. A change for the better is always a good thing. How gratifying it is to read today the recommendations of the Republican administration for a better social-security program when only 4 years ago the Republican Party in the Senate and the House of Representatives was registering overwhelming votes against many of these same recommendations as they came from the desk of a Democratic President. Mr. President, I welcome the newcomers to our ranks with a greeting to remind them that I remain where I always have stood. I do not believe in playing politics with poverty. My views on the welfare and the security of the American people have not shifted with the change in administration.

In 1950 I was proud to participate in the revision of the Social Security Act and at the same time fight for additional liberalizing amendments. During that debate I made a statement of the principles which guide my activities in social-security legislation. It is with these principles in mind that I view the current legislation and I would, therefore, like to repeat my statement of 4 years ago. At that time I said:

I believe that a sound social-security program should embody the following fundamental principles:

1. Universal coverage for all persons who work for a living.
2. Protection under the insurance system of all aged persons, irrespective of length of time that they have contributed to the insurance system or whether they have retired prior to contributing to the insurance system.

3. A substantial increase in the amount of benefit so that individuals may retire with security, dignity, and reasonable comfort.

4. Payment of insurance benefits to individuals during periods of disability so that individuals who are sick or disabled may also have security as well as some income, which will make it possible for them to avoid asking for charity and enable them to pay their doctor's and hospital bills from their insurance benefits.

5. Federal grants to the States for public assistance to needy persons for whom the insurance program cannot meet all needs.

We have made a good start in overhauling our social-security system. But we cannot be content with what we have done so far. We must not wait for another 11 years to make the changes which will bring our social-security system up to date.

I believe we must go forward in making bold and progressive changes in our social-security system if we are to meet the needs of our people in a dynamic and changing economy.

In 1949, my first year in Congress; in 1950; in 1952; and in the present 83d Congress these principles have prompted me to introduce amendments to the Social Security Act which would bring its provisions more in line with modern needs. It is with these principles in mind that I view the pending legislation. Let me say that the bill now under consideration makes several necessary and important contributions to our social-security program. However, I do believe there are two vital areas with which this bill does not adequately deal. Therefore, I would call your attention to two amendments which I have introduced to remedy these defects.

My first amendment would raise the minimum benefits from \$30 to \$40 a month. Mr. President, I do not intend to deliver a long and emotional harangue on this subject. I will merely cite one small statistic. My proposed increase in the minimum benefit from \$30 to \$40 would currently bring increases to about 1½ million people. What a tale of hardship, penury, and despair among American citizens these figures tell. I say that a \$10 increase in minimum benefits is the very least we can allow.

Under my second amendment, wives' benefits would be increased to 75 percent and widows' benefits to 100 percent. The adoption of this proposal would mean that about 1 million wives and 500,000 widows would receive increases. All this tries to do is write a little more equity into our social-security laws. Is it not absurd to have written into the law of our land the concept that a widow can subsist on less food, clothing, and shelter than her deceased husband? Nor is it less absurd to suggest that an aged couple can live on only half as much as a single retired person. This proposal is no more startling than simple justice.

I am grateful that many of the proposals I have made have been incorporated into the law of our land. Other amendments which have once failed of approval I have reintroduced in hopes of their ultimate adoption.

In this Congress I introduced 6 measures which I believe fill significant gaps in our present social-security program. I would like to briefly outline these meas-

ures and mention the action that has been taken on each of them:

First. A bill to extend social security credits for periods of military service. This proposal was enacted in 1953 as Public Law 269.

Second. A bill to increase the allowable monthly earnings from \$75 a month to \$1,200 a year without loss of earnings. This provision is in the pending social security bill (H. R. 9366) as approved by the Senate Finance Committee.

Third. A bill to increase old-age and survivors benefits to wives, widows, and dependent children. Although the pending bill does not offer increases as adequate as the ones I suggested, it does propose to raise the minimum benefits from \$25 to \$30.

Fourth. Also included in the pending bill is my proposal to provide an opportunity for ministers to be covered. I originally introduced this bill in response to many ministers who wanted to be included in the program.

Fifth. Also included in the pending bill is my proposal to make employees of institutions of higher learning eligible for coverage under the program.

Sixth. Finally the pending bill also includes my proposal to extend for 2 years the \$5 increase provided to the States in 1952 for payment to old-age assistance, aid to the blind, and aid to dependent children.

Naturally, when I first introduced a series of my bills on May 18, 1953, I did not think they were by any means all-inclusive. However, I did and still do feel that their passage would fill immediate needs. To be frank, I thought the worth of these measures so obvious that they might be acceptable to Congress without years of procrastination and study. I will be the first to admit that these proposals are only a starter. The sum total of these bills defines only the very minimum goals for social security in the United States. I, therefore, also joined with several of my distinguished colleagues in sponsoring an omnibus or general social-security-revision bill.

The omnibus social-security bill is a carefully prepared and up-to-date document. It represents many of my basic convictions as to the needs of our aged, our handicapped, our disabled. I hope that many of its provisions will be enacted into law this year; and if this happens I will feel we have dealt justly with the social-security program. I think the provisions of this bill speak for themselves, and I ask unanimous consent, therefore, that a statement setting forth some of these provisions as compared to those of the pending legislation be included at this point in my remarks.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

COMPARISON OF SOME PROVISIONS IN THE PENDING BILL (H. R. 9366) AND THE OMNIBUS BILL (S. 2260)

COVERAGE

The omnibus bill would have extended coverage to 13 million additional people rather than to only 7 million as the present bill provides. This would have meant the addition of some Federal employees, members of the Armed Forces, farmers, and professionals.

MINIMUM AND MAXIMUM BENEFITS

The pending bill has adopted the proposal in the omnibus measure to raise the minimum benefits from \$25 to \$30. Identical increases in family maximum benefits have also been adopted—from \$168.75 to \$200. However, the omnibus measure would have raised the individual maximum from \$85 to \$135 instead of only to \$108.50 as the present bill provides.

WAGE BASE BENEFITS

Under the omnibus bill, the wage base benefits would have been raised from \$3,600 to \$6,000 a year instead of to \$4,200. This would have been of particular help to middle-income groups.

BENEFITS BASIS

The pending bill makes a real step forward by eliminating the 5 lowest years of earnings in computing average earnings on which benefits are based. The omnibus measure went a step further by using the 10 highest consecutive years of covered earnings.

REVISION OF BENEFIT FORMULA

Both measures provide higher percentage replacement of earnings in middle income brackets. However, only the omnibus measure provides an incentive through an increment of one-half of 1 percent for additional years of employment and contributions and a 2 percent increase in benefits for each year retirement is delayed past the age of 65.

RETIREMENT TEST

Provisions of both measures are similar in that they raise the amount of permissible earnings to a figure equivalent to \$1,200 a year. The pending measure has also reduced the age from 75 to 72 at which benefits are payable irrespective of retirement.

BENEFITS FOR DISABLED PERSONS

The provisions of the two bills in this category are quite different. Under the pending bill, the insured status and the benefit rights of persons totally disabled over 6 months are frozen, to prevent reduction of benefits from years of no earnings. No benefits are, however, payable until the age of 65. The omnibus measure goes further by declaring that benefits are immediately available to persons totally and permanently disabled, regardless of age. In addition, retirement benefits payable at the age of 65 will not be based on years of no earnings. This category and the next are extremely important in view of the fact that while over 2 percent of our working force suffers from long-term disability only 1 in 20 of these are eligible for workmen's compensation.

REHABILITATION

While the pending bill provides for the expansion of rehabilitation services, the omnibus measure goes further in this respect and provides monthly benefits, while rehabilitation continues.

TEMPORARY DISABILITY OR ILLNESS

The pending measure makes no provision for temporary disability or illness, while the omnibus measure provides cash benefits up to 26 weeks a year.

FINANCING

Under the pending measure the final contribution rate is to be increased to 4 percent of the taxable payroll in 1975, instead of 3½ percent, and the tax on self-employed is to be increased to 6 percent instead of to 4½ percent. Under the omnibus measure there would be an increase in both the frequency and amount or raises in the contribution rate to a peak of 4 percent of taxable payroll in 1961, and 5½ percent for self-employed in the same year.

Mr. HUMPHELY. Mr. President, I am glad to say that several of the excellent provisions in the omnibus bill

have been included in H. R. 9366, the pending legislation. They include:

First. The increase of maximum monthly benefits to \$200;

Second. Preservation of the insurance rights of persons permanently disabled;

Third. Certain increases in benefits although they are not as liberal as those in our omnibus bill;

Fourth. Liberalization of the retirement test;

Fifth. Extension of coverage; and

Sixth. An increase in the wage base.

Mr. President, in 1950 and in 1952 Congress passed major revisions in the social-security program. I supported these liberalizing provisions—some of the changes, in fact, came about through the adoption of amendments which I sponsored or cosponsored. Perhaps it is of some significance that the even-numbered years seem to favor progress in this field. Well, then, this is 1954 and much remains to be done. Let us continue the advance. Let us make sure that all the American people are free from the blight of poverty and the fear of insecurity.

At this point I would like to make a few remarks on the steps forward we did make in 1950 and 1952.

In 1950, the benefits of the social-security system were extended to some 10 million more people. Both in 1950 and 1952 payments under the system were substantially liberalized. Through a new formula the average benefit for those already on the rolls went up a total of \$25; allowable monthly earnings rose from \$14.99 to \$50 and finally to \$75; benefits were increased for widows and orphans and it was provided that lump-sum payments be made in the event of all deaths. In addition, veterans were granted a \$160 monthly wage credit toward social-security benefits for each month of active service, July 25, 1947, to December 31, 1953.

It was also in 1950 that Congress added the new concept of Federal grants-in-aid to the States for the permanently and totally disabled. Under this program, improved public assistance was made available to the blind, the aged, and dependent children. Grants were also increased for maternal and child health, crippled children, and child-welfare services.

Though we did not achieve our ultimate goals, these 2 years, 1950 and 1952, were memorable ones in the development of our social-security program. I was pleased and proud that several of my proposals, particularly that increasing old-age and survivors benefits by \$5, met with approval. I also feel that the amendments I introduced which did not meet with approval made a real contribution. For, as has happened in the past, I am sure that they will prove to be the seed which will bear fruit this year, I hope, and if not, in the future.

Among the amendments I have supported and sponsored in 1950 were those to extend coverage to an increasing number of Americans. I also introduced amendments to increase benefits to those who retire under the program as well as to the aged and the blind. Another amendment would have provided Federal grants for medical care to

the needy aged, and blind, and dependent children. It was in 1950 that I first supported the amendment to provide insurance benefits of the old-age and survivors insurance program to individuals who are permanently unable to work because of physical or mental illness.

I would like to call particular attention to a bill I sponsored together with Senator DOUGLAS to expand our provisions for the treatment and rehabilitation of disabled persons. The bill, which included the program of vending stands for the blind, provided for Federal payments to cooperating State agencies, Federal payments for the establishment of workshops and rehabilitation centers, and provided for a program of Federal research on rehabilitation techniques. It also provided for loans to the States to carry out programs under the act, and provided a revolving fund to assist workshop cooperatives of severely disabled people.

Among the measures I introduced in 1952 for the liberalization of the social-security program were several that I had already introduced in 1950 or have currently reintroduced. However, I would like to note one, as yet unmentioned, measure which would have provided that any person eligible for old-age and survivors insurance would be entitled to hospital benefits equal to 60 days a year. This proposal has not yet been approved, but it still represents one of the most pressing needs of America's senior citizens.

None of us can for long deny the appeal to our conscience which asks that the strong share part of the burden of the weak.

This has been my record during the last 6 years on social security. America is the richest Nation in the world. Indeed, it is my belief that we can no longer afford to allow destitution and despair rot like a canker in our midst. Now is the time to show the world that our American way of life can bring prosperity and security to all the people. I, for one, will join with my colleagues to carry on this fight until the inevitable day when men shall dimly remember, but never again experience, the fears of economic insecurity. It has been this faith and dedication in the future and in our fellow Americans that has made our country the greatest in the world.

The PRESIDING OFFICER. The bill having been read three times, the question is, Shall it pass?

The bill (H. R. 9366) was passed.

Mr. MILLIKIN. Mr. President, I send to the desk an order, which I ask to have read and to be agreed to.

The PRESIDING OFFICER. The clerk will state the order.

The legislative clerk read as follows:

Ordered, (1) That the bill (H. R. 9366) be printed with the Senate amendments numbered.

(2) That in the engrossment of the amendments of the Senate to the bill, the Secretary of the Senate is authorized to make all necessary technical and clerical changes, including changes in section, subsection, paragraph, etc., numbers and letters, and cross-references thereto.

The PRESIDING OFFICER. Without objection, the order is agreed to.

Mr. MILLIKIN. Mr. President, I move that the Senate insist upon its amendments, request a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer (Mr. GOLDWATER in the chair) appointed Mr. MILLIKIN, Mr. MARTIN, Mr. WILLIAMS, Mr. GEORGE, and Mr. BYRD conferees on the part of the Senate.

constituents will know my position and will know why certain amendments were not offered by me tonight. After a series of conferences and a count of noses, it became perfectly clear to me that in the rush hours of this closing session it would be impossible really to revise the Eisenhower social-security bill along the lines of the Lehman substitute bill which I have been supporting.

In a policy conference that a group of us had, we simply recognized the realities of the situation and decided that all we could do would be to try to support a few amendments, which I did, and then, come January, seek to put into law a revised social-security system that would do justice to the aged and to other groups not now covered by the social-security law who should be covered and are not included in the bill which the Senate just passed.

Of course, the parliamentary strategy that existed on the floor of the Senate tonight bore out very clearly the statement I made. We could not get a yea-and-nay vote. We could not get Senators to go on record in connection with adding even \$5 to the social-security benefits of the aged and the dependent children.

So I say to my constituents that they need have no concern as to what their Senator is going to do come January. I am going to continue to fight for a social-security law that will keep faith with the principles I enunciated a few minutes ago on the floor of the Senate in a short speech, when I said the people of the Nation have a clear moral obligation to many thousands of persons—yes, a good many millions—in the country whose gross income is \$3,500 a year or less.

We were confronted with a situation in which the best we could get out of this session of the Congress in its closing hours was the administration bill, with a few minor amendments which we were able to add in the bill today.

I now wish to proceed to the second item.

THE SOCIAL-SECURITY BILL

Mr. MORSE. Mr. President, I have three very brief items on which I should like to comment. First, I wish to make a very brief statement on the social-security bill for the RECORD, so that my

83^D CONGRESS
2^D SESSION

H. R. 9366

IN THE SENATE OF THE UNITED STATES

AUGUST 13 (legislative day, AUGUST 5), 1954

Ordered to be printed with the amendments of the Senate numbered

AN ACT

To amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, 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 may be cited as the "Social Security Amend-
- 4 ments of 1954".

1 **TITLE I—AMENDMENTS TO TITLE II OF THE**
2 **SOCIAL SECURITY ACT**
3 **EXTENSION OF COVERAGE**
4 **DOMESTIC SERVICE, SERVICE NOT IN COURSE OF EMPLOYER'S**
5 **BUSINESS, AND AGRICULTURAL LABOR**

6 **SEC. 101. (a) (1) Paragraph (2) of section 209 (g)**
7 **of the Social Security Act is amended to read as follows:**

8 **“(2) Cash remuneration paid by an employer in**
9 **any calendar quarter to an employee for domestic service**
10 **in a private home of the employer, if the cash remunera-**
11 **tion paid in such quarter by the employer to the em-**
12 **ployee for such service is less than \$50. As used in**
13 **this paragraph, the term ‘domestic service in a private**
14 **home of the employer’ does not include service de-**
15 **scribed in section 210 (f) (5);”.**

16 **(2) Section 209 (g) of such Act is amended by adding**
17 **at the end thereof the following new paragraph:**

18 **“(3) Cash remuneration paid by an employer in**
19 **any calendar quarter to an employee for service not in**
20 **the course of the employer's trade or business, if the**
21 **cash remuneration paid in such quarter by the employer**
22 **to the employee for such service is less than \$50. As**
23 **used in this paragraph, the term ‘service not in the**
24 **course of the employer's trade or business’ does not in-**
25 **clude domestic service in a private home of the employer**

1 and does not include service described in section 210
2 (f) (5);”.

3 (3) Section 209 (h) of such Act is amended by in-
4 serting “(1)” after “(h)” and by adding at the end thereof
5 the following new paragraph:

6 “(2) Cash remuneration paid by an employer in
7 any calendar ~~(1)year~~ *quarter* to an employee for agri-
8 cultural labor, if the cash remuneration paid in such
9 ~~(2)year~~ *quarter* by the employer to the employee for
10 such labor is less than ~~(3)\$200~~ *\$50;*”.

11 (4) Section 210 (a) (1) of such Act is amended to
12 read as follows:

13 ~~(4)~~“(1) (A) *Service performed in connection with the*
14 *production or harvesting of any commodity defined as*
15 *an agricultural commodity in section 15 (g) of the*
16 *Agricultural Marketing Act, as amended;*

17 ~~(5)~~“(1)” (B) *Service performed by foreign agricul-*
18 *tural* ~~(6)workers~~ *under contracts entered into in accord-*
19 *ance with title V of the Agricultural Act of 1949, as*
20 ~~amended;~~ *workers (i) under contracts entered into in*
21 *accordance with title V of the Agricultural Act of 1949,*
22 *as amended, or (ii) lawfully admitted to the United*
23 *States from the Bahamas, Jamaica, and the other*
24 *British West Indies on a temporary basis to perform*
25 *agricultural labor;*”.

1 (A) by inserting "by an individual" after "Service
2 performed", and by inserting "and if such service is cov-
3 ered by a retirement system established by such instru-
4 mentality;" after "December 31, 1950,";

5 (B) by inserting "a Federal Home Loan Bank,"
6 after "a Federal Reserve Bank," in clause (ii); and

7 (C) by striking out "or" at the end of clause (iii);
8 by adding "or" at the end of clause (iv); and by adding
9 at the end of the subparagraph the following new clause:

10 "~~(v)~~ service performed by a civilian employee,
11 not compensated from funds appropriated by the
12 Congress, in the Coast Guard Exchanges or other
13 activities, conducted by an instrumentality of the
14 United States subject to the jurisdiction of the Sec-
15 retary of the Treasury, at installations of the Coast
16 Guard for the comfort, pleasure, contentment, and
17 mental and physical improvement of personnel of
18 the Coast Guard;"

19 (2) Subparagraph (C) of such paragraph is amended
20 to read as follows:

21 "(C) Service performed in the employ of the
22 United States or in the employ of any instrumentality of
23 the United States, if such service is performed—

24 "(i) as the President or Vice President of the

1 United States or as a Member, Delegate, or Resi-
2 dent Commissioner of or to the Congress;

3 ~~“(ii) in the legislative branch;~~

4 ~~“(iii) in a penal institution of the United States~~
5 ~~by an inmate thereof;~~

6 ~~“(iv) by any individual as an employee in-~~
7 ~~cluded under section 2 of the Act of August 4, 1947~~
8 ~~(relating to certain interns, student nurses, and~~
9 ~~other student employees of hospitals of the Federal~~
10 ~~Government; 5 U. S. C., sec. 1052);~~

11 ~~“(v) by any individual as an employee serving~~
12 ~~on a temporary basis in case of fire, storm, earth-~~
13 ~~quake, flood, or other similar emergency; or~~

14 ~~“(vi) by any individual to whom the Civil~~
15 ~~Service Retirement Act of 1930 does not apply~~
16 ~~because such individual is subject to another retire-~~
17 ~~ment system (other than the retirement system of~~
18 ~~the Tennessee Valley Authority);”.~~

19 ~~(3) Section 205 (p) (3) of such Act is amended by~~
20 ~~adding at the end thereof the following new sentence: “The~~
21 ~~provisions of paragraphs (1) and (2) shall be applicable~~
22 ~~also in the case of service performed by a civilian employee,~~
23 ~~not compensated from funds appropriated by the Congress,~~
24 ~~in the Coast Guard Exchanges or other activities, conducted~~
25 ~~by an instrumentality of the United States subject to the~~

1 jurisdiction of the Secretary of the Treasury, at installations
2 of the Coast Guard for the comfort, pleasure, contentment,
3 and mental and physical improvement of personnel of the
4 Coast Guard; and for purposes of paragraphs ~~(1)~~ and ~~(2)~~
5 the Secretary of the Treasury shall be deemed to be the head
6 of such instrumentality."

7 ~~(8)~~MINISTERS

8 ~~(d)~~ ~~(1)~~ The paragraph of section 210 ~~(a)~~ of the
9 Social Security Act herein redesignated as paragraph ~~(8)~~
10 is amended to read as follows:

11 ~~"(8)~~ ~~(A)~~ Service performed in the employ of a
12 religious, charitable, educational, or other organization
13 exempt from income tax under section 101 ~~(6)~~ of the
14 Internal Revenue Code, other than service performed by
15 a duly ordained, commissioned, or licensed minister of
16 a church in the exercise of his ministry or by a member
17 of a religious order in the exercise of duties required
18 by such order; but this subparagraph shall not apply to
19 service performed during the period for which a certifi-
20 cate, filed pursuant to section 1426 ~~(1)~~ ~~(1)~~ of the
21 Internal Revenue Code, is in effect, if such service is
22 performed by an employee ~~(i)~~ whose signature appears
23 on the list filed by such organization under such section,
24 or ~~(ii)~~ who became an employee of such organization

1 after the certificate was filed and after such period
2 began;

3 ~~“(B) Service performed in the employ of a reli-~~
4 ~~gious, charitable, educational, or other organization~~
5 ~~exempt from income tax under section 101 (6) of the~~
6 ~~Internal Revenue Code, by a duly ordained, commis-~~
7 ~~sioned, or licensed minister of a church in the exercise of~~
8 ~~his ministry or by a member of a religious order in the~~
9 ~~exercise of duties required by such order; but this sub-~~
10 ~~paragraph shall not apply to service performed by a~~
11 ~~duly ordained, commissioned, or licensed minister of a~~
12 ~~church or a member of a religious order, other than~~
13 ~~a member of a religious order who has taken a vow~~
14 ~~of poverty as a member of such order, during the period~~
15 ~~for which a certificate, filed pursuant to section 1426~~
16 ~~(1) (2) of the Internal Revenue Code, is in effect, if~~
17 ~~such service is performed by an employee (i) whose~~
18 ~~signature appears on the list filed by such organization~~
19 ~~under such section, or (ii) who became an employee of~~
20 ~~such organization after the certificate was filed and after~~
21 ~~such period began;”.~~

22 ~~(2) Section 211 (c) of such Act is amended by striking~~
23 ~~out paragraph (4).~~

24 ~~(3) Nothing in subsection (a) of section 210 of the~~
25 ~~Social Security Act, as amended by this Act, or in subsec-~~

1 tions ~~(b)~~ and ~~(1)~~ of section 1426 of the Internal Revenue
2 Code, as so amended, shall be construed to mean that any
3 minister is an employee of an organization for any purpose
4 other than the purposes of such sections.

5 *MINISTERS AND CHRISTIAN SCIENCE PRACTITIONERS*

6 *(c) (1) Paragraph (2) of subsection (c) of section 211*
7 *of the Social Security Act is amended by inserting "and other*
8 *than service described in paragraph (4) of this subsection"*
9 *after "eighteen".*

10 *(2) Such subsection is further amended by adding at the*
11 *end thereof the following new sentence: "The provisions of*
12 *paragraph (4) shall not apply to service (other than service*
13 *performed by a member of a religious order who has taken*
14 *a vow of poverty as a member of such order) performed*
15 *by an individual during the period for which a certificate*
16 *filed by such individual under section 1402 (e) of the*
17 *Internal Revenue Code of 1954 is in effect, the provisions of*
18 *paragraph (5) shall not apply to service performed by an*
19 *individual in the exercise of his profession as a Christian*
20 *Science practitioner during the period for which a certificate*
21 *filed by him under section 1402 (e) of the Internal Revenue*
22 *Code of 1954 is in effect."*

23 *(3) Section 211 (a) of the Social Security Act is*
24 *amended—*

1

HOMEWORKERS

2 ~~(10)(f)~~ (e) Subparagraph (C) of section 210 (k) (3) of
3 the Social Security Act is amended by striking out “, if the
4 performance of such services is subject to licensing require-
5 ments under the laws of the State in which such services are
6 performed”.

7

~~(11)~~FARMERS AND PROFESSIONAL SELF-EMPLOYED

8 ~~(g)~~ (1) Subsection (a) of section 211 of the Social
9 Security Act is amended by striking out paragraph (2) and
10 redesignating paragraphs (3), (4), (5), (6), and (7),
11 and any references thereto contained in such Act, as para-
12 graphs (2), (3), (4), (5), and (6), respectively, and by
13 adding at the end of such subsection the following new sen-
14 tence: “In the case of any trade or business which is carried
15 on by an individual who reports his income on a cash receipts
16 and disbursements basis, and in which, if it were carried on
17 exclusively by employees, the major portion of the services
18 would constitute agricultural labor as defined in section 210
19 (f), (i) if the gross income derived from such trade or
20 business by such individual is not more than \$1,800, the net
21 earnings from self-employment derived by him therefrom
22 may, at his option, be deemed to be 50 per centum of such
23 gross income in lieu of his net earnings from self-employment

1 from such trade or business computed as provided under the
2 preceding provisions of this subsection, or ~~(ii)~~ if the
3 gross income derived from such trade or business by such
4 individual is more than \$1,800 and the net earnings from
5 self-employment derived by him therefrom, as computed
6 under the preceding provisions of this subsection, are less
7 than \$900, such net earnings may instead, at the option of
8 such individual, be deemed to be \$900. For the purpose
9 of the preceding sentence, gross income derived from such
10 trade or business shall mean the gross receipts from such
11 trade or business reduced by the cost or other basis of prop-
12 erty which was purchased and sold in carrying on such
13 trade or business, adjusted ~~(after such reduction)~~ in ac-
14 cordance with the preceding provisions of this subsection."

15 ~~(2)~~ Paragraph ~~(1)~~ of such section 211 ~~(a)~~ is amend-
16 ed to read as follows:

17 " ~~(1)~~ There shall be excluded rentals from real
18 estate and from personal property leased with the real
19 estate ~~(including such rentals paid in crop shares)~~,
20 together with the deductions attributable thereto, unless
21 such rentals are received in the course of a trade or
22 business as a real estate dealer;".

23 ~~(3)~~ The paragraph of such section 211 ~~(a)~~ herein
24 redesignated as paragraph ~~(3)~~ is amended by striking out

1 which are, by reason of action by such State or political sub-
 2 division thereof, as may be appropriate, taken prior to the
 3 date of the enactment of such succeeding paragraph, no
 4 longer covered by a retirement system on the date referred
 5 to in clause (A), and except in the case of positions excluded
 6 by paragraph (5) (A)). *adding at the end thereof the*
 7 *following sentence: (17)The "The preceding sentence shall*
 8 *not be applicable to any service performed by an employee*
 9 *as a member of any coverage group in a position (other than*
 10 *a position excluded by paragraph (5) (A)) covered by a*
 11 *retirement system on the date an agreement is made appli-*
 12 *cable to such coverage group if, on such date (or, if later,*
 13 *the date on which such individual first occupies such posi-*
 14 *tion), such individual is ineligible to be a member of such*
 15 *(18)system". system."*
 16 *(19)(B) Such section 218 (d) is amended by striking out*
 17 *"on the date such agreement is made applicable to such*
 18 *coverage group" and inserting in lieu thereof "either (A)*
 19 *on the date such agreement is made applicable to such cover-*
 20 *age group, or (B) on the date of enactment of the succeed-*
 21 *ing paragraph of this subsection (except in the case of posi-*
 22 *tions which are, by reason of action by such State or political*
 23 *subdivision thereof, as may be appropriate, taken prior to*
 24 *the date of enactment of such succeeding paragraph, no*

1 *longer covered by a retirement system on the date referred*
2 *to in clause (A), and except in the case of positions excluded*
3 *by paragraph (5) (A))”.*

4 (2) Such section 218 (d) is further amended by adding
5 at the end thereof the following new paragraphs:

6 “(2) It is hereby declared to be the policy of the
7 Congress in enacting the succeeding paragraphs of this
8 subsection that the protection afforded employees in positions
9 covered by a retirement system on the date an agreement
10 under this section is made applicable to service performed
11 in such positions, or receiving periodic benefits under such
12 retirement system at such time, will not be impaired as a
13 result of making the agreement so applicable or as a result
14 of legislative enactment in anticipation thereof.

15 “(3) Notwithstanding paragraph (1), an agreement
16 with a State may be made applicable (either in the original
17 agreement or by any modification thereof) to service per-
18 formed by employees in positions covered by a retirement
19 system (including positions specified in paragraph (4) but
20 not including positions excluded by or pursuant to paragraph
21 (5)) if the governor of the State certifies to the Secretary of
22 Health, Education, and Welfare that the following conditions
23 have been met:

24 “(A) A referendum by secret written ballot was

1 held on the question of whether service in positions
2 covered by such retirement system should be excluded
3 from or included under an agreement under this section;

4 “(B) An opportunity to vote in such referendum
5 was given (and was limited) to eligible employees;

6 “(C) ~~(20)~~*Ninety* Not less than *ninety* days’ notice
7 of such referendum was given to all such employees;

8 “(D) Such referendum was conducted under the
9 supervision of the governor or an agency or individual
10 designated by him; ~~(21)~~*and*

11 “(E) A majority of the eligible employees voted in
12 ~~(22)~~*such referendum favor of including service in such*
13 *positions under an agreement under this section (23);*
14 *and.*

15 ~~(24)~~*“(F) Two-thirds or more of the employees who*
16 *voted in such referendum voted in favor of including*
17 *service in such positions under an agreement under this*
18 *section.*

19 An employee shall be deemed an ‘eligible employee’ for
20 purposes of any referendum with respect to any retirement
21 system if, at the time such referendum was held, he was in
22 a position covered by such retirement system and was a
23 member of such system, and if he was in such a position at
24 the time notice of such referendum was given as required
25 by clause (C) of the preceding sentence; except that he shall

1 not be deemed an 'eligible employee' if, at the time the ref-
2 erendum was held, he was in a position to which the State
3 agreement already applied, or if he was in a position ex-
4 cluded by or pursuant to paragraph (5). No referendum
5 with respect to a retirement system shall be valid for pur-
6 poses of this paragraph unless held within the two-year period
7 which ends on the date of execution of the agreement or
8 modification which extends the insurance system established
9 by this title to such retirement system, nor shall any referen-
10 dum with respect to a retirement system be valid for purposes
11 of this paragraph if held less than one year after (25)any
12 ~~prior~~ *the last previous* referendum held with respect to such
13 retirement system.

14 “(4) For the purposes of subsection (c) of this section,
15 the following employees shall be deemed to be a separate
16 coverage group—

17 “(A) all employees in positions which were cov-
18 ered by the same retirement system on the date the
19 agreement was made applicable to such system (other
20 than employees to whose services the agreement already
21 applied on such date) ;

22 “(B) all employees in positions which became cov-
23 ered by such system at any time after such date; and

24 “(C) all employees in positions which were cov-

1 ered by such system at any time before such date and
2 to whose services the insurance system established by
3 this title has not been extended before such date because
4 the positions were covered by such retirement system
5 (including employees to whose services the agreement
6 was not applicable on such date because such services
7 were excluded pursuant to subsection (c) (3) (C)).

8 “(5) (A) Nothing in paragraph (3) of this subsection
9 shall authorize the extension of the insurance system estab-
10 lished by this title to service in any policeman’s or fireman’s
11 position.

12 “(B) At the request of the State, any class or classes of
13 positions covered by a retirement system which may be
14 excluded from the agreement pursuant to paragraph (3) or
15 (5) of subsection (c), and to which the agreement does
16 not already apply, may be excluded from the agreement at
17 the time it is made applicable to such retirement system;
18 except that, notwithstanding the provisions of paragraph (3)
19 (C) of such subsection, such exclusion may not include any
20 services to which such paragraph (3) (C) is applicable.
21 In the case of any such exclusion, each such class so excluded
22 shall, for purposes of this subsection, constitute a separate
23 retirement system in case of any modification of the agree-
24 ment thereafter agreed to.

25 “(6) If a retirement system covers positions of em-

1 ployees of the State and positions of employees of one or
 2 more political subdivisions of the State, or covers positions
 3 of employees of two or more political subdivisions of the
 4 State, then, for purposes of the preceding paragraphs of this
 5 subsection, there shall, if the State so desires, be deemed to
 6 be a separate retirement system with respect to ~~(26) each po-~~
 7 ~~litical subdivision~~ *any one or more of the political subdivisions*
 8 concerned and, where the retirement system covers positions
 9 of employees of the State, a separate retirement system with re-
 10 spect to the State ~~(27)~~ *or with respect to the State and any one*
 11 *or more of the political subdivisions concerned. If a retire-*
 12 *ment system covers positions of employees of one or more*
 13 *institutions of higher learning, then, for purposes of such*
 14 *preceding paragraphs, there shall, if the State so desires, be*
 15 *deemed to be a separate retirement system for the employees*
 16 *of each such institution of higher learning. For the purposes*
 17 *of this paragraph, the term 'institutions of higher learning'*
 18 *includes junior colleges and teachers' colleges."*

19 (3) Paragraph (3) of section 218 (c) is amended to
 20 read as follows:

21 " (3) Such agreement shall, if the State requests it, ex-
 22 clude (in the case of any coverage group) any one or more
 23 of the following:

24 " (A) Any service of an emergency nature;

25 " (B) All services in any class or classes of (i)

1 elective positions, (ii) part-time positions, or (iii) posi-
2 tions the compensation for which is on a fee basis;

3 “(C) All services performed by individuals as mem-
4 bers of a coverage group in positions covered by a retire-
5 ment system on the date such agreement is made ap-
6 plicable to such coverage group, but only in the case of
7 individuals who, on such date (or, if later, the date on
8 which they first occupy such positions), are not eligible
9 to become members of such system and whose services
10 in such positions have not already been included under
11 such agreement pursuant to subsection (d) (3).”

12 (4) Paragraph (4) of such section 218 (c) is amended
13 by adding at the end thereof the following new sentence:
14 “A modification of an agreement pursuant to clause (B) of
15 the preceding sentence may apply to individuals to whom
16 paragraph (3) (C) is applicable (whether or not the previ-
17 ous exclusion of the service of such individuals was pursuant
18 to such paragraph), but only if such individuals are, on the
19 effective date specified in such modification, ineligible to be
20 members of any retirement system or if the modification with
21 respect to such individuals is pursuant to subsection (d)
22 (3).”

23 (5) Such section 218 (c) is further amended by adding
24 at the end thereof the following new paragraph:

25 “(7) No agreement may be made applicable (either in

1 the original agreement or by any modification thereof) to
2 service performed by any individual to whom paragraph (3)
3 (C) is applicable unless such agreement provides (in the
4 case of each coverage group involved) either that the service
5 of any individual to whom such paragraph is applicable and
6 who is a member of such coverage group shall continue to
7 be covered by such agreement in case he thereafter becomes
8 eligible to be a member of a retirement system, or that such
9 service shall cease to be so covered when he becomes eligible
10 to be a member of such a system (but only if the agreement
11 is not already applicable to such system pursuant to subsec-
12 tion (d) (3)), whichever may be desired by the State.”

13 (6) Section 218 (f) of such Act is amended to read
14 as follows:

15 “(f) Any agreement or modification of an agreement
16 under this section shall be effective with respect to services
17 performed after an effective date specified in such agreement
18 or modification; except that—

19 “(1) in the case of an agreement or modification
20 agreed to prior to 1954, such date may not be earlier
21 than December 31, 1950;

22 “(2) in the case of an agreement or modification
23 agreed to after 1954 but prior to 1958, such date may
24 not be earlier than December 31, 1954; and

25 “(3) in the case of an agreement or modification

1 this subsection, are no longer covered by a retirement system
2 on the date such agreement is made applicable to such
3 services.”

4 (9) The amendments made by this subsection (28),
5 other than paragraph (1) (B), shall take effect January 1,
6 1955.

7 CIVILIAN EMPLOYEES OF STATE NATIONAL GUARD UNITS

8 (29) AND CERTAIN STATE INSPECTORS

9 (30)(i) (h) (1) Effective as of January 1, 1951, paragraph
10 (5) of section 218 (b) of the Social Security Act is
11 amended by adding at the end thereof the following new
12 sentence: “Civilian employees of National Guard units of
13 a State who are employed pursuant to section 90 of the
14 National Defense Act of June 3, 1916 (32 U. S. C., sec. 42),
15 and paid from funds allotted to such units by the Department
16 of Defense, shall for purposes of this section be deemed to be
17 employees of the State and (notwithstanding the preceding
18 provisions of this paragraph) shall be deemed to be a sepa-
19 rate coverage group.”

20 (31)(2) Effective January 1, 1955, such paragraph is
21 further amended by adding after the sentence added by para-
22 graph (1) of this subsection the following new sentence:
23 “For purposes of this section, individuals employed pursuant
24 to an agreement, entered into pursuant to section 205 of the
25 Agricultural Marketing Act of 1946 (7 U. S. C. 1624)

1 or section 14 of the *Perishable Agricultural Commodities*
2 *Act, 1930 (7 U. S. C. 499n), between a State and the*
3 *United States Department of Agriculture to perform services*
4 *as inspectors of agricultural products may be deemed, at the*
5 *option of the State, to be employees of the State and (not-*
6 *withstanding the preceding provisions of this paragraph)*
7 *shall be deemed to be a separate coverage group."*

8 ~~(32)~~(2) (3) In the case of any coverage group to which the
9 amendment made by paragraph (1) is applicable, any
10 agreement or modification of an agreement agreed to prior
11 to January 1, 1956, may, notwithstanding section 218 (f)
12 of the Social Security Act, be made effective with respect to
13 services performed by employees as members of such cover-
14 age group after any effective date specified therein, but in
15 no case may such effective date be earlier than December
16 31, 1950.

17 **(33) CERTAIN EMPLOYEES OF THE STATE OF UTAH**

18 (i) *Effective as of January 1, 1951, section 218 of the*
19 *Social Security Act is amended by adding after subsection*
20 *(n) (added by subsection (g) (8) of this section) the fol-*
21 *lowing new subsection:*

22 *"Certain Employees of the State of Utah*

23 *"(o) Notwithstanding the provisions of subsection (d),*
24 *the agreement with the State of Utah entered into pursuant to*
25 *this section may be modified pursuant to subsection (c)*

1 (4) so as to apply to services performed for any of
2 the following, the employees performing services for each
3 of which shall constitute a separate coverage group:
4 Weber Junior College, Carbon Junior College, Dixie
5 Junior College, Central Utah Vocational School, Salt Lake
6 Area Vocational School, Center for the Adult Blind, Union
7 High School (Roosevelt, Utah), Utah High School Activities
8 Association, State Industrial School, State Training School,
9 State Board of Education, and Utah School Employees
10 Retirement Board. Any modification agreed to prior to
11 January 1, 1955, may be made effective with respect to
12 services performed by employees as members of any of such
13 coverage groups after an effective date specified therein, except
14 that in no case may any such date be earlier than December
15 31, 1950."

16 **(34) ARIZONA TEACHERS' RETIREMENT SYSTEM**

17 (j) If, prior to January 1, 1956, the agreement with
18 the State of Arizona entered into pursuant to section 218 of
19 the Social Security Act is modified pursuant to subsection
20 (d) (3) of such section so as to apply to service performed
21 by employees in positions covered by the Arizona Teachers'
22 Retirement System the modification may, notwithstanding
23 section 218 (f) of the Social Security Act, be made effec-
24 tive with respect to service performed in such positions
25 after an effective date specified in the modification, but in

1 no case may such effective date be earlier than December
 2 31, 1950. For the purposes of any such modification, all
 3 employees in positions covered by the Arizona Teachers'
 4 Retirement System shall be deemed, notwithstanding the
 5 provisions of section 218 (d) (6) of such Act, to constitute
 6 a separate coverage group.

7 PRESUMED WORK DEDUCTIONS IN CASE OF CERTAIN RETRO-
 8 ACTIVE STATE AGREEMENTS

9 ~~(35)(j)~~ (k) (1) In the case of any services performed prior
 10 to 1955 to which an agreement under section 218 of the
 11 Social Security Act was made applicable, deductions
 12 which—

13 (A) were not imposed under section 203 of such
 14 Act with respect to such services performed prior to
 15 the date the agreement was agreed to or, if the original
 16 agreement was not applicable to such services, per-
 17 formed prior to the date the modification making such
 18 agreement applicable to such services was agreed to, and

19 (B) would have been imposed under such section
 20 203 had such agreement, or modification, as the case
 21 may be, been agreed to on the date it became effective,
 22 ~~(36)~~ shall be deemed to have been imposed, but only for pur-
 23 poses of determining whether, on the basis of an applica-
 24 tion filed after the month in which this Act is enacted and
 25 prior to January 1, 1956, any person is entitled to a re-

1 computation, under section 215 (f) of the Social Security
2 Act, of the primary insurance amount of the individual who
3 performed such services. For purposes of any such recom-
4 putation the individual who performed such services shall be
5 deemed to have filed an application for recomputation in the
6 month for which the last of the deductions is deemed to have
7 been made under this paragraph, or in the first month there-
8 after (and prior to the month in which this Act is enacted)
9 in which his benefits under section 202 (a) of the Social Se-
10 curity Act were no longer subject to deductions under para-
11 graph (1) or (2) of section 203 (b) of such Act, which-
12 ever results in a higher primary insurance amount for such
13 individual. Any such recomputation shall be made as pro-
14 vided in the Social Security Act prior to the enactment of
15 this Act, and shall be effective for and after the month in
16 which the application referred to in the first sentence of this
17 paragraph is filed. This paragraph shall not be applicable
18 in the case of any such individual if his primary insurance
19 amount has been recomputed under section 215 (f) (2) of
20 the Social Security Act prior to the month in which this Act
21 is enacted.

22 *shall be deemed to have been imposed, but only for purposes*
23 *of section 215 (f) (2) (A) or section 215 (f) (4) (A)*
24 *of such Act as in effect prior to the enactment of this*
25 *Act. An individual with respect to whose services the preced-*

1 *ing sentence is applicable, or in the case of his death, his*
2 *survivors entitled to monthly benefits under section 202 of the*
3 *Social Security Act on the basis of his wages and self-*
4 *employment income, shall be entitled to a recomputation of*
5 *his primary insurance amount under such section 215 (f)*
6 *(2) (A) or section 215 (f) (4) (A), as the case may be, if*
7 *the conditions specified therein are met and if, with respect*
8 *to a recomputation under such section 215 (f) (2) (A),*
9 *such individual files the application referred to in such sec-*
10 *tion after August 1954 and prior to January 1956 or, with*
11 *respect to a recomputation under such section 215 (f) (4)*
12 *(A), such individual died prior to January 1956 and any*
13 *of such survivors entitled to monthly benefits files an applica-*
14 *tion, in addition to the application filed for such monthly*
15 *benefits, for a recomputation under such section 215 (f)*
16 *(4) (A).*

17 (2) *For purposes of a recomputation made by reason*
18 *of paragraph (1) of this subsection, the primary insurance*
19 *amount of the individual who performed the services re-*
20 *ferred to in such paragraph shall be computed under sub-*
21 *section (a) (2) of section 215 of the Social Security Act,*
22 *as amended by this Act (but, for such purposes, without*
23 *application of subsection (d) (4) of such section, as in*
24 *effect prior to the enactment of this Act or as amended by*
25 *this Act) and as though he became entitled to old-age insur-*

1 *ance benefits in whichever of the following months yields the*
2 *highest primary insurance amount:*

3 *(A) the month following the last month for which*
4 *deductions are deemed, pursuant to paragraph (1) of*
5 *this subsection, to have been made; or*

6 *(B) the first month after the month determined*
7 *under subparagraph (A) (and prior to September*
8 *1954) in which his benefits under section 202 (a) of*
9 *the Social Security Act were no longer subject to de-*
10 *ductions under section 203 (b) of such Act; or*

11 *(C) the first month after the last month (and prior*
12 *to September 1954) in which his benefits under section*
13 *202 (a) of the Social Security Act were subject to*
14 *deductions under section 203 (b) of such Act; or*

15 *(D) the month in which such individual filed his*
16 *application for recomputation referred to in paragraph*
17 *(1) of this subsection or, if he died without filing such*
18 *application and prior to January 1, 1956, the month in*
19 *which he died, and in any such case (but, if the individual*
20 *is deceased, only if death occurred after August 1954)*
21 *the amendments made by subsections (b) (1), (e) (1)*
22 *and (e) (3) (B) of section 102 of this Act shall be*
23 *applicable.*

24 *Such recomputation shall be effective for and after the*
25 *month in which the application required by paragraph (1)*

1 *of this subsection is filed. The provisions of this subsection*
2 *shall not be applicable in the case of any individual if his*
3 *primary insurance amount has been recomputed under section*
4 *215 (f) (2) of the Social Security Act on the basis of an*
5 *application filed prior to September 1954.*

6 ~~(37)~~~~(2)~~ (3) If any recomputation under section 215 (f) of
7 the Social Security Act is made by reason of deductions
8 deemed pursuant to paragraph (1) of this subsection to
9 have been imposed with respect to benefits based on the
10 wages and self-employment income of any individual, the
11 total of the benefits based on such wages and self-employ-
12 ment income for months for which such deductions are so
13 deemed to have been imposed shall be recovered by making,
14 in addition to any other deductions under section 203 of such
15 Act, deductions from any increase in benefits, based on such
16 wages and self-employment income, resulting from such
17 recomputation.'

18 SERVICE BY AMERICAN CITIZENS FOR FOREIGN SUBSIDIARY
19 OF DOMESTIC CORPORATION

20 ~~(38)~~~~(k)~~ (l) Clause (B) of so much of section 210 (a) of
21 the Social Security Act as precedes paragraph (1) thereof
22 is amended to read as follows: "(B) outside the United
23 States by a citizen of the United States as an employee (i)
24 of an American employer (as defined in subsection (e)),
25 or (ii) of a foreign subsidiary (as defined in section

1 ~~(39)~~4426 ~~(m)~~ 3121 ~~(l)~~ of the Internal Revenue Code
 2 ~~(40)~~of 1954) of a domestic corporation (as determined in
 3 accordance with section ~~(41)~~3797 ~~(a)~~ 7701 of the Internal
 4 Revenue Code ~~(42)~~of 1954) during any period for which
 5 there is in effect an agreement, entered into pursuant to
 6 section ~~(43)~~4426 ~~(m)~~ 3121 ~~(l)~~ of the Internal Revenue
 7 Code ~~(44)~~of 1954, with respect to such subsidiary;”.

8 **(45)FUNERAL DIRECTORS**

9 *(m) Paragraph (5) of section 211 (c) of the Social*
 10 *Security Act is amended by striking out “funeral director,”.*

11 **EFFECTIVE DATES**

12 ~~(46)~~~~(1)~~ *(n)* The amendment made by ~~(47)~~paragraph ~~(3)~~
 13 of subsection ~~(48)~~~~(g)~~ *(f)* shall be applicable only with re-
 14 spect to taxable years beginning after 1950. The amend-
 15 ments made by ~~(49)~~paragraphs ~~(1)~~, ~~(2)~~, and ~~(4)~~ of such
 16 subsection and by paragraph ~~(2)~~ of subsection ~~(50)~~~~(d)~~ *(c)*
 17 and *(m)* shall, except for purposes of section 203 of the
 18 Social Security Act, be applicable only with respect to tax-
 19 able years ending after 1954. The amendments made by
 20 paragraphs (1), (2), and (3) of subsection (a) shall be
 21 applicable only with respect to remuneration paid after 1954.
 22 The amendments made by paragraphs (4), (5), and (6)
 23 of subsection (a) shall be applicable only with respect to
 24 services (whether performed after 1954 or prior to 1955)
 25 for which the remuneration is paid after 1954. ~~(51)~~The

1 ~~amendment made by paragraph (3) of subsection (e) shall~~
 2 ~~become effective January 1, 1955.~~ The other amendments
 3 made by this section (other than the amendments made by
 4 subsections ~~(52)~~(g), (h), (i), ~~(53)~~and ~~(k)~~ (j) and (l))
 5 shall be applicable only with respect to services performed
 6 after 1954. For purposes of section 203 of the Social Secu-
 7 rity Act, the amendments made by ~~(54)~~paragraphs ~~(1)~~,
 8 ~~(2)~~, and ~~(4)~~ of subsection ~~(g)~~ and by paragraph ~~(2)~~ of
 9 ~~subsection (d)~~ subsections (c) and (m) of this section shall
 10 be effective with respect to ~~(55)~~net earnings from self-
 11 employment ~~(56)~~income derived after 1954. The amount
 12 of ~~(57)~~net earnings from self-employment ~~(58)~~income de-
 13 rived during any taxable year ending in, and not with the
 14 close of, 1955 shall be credited equally to the calendar quar-
 15 ter in which such taxable year ends and to each of the three
 16 or fewer preceding quarters any part of which is in such
 17 taxable year; and, for purposes of the preceding sentence
 18 of this subsection, ~~(59)~~net earnings from self-employment
 19 ~~(60)~~income so credited to calendar quarters in 1955 shall
 20 be deemed to have been derived after 1954.

21 INCREASE IN BENEFIT AMOUNTS

22 SEC. 102. (a) Subsection (a) of section 215 of the
 23 Social Security Act is amended to read as follows:

1 “Primary Insurance Amount

2 “(a) (1) The primary insurance amount of any
3 individual (i) who does not become eligible for benefits
4 under section 202 (a) until after ~~(61)~~the last day of the
5 ~~month following the month in which the Social Security~~
6 ~~Amendments of 1954 are enacted, August 1954~~, or who dies
7 after such ~~(62)~~day month and without becoming eligible for
8 benefits under such section 202 (a), and (ii) with respect
9 to whom not less than six of the quarters elapsing after 1950
10 are quarters of coverage, and the primary insurance amount
11 of any individual with respect to whom not less than six of
12 the quarters elapsing after June 30, 1953, are quarters of
13 coverage, shall be whichever of the following amounts is
14 the larger:

15 “(A) Fifty-five per centum of the first \$110 of his
16 average monthly wage, plus 20 per centum of the next
17 \$240; or

18 “(B) The amount determined under subsection (c).
19 An individual shall, for purposes of this paragraph, be
20 deemed eligible for benefits under section 202 (a) for any
21 month if he was or would have been, upon filing application
22 therefor in such month, entitled to such benefits for such
23 month.

1 “(2) The primary insurance amount of any other
2 individual shall be the amount determined under subsec-
3 tion (c).”

4 (b) (1) Paragraphs (1), (2), and (3) of subsection
5 (b) of such section are amended to read as follows:

6 “(1) An individual’s ‘average monthly wage’ shall be
7 the quotient obtained by dividing the total of his wages and
8 self-employment income after his starting date (determined
9 under paragraph (2)) and prior to his closing date (deter-
10 mined under paragraph (3)), by the number of months
11 elapsing after such starting date and prior to such closing
12 date, excluding from such elapsed months any month in
13 any year prior to the year in which he attained the age of
14 twenty-two if less than two quarters of such prior year were
15 quarters of coverage, except that when the number of such
16 elapsed months thus computed ~~(63)~~*(including a computation*
17 *after the application of paragraph (4))* is less than eighteen,
18 it shall be increased to eighteen.

19 “(2) An individual’s ‘starting date’ shall be—

20 “(A) December 31, 1950, or

21 “(B) if later, the last day of the year in which he
22 attains the age of twenty-one,

23 whichever results in the higher ~~(64)~~*average monthly wage*
24 *primary insurance amount.*

25 “(3) An individual’s ‘closing date’ shall be whichever

1 of the following results in the higher ~~(65)average monthly~~
2 ~~wage primary insurance amount:~~

3 “(A) the first day of the year in which he died or
4 became entitled to old-age insurance benefits, whichever
5 first occurred; or

6 “(B) the first day of the first year in which he both
7 was fully insured and had attained retirement age;
8 except that if the Secretary determines, on the basis of the
9 evidence available to him at the time of the computation of
10 the individual's primary insurance amount with respect to
11 which such closing date is applicable, that it would result in
12 a higher ~~(66)average monthly wage primary insurance~~
13 ~~amount~~ for such individual, his closing date shall be the first
14 day of the year following the year referred to in subpara-
15 graph (A).”

16 ~~(67)(2) Subsection (b) of such section is further amended~~
17 ~~by striking out paragraph (4) and inserting in lieu thereof~~
18 ~~the following new paragraph:~~

19 (2) Paragraph (4) of such subsection (b) is amended
20 to read as follows:

21 “(4) In the case of any individual, the Secretary shall
22 determine the four or fewer full calendar years after ~~(68)the~~
23 ~~year in which occurs~~ his starting date and prior to his
24 closing date which, if the months of such years and his
25 wages and self-employment income for such years were ex-

1 included in computing his average monthly wage, would pro-
2 duce the highest primary insurance amount. Such months
3 and such wages and self-employment income shall be ex-
4 cluded for purposes of computing such individual's average
5 monthly wage. The maximum number of calendar years
6 determined under the first sentence of this paragraph shall
7 be five instead of four in the case of any individual who
8 ~~(69) had~~ *has* not less than twenty quarters of coverage
9 ~~(70) in the period ending with the calendar quarter preceding~~
10 ~~his closing date."~~

11 (c) Subsection (c) of such section is amended to read as
12 follows:

13 "Determinations Made by Use of the Conversion Table

14 "(c) (1) Except as provided in paragraph (2) of this
15 subsection, the amount referred to in paragraphs (1) (B)
16 and (2) of subsection (a) for an individual shall be either
17 the amount appearing in column III of the following table
18 on the line on which in column I appears his primary in-
19 surance benefit (as determined under subsection (d)), or
20 the amount appearing in column III of the following table
21 on the line on which in column II appears his primary in-
22 surance amount (determined as provided in subsection (d)),
23 whichever produces the higher amount; and his average
24 monthly wage shall, for purposes of section 203 (a), be the

- 1 amount appearing in column IV on the line on which, in
2 column III, appears such higher amount.

"I "If the primary insurance benefit (as determined under subsection (d)) is—	II Or the primary insurance amount (as determined under subsection (d)) is—	III The amount referred to in paragraphs (1) (B) and (2) of subsection (a) shall be—	IV And the average monthly wage for purposes of computing maximum benefits shall be—
\$10.....	\$25. 00	\$30. 00	\$55. 00
\$11.....	27. 00	32. 00	58. 00
\$12.....	29. 00	34. 00	62. 00
\$13.....	31. 00	36. 00	65. 00
\$14.....	33. 00	38. 00	69. 00
\$15.....	35. 00	40. 00	73. 00
\$16.....	36. 70	41. 70	76. 00
\$17.....	38. 20	43. 20	79. 00
\$18.....	39. 50	44. 50	81. 00
\$19.....	40. 70	45. 70	83. 00
\$20.....	42. 00	47. 00	85. 00
\$21.....	43. 50	48. 50	88. 00
\$22.....	45. 30	50. 30	91. 00
\$23.....	47. 50	52. 50	95. 00
\$24.....	50. 10	55. 10	100. 00
\$25.....	52. 40	57. 40	104. 00
\$26.....	54. 40	59. 40	108. 00
\$27.....	56. 30	61. 30	114. 00
\$28.....	58. 00	63. 00	123. 00
\$29.....	59. 40	64. 40	130. 00
\$30.....	60. 80	66. 30	139. 00
\$31.....	62. 00	67. 90	147. 00
\$32.....	63. 30	69. 50	155. 00
\$33.....	64. 40	71. 10	163. 00
\$34.....	65. 50	72. 50	170. 00
\$35.....	66. 60	73. 90	177. 00
\$36.....	67. 80	75. 50	185. 00
\$37.....	68. 90	77. 10	193. 00
\$38.....	70. 00	78. 50	200. 00
\$39.....	71. 00	79. 90	207. 00
\$40.....	72. 00	81. 10	213. 00
\$41.....	73. 10	82. 70	221. 00
\$42.....	74. 10	83. 90	227. 00
\$43.....	75. 10	85. 30	234. 00
\$44.....	76. 10	86. 70	241. 00
\$45.....	77. 10	88. 50	250. 00
\$46.....	77. 10	88. 50	250. 00
	77. 20	88. 50	250. 00
	77. 30	88. 50	250. 00
	77. 40	88. 50	250. 00
	77. 50	88. 50	250. 00
	78. 00	89. 10	253. 00
	79. 00	90. 50	260. 00
	80. 10	91. 90	267. 00
	81. 00	93. 10	273. 00
	82. 00	94. 50	280. 00
	83. 10	95. 90	287. 00
	84. 00	97. 10	293. 00
	85. 00	98. 50	300. 00

- 3 " (2) (A) In case the primary insurance benefit (deter-
4 mined as provided in subsection (d)) of an individual falls
5 between the amounts on any two consecutive lines in column

1 I of the table, the amount referred to in paragraphs (1) (B)
2 and (2) of subsection (a) for such individual shall be the
3 amount determined (i) by applying the formula in subsec-
4 tion (a) (1) to the average monthly wage which would
5 be determined for such individual under paragraph (4) of
6 this subsection as in effect prior to the enactment of the
7 Social Security Amendments of 1954, (ii) by increas-
8 ing the amount determined under clause (i), if it is not a
9 multiple of \$0.10, to the next higher multiple of \$0.10, and
10 (71) ~~(ii)~~ (iii) by further increasing such amount to the ex-
11 tent, if any, it is less than \$5 greater than the primary insur-
12 ance amount which would be determined for him by use of
13 his primary insurance benefit under paragraph (2) of this
14 subsection as in effect prior to the enactment of the Social
15 Security Amendments of 1954.

16 “(B) In case the primary insurance amount (deter-
17 mined under subsection (d)) of an individual falls between
18 the amounts on any two consecutive lines in column II of
19 the table, the amount referred to in paragraphs (1) (B)
20 and (2) of subsection (a) for such individual shall be the
21 amount determined under subparagraph (A) of this para-
22 graph for an individual whose primary insurance benefit
23 would (under paragraph (2) of this subsection as in effect
24 prior to the enactment of the Social Security Amendments
25 of 1954) produce such primary insurance amount; except

1 that, if there is no primary insurance benefit which would
2 (under such paragraph (2)) produce such primary insur-
3 ance amount or if such primary insurance amount is higher
4 than \$77.10, the amount referred to in paragraphs (1) (B)
5 and (2) of subsection (a) for such individual shall be the
6 amount determined (i) by applying the formula in subsec-
7 tion (a) (1) to the average monthly wage from which such
8 primary insurance amount was determined, (ii) by increasing
9 the amount determined under clause (i), if it is not a multi-
10 ple of \$0.10, to the next higher multiple of \$0.10, and (iii)
11 by further increasing such amount to the extent, if any, it is
12 less than \$5 greater than such primary insurance amount.

13 “(C) If the provisions of subparagraphs (A) and (B)
14 of this paragraph are both applicable to an individual, the
15 amount referred to in paragraphs (1) (B) and (2) of sub-
16 section (a) for such individual shall be the larger of the
17 amounts determined under such subparagraphs.

18 “(3) For the purpose of facilitating the use of the
19 conversion table in computing any insurance benefit under
20 section 202, the Secretary is authorized to assume that
21 the primary insurance benefit from which such benefit under
22 section 202 is determined is one cent or two cents more or
23 less than its actual amount.

24 “(4) For purposes of section 203 (a), the average
25 monthly wage of an individual whose primary insurance

1 amount is determined under paragraph (2) of this subsection
2 shall be a sum equal to the average monthly wage which
3 would result in such primary insurance amount upon the
4 application of the provisions of subsection (a) (1) (A) of
5 this section and without the application of subsection (e)
6 (2) or (g) of this section; except that, if such sum is not
7 a multiple of \$1, it shall be rounded to the nearest multiple
8 of \$1 (or to the next higher multiple of \$1 if it is a
9 multiple of \$0.50).”

10 (d) (1) The heading of subsection (d) of such section
11 is amended to read “Primary Insurance Benefit and Primary
12 Insurance Amount For Purposes of Conversion Table”.

13 (2) So much of such subsection (d) as precedes para-
14 graph (1) thereof is amended by inserting “and the primary
15 insurance amounts” after “primary insurance benefits”.

16 (3) So much of paragraph (4) of such subsection (d)
17 as precedes subparagraph (A) is amended by inserting
18 “(except an individual who attained age twenty-two after
19 1950 and with respect to whom not less than six of the
20 quarters elapsing after 1950 are quarters of coverage)”
21 after “individual”.

22 (4) Such subsection (d) is amended by adding after
23 paragraph (5), added by section 106 of this Act, the fol-
24 lowing new paragraph:

25 “(6) The primary insurance amount of any individual

1 shall be computed as provided in this section as in effect prior
2 to the enactment of this paragraph, except that the amend-
3 ments made by sections 102 (b) (other than paragraph
4 (2) thereof), 104, and 106 of the Social Security Amend-
5 ments of 1954 (relating, respectively, to increase in benefit
6 amounts, increase in earnings counted, and periods of dis-
7 ability) shall, to the extent provided by such sections, be
8 applicable to such computation.”

9 (e) (1) Section 215 (e) of such Act is amended by
10 striking out “and” at the end of paragraph (1), by chang-
11 ing the period at the end of paragraph (2) to a semicolon,
12 and by adding after such paragraph (2) the following new
13 paragraph:

14 “(3) if an individual’s closing date is determined
15 under paragraph (3) (A) of subsection (b) and he has
16 self-employment income in a taxable year which begins
17 prior to such closing date and ends after the last day of
18 the month preceding the month in which he becomes
19 entitled to old-age insurance benefits, there shall not be
20 counted, in determining his average monthly wage, his
21 self-employment income in such taxable year, except
22 as provided in section 215 (f) (3) ~~(72)(C)~~.” (C);
23 *and*”.

24 (2) ~~(73)(A)~~ Section 215 (f) (2) of such Act is
25 amended to read as follows:

1 “(2) (A) Upon application filed after 1954 by an
2 individual entitled to old-age insurance benefits, the Secretary
3 shall recompute his primary insurance amount if—

4 “(i) he has not less than six quarters of coverage
5 in the period after 1950 and prior to the quarter in which
6 such application is filed,

7 “(ii) he has wages and self-employment income of
8 ~~(74)~~not less than \$1,000 more than \$1,200 in a calendar
9 year which occurs after 1953 ~~(75)~~*(not taking into ac-*
10 *count any year prior to the calendar year in which the*
11 *last previous recomputation, if any, of his primary in-*
12 *surance amount was effective)* and after the year in which
13 he became (without the application of section 202 (j)
14 (1)) entitled to old-age insurance benefits or filed an
15 application for recomputation (to which he is entitled)
16 under section 102 (e) (5) ~~(76)~~(B) or 102 (f) (2)
17 (B) of the Social Security Amendments of 1954, which-
18 ever of such events is the latest, and

19 “(iii) he filed such application no earlier than six
20 months after such calendar year referred to in clause (ii)
21 in which he had such wages and self-employment
22 income.

23 Such recomputation shall be effective for and after the
24 twelfth month before the month in which he filed such appli-
25 cation for recomputation but in no event earlier than the

1 month following such calendar year referred to in clause
2 (ii). For the purposes of this subparagraph an individual's
3 self-employment income shall be allocated to calendar quar-
4 ters in accordance with section 212.

5 ~~(77)~~“(B) Except as provided in subparagraph (C) a recom-
6 putation pursuant to subparagraph (A) shall be made only
7 as provided in subsection (a) (1) (other than subpara-
8 graph (B) thereof) of this section, taking into account only
9 such wages and self-employment income which would be
10 taken into account under subsection (b) if the month in
11 which he filed the application under subparagraph (A)
12 were deemed to be the month in which he became entitled
13 to old-age insurance benefits, except that, of the provisions
14 of paragraph (3) of such subsection, only the provisions of
15 subparagraph (A) shall be applicable.

16 “(B) A recomputation pursuant to subparagraph (A)
17 shall be made as provided in subsection (a) of this section
18 and as though the individual first became entitled to old-age
19 insurance benefits in the month in which he filed the applica-
20 tion for such recomputation, but only if the provisions of sub-
21 section (b) (4) were not applicable to the last previous
22 computation of his primary insurance amount. If the pro-
23 visions of subsection (b) (4) were applicable to such previous
24 computation, the recomputation under subparagraph (A)
25 of this paragraph shall be made only as provided in sub-

1 *section (a) (1) (other than subparagraph (B) thereof) and*
 2 *for such purposes his average monthly wage shall be deter-*
 3 *mined as though he became entitled to old-age insurance*
 4 *benefits in the month in which he filed the application for*
 5 *recomputation under subparagraph (A), except that, of the*
 6 *provisions of paragraph (3) of subsection (b), only the pro-*
 7 *visions of subparagraph (A) thereof shall be applicable.”*
 8 **(78)**~~“(C)~~ **If such recomputation is the first recomputation**
 9 **under subparagraph (A), such recomputation shall be made**
 10 **as though the individual first became entitled to old-age**
 11 **insurance benefits on the day he filed application for such**
 12 **recomputation. For purposes of this subparagraph a recom-**
 13 **putation under section 102 (e) (5) (B) or 102 (f) (2)**
 14 **(B) of the Social Security Amendments of 1954 shall be**
 15 **deemed to be a recomputation under subparagraph (A)**
 16 **of this paragraph.”**

17 (3) (A) Section 215 (f) (3) of such Act is amended
 18 to read as follows:

19 **(79)**~~“(3)~~ **(A) Upon application by an individual—**

20 “(i) who became (without the application of sec-
 21 tion 202 (j) (1)) entitled to old-age insurance bene-
 22 fits under section 202 (a) after **(80)**the effective date
 23 *August, 1954, or*

24 “(ii) whose primary insurance amount was recom-

1 puted under section 102 (e) (5) or 102 (f) (2) (B)
2 of the Social Security Amendments of 1954, or
3 “ (iii) whose primary insurance amount was recom-
4 puted ~~(81)~~for the first time under as provided in the first
5 sentence of paragraph (2) ~~(82)~~(B) of this subsection on
6 the basis of an application filed after ~~(83)~~the effective
7 date August 1954,
8 the Secretary shall recompute his primary insurance amount
9 if such application is filed after the year in which he became
10 entitled to old-age insurance benefits or in which he filed
11 his application for the last recomputation (to which he was
12 entitled) of his primary insurance amount under any pro-
13 vision of law referred to in clause (ii) or (iii) of this
14 sentence, whichever is the later. Such recomputation under
15 this subparagraph shall be made in the manner provided
16 in the preceding subsections of this section for computation
17 of his primary insurance amount, except that his closing
18 date for purposes of subsection (b) shall be the first day
19 of the year following the year in which he became entitled
20 to old-age insurance benefits or in which he filed his appli-
21 cation for the last recomputation (to which he was entitled)
22 of his primary insurance amount under any provision of
23 law referred to in clause (ii) or (iii) of the preceding
24 sentence, whichever is the later. Such recomputation under

1 this subparagraph shall be effective for and after the first
2 month for which his last previous computation of his pri-
3 mary insurance amount was effective, but in no event for
4 any month prior to the twenty-fourth month before the
5 month in which the application for such recomputation is
6 filed. (84)As used in this subparagraph and subparagraph
7 (B), the term 'effective date' means the last day of the month
8 following the month in which the Social Security Amend-
9 ments of 1954 are enacted.

10 " (B) (85)Upon application by a person entitled to
11 monthly benefits or a lump-sum death payment on the basis
12 of the wages and self-employment income of an individual
13 who died after the effective date and who, if he was entitled
14 to an old-age insurance benefit before he died, would,
15 upon the filing of an application in the month of his
16 death, have been entitled to a recomputation of his pri-
17 mary insurance amount under subparagraph (A) of this
18 paragraph, the Secretary shall recompute such individual's
19 primary insurance amount. Such recomputation shall be
20 made in the manner provided in the preceding subsections
21 of this section for computation of such amount, except that
22 his closing date for purposes of subsection (b) shall be the
23 first day of the year following the year in which he died or
24 in which he filed his application for the last previous com-
25 putation of his primary insurance amount under any pro-

1 vision of law referred to in clause (i), (ii), or (iii) of the
2 first sentence of subparagraph (A), whichever first
3 occurred. In the case of an individual who dies after
4 August 1954—

5 “(i) who, at the time of death, was not entitled to
6 old-age insurance benefits under section 202 (a), or who
7 became entitled to old-age insurance benefits under sec-
8 tion 202 (a) after August 1954, or whose primary in-
9 surance amount was recomputed under paragraph (2)
10 or (4) of this subsection, or section 102 (e) (5) or
11 section 102 (f) (2) (B) of the Social Security Amend-
12 ments of 1954, on the basis of an application filed after
13 August 1954; and

14 “(ii) with respect to whom the last previous com-
15 putation or recomputation of his primary insurance
16 amount was based upon a closing date determined under
17 subparagraph (A) or (B) of subsection (b) (3) of this
18 section,

19 the Secretary shall recompute his primary insurance amount
20 upon the filing of an application by a person entitled to
21 monthly benefits or a lump-sum death payment on the basis of
22 his wages and self-employment income. Such recomputation
23 shall be made in the manner provided in the preceding sub-
24 sections of this section for computation of such amount, ex-
25 cept that his closing date for purposes of subsection (b) shall

1 *be the day following the year of death in case he died without*
2 *becoming entitled to old-age insurance benefits, or, in case he*
3 *was entitled to old-age insurance benefits, the day following*
4 *the year in which was filed the application for the last previ-*
5 *ous computation of his primary insurance amount or in*
6 *which the individual died, whichever first occurred. In the*
7 *case of monthly benefits, such recomputation shall be effective*
8 *for and after the month in which the person entitled to*
9 *such monthly benefits became so entitled, but in no event*
10 *for any month prior to the twenty-fourth month before the*
11 *month in which the application for such recomputation is*
12 *filed.”*

13 (B) Such section 215 (f) (3) is further amended by
14 adding after subparagraph (B) (added by subparagraph
15 (A) of this paragraph) the following new subparagraph:

16 “(C) If an individual’s closing date is determined
17 under paragraph (3) (A) of subsection (b) of this section
18 and he has self-employment income in a taxable year which
19 begins prior to such closing date and ends after the last day
20 of the month preceding the month in which he became en-
21 titled to old-age insurance benefits, the Secretary shall re-
22 compute his primary insurance amount after the close of such
23 taxable year, taking into account only such self-employment
24 income in such taxable year as is, pursuant to section 212,
25 allocated to calendar quarters prior to such closing date.

1 Such recomputation shall be effective for and after the first
2 month in which he became entitled to old-age insurance
3 benefits.”

4 (4) Section 215 (f) (4) of such Act is amended to
5 read as follows:

6 “(4) Upon the death after 1954 of an individual en-
7 titled to old-age insurance benefits, if any person is entitled
8 to monthly benefits, or to a lump-sum death payment, on
9 the basis of the wages and self-employment income of such
10 individual, the Secretary shall recompute the decedent’s
11 primary insurance amount, but only if—

12 “(A) the decedent would have been entitled to a
13 recomputation under paragraph (2) (A) (without the
14 application of clause (iii) thereof) if he had filed appli-
15 cation therefor in the month in which he died; or

16 “(B) the decedent during his lifetime was paid com-
17 pensation which was treated under section 205 (o) as
18 remuneration for employment.

19 If the recomputation is permitted by subparagraph (A) the
20 recomputation shall be made (if at all) as though he had
21 filed application for a recomputation under paragraph (2)
22 (A) in the month in which he died, except that such
23 recomputation shall include any compensation (described in
24 section 205 (o)) paid to him prior to the closing date which

1 would have been applicable under such paragraph. If re-
2 computation is permitted by subparagraph (B) the recom-
3 putation shall take into account only the wages and self-
4 employment income which were taken into account in the
5 last previous computation of his primary insurance amount
6 and the compensation (described in section 205 (o)) paid
7 to him prior to the closing date applicable to such computa-
8 tion. If both of the preceding sentences are applicable to an
9 individual, only the recomputation which results in the larger
10 primary insurance amount shall be made."

11 (5) (A) In the case of any individual who, upon filing
12 application therefor ~~(86)~~ ~~on or~~ before ~~(87)~~ the effective date
13 *September 1954*, would (but for the provisions of section 215
14 (f) (6) of the Social Security Act) have been entitled to a
15 recomputation under subparagraph (A) or (B) of section
16 215 (f) (2) of such Act as in effect prior to the enactment
17 of this Act, the Secretary shall recompute such individual's
18 primary insurance amount, but only if he files an applica-
19 tion therefor or, in case he died before filing such applica-
20 tion, an application for monthly benefits or a lump-sum death
21 payment on the basis of his wages and self-employment in-
22 come is filed. Such recomputation shall be made only as
23 provided in subsection (a) (2) of section 215 of the Social
24 Security Act, as amended by this Act, through the use of a
25 primary insurance amount determined under subsection (d)

1 (6) of such section in the same manner as for an individual
 2 to whom subsection (a) (1) of such section, as in effect
 3 prior to the enactment of this Act, is applicable; and such
 4 recomputation shall take into account only such wages and
 5 self-employment income as would be taken into account under
 6 section 215 (b) of the Social Security Act if the month in
 7 which the application for recomputation is filed~~(88)~~, *or if the*
 8 *individual died without filing the application for recomputa-*
 9 *tion, the month in which he died,* were deemed to be the month
 10 in which ~~(89)the individual~~ *he* became entitled to old-age
 11 insurance benefits. ~~(90)Such~~ *In the case of monthly benefits,*
 12 *such* recomputation shall be effective for and after the
 13 month in which such application for recomputation is filed
 14 ~~(91)~~*or, if the individual has died without filing the applica-*
 15 *tion, for and after the month in which the person filing the*
 16 *application for monthly survivor benefits becomes entitled to*
 17 *such benefits.*

18 (B) In the case of—

19 (i) any individual who is entitled to a recomputa-
 20 tion under subparagraph (A) of section 215 (f) (2)
 21 of the Social Security Act as in effect prior to the enact-
 22 ment of this Act on the basis of an application filed after
 23 ~~(92)~~*the effective date August 1954, or who died after*
 24 *such* ~~(93)~~*and with respect to whom either less than six*
 25 *of the quarters elapsing after 1950 and prior to the day*

1 following the effective date are quarters of coverage or
2 the twelfth month referred to in such subparagraph
3 ~~(A)~~ occurred after the effective date, and

4 ~~(ii)~~ any individual who is entitled to a recomputa-
5 tion under section 215 ~~(f) (2) (B)~~ of the Social Se-
6 curity Act on the basis of an application filed after the
7 effective date and with respect to whom less than six
8 of the quarters elapsing after 1950 and prior to the
9 day following the effective date are quarters of coverage
10 or who did not attain the age of seventy five prior to the
11 date following the effective date

12 *month leaving any survivors entitled to a recomputation*
13 *under section 215 (f) (4) of the Social Security Act*
14 *as in effect prior to the enactment of this Act on the basis*
15 *of his wages and self-employment income, and whose*
16 *sixth quarter of coverage after 1950 was acquired after*
17 *August 1954 or with respect to whom the twelfth month*
18 *referred to in such subparagraph (A) occurred after*
19 *such month, and*

20 *(ii) any individual who is entitled to a recompu-*
21 *tation under section 215 (f) (2) (B) of the Social*
22 *Security Act as in effect prior to the enactment of this*
23 *Act on the basis of an application filed after August*
24 *1954, or who died after August 1954 leaving any sur-*
25 *ivors entitled to a recomputation under section 215*

1 *(f) (4) of the Social Security Act as in effect prior to*
 2 *the enactment of this Act on the basis of his wages and*
 3 *self-employment income, and whose sixth quarter of cov-*
 4 *erage after 1950 was acquired after August 1954 or*
 5 *who did not attain the age of seventy-five prior to Sep-*
 6 *tember 1954,*

7 the recomputation of his primary insurance amount shall
 8 be made in the manner provided in section 215 of the Social
 9 Security Act, as amended by this Act, for computation of
 10 such amount, except that his closing date, for purposes of
 11 subsection (b) of such section 215, shall be determined
 12 as though he became entitled to old-age insurance benefits in
 13 the month in which he filed such application for recomputa-
 14 tion ~~(94)~~ *or, if he has died, in the month in which he died.*

15 ~~(95)~~ *Such In the case of monthly benefits, such recomputation*
 16 *shall be effective for and after the month in which such*
 17 *application for recomputation is filed (96) or, if the indi-*
 18 *vidual has died without filing the application, for and after*
 19 *the month in which the person filing the application for*
 20 *monthly survivors benefits becomes entitled to such benefits.*

21 ~~(97)~~ *As used in this subparagraph and the succeeding sub-*
 22 *sections of this section, the "effective date" is the last day*
 23 *of the month following the month in which this Act is*
 24 *enacted.*

25 (C) ~~(98)~~ *No individual shall be entitled to a recomputation*

1 under section 215 (f) (2) of the Social Security Act as in
2 effect prior to the date of the enactment of this Act unless
3 *An individual or, in case of his death, his survivors entitled*
4 *to a lump-sum death payment or to monthly benefits under*
5 *section 202 of the Social Security Act on the basis of his*
6 *wages and self-employment income shall be entitled to a re-*
7 *computation of his primary insurance amount under section*
8 *215 (f) (2) or section 215 (f) (4) of the Social Security*
9 *Act as in effect prior to the date of enactment of this Act only*
10 *if (i) he had not less than six quarters of coverage in the*
11 *period after 1950 and prior to January 1, 1955, and (ii)*
12 *either the twelfth month referred to in subparagraph*
13 *(A) of such section 215 (f) (2) occurred prior to*
14 *January 1, 1955, or he attained the age of 75 prior to*
15 *1955, and (iii) he meets the other conditions of entitlement*
16 *to such a recomputation. No individual shall be entitled*
17 *to a recomputation under subparagraph (A) or (B) of this*
18 *paragraph if his primary insurance amount has previously*
19 *been recomputed under either of such subparagraphs.*

20 (6) In the case of an individual who died or became
21 (without the application of section 202 (j) (1) of the Social
22 Security Act) entitled to old-age insurance benefits in 1956
23 and with respect to whom not less than six of the quarters
24 elapsing after 1954 and prior to the quarter following the
25 quarter in which he died or became entitled to old-age insur-

1 ance benefits, whichever first occurred, are quarters of cover-
2 age, his ~~(99) closing date shall be July 1, 1956, instead of the~~
3 ~~day specified in section 215 (b) (3) of such Act~~ primary in-
4 *surance amount shall be computed under section 215 (a) (1)*
5 *(A) of such Act, as amended by this Act, with a starting date*
6 *of December 31, 1954, and a closing date of July 1, 1956,*
7 but only if it would result in a higher primary insurance
8 amount. For the purposes of section 215 (f) (3) (C) of
9 such Act, the determination of an individual's closing date
10 under the preceding sentence shall be considered as a deter-
11 mination of the individual's closing date under section 215
12 (b) (3) (A) of such Act, and the recomputation provided
13 for by such section 215 (f) (3) (C) shall be made using
14 July 1, 1956, as the closing date, but only if it would result
15 in a higher primary insurance amount. In any such com-
16 putation on the basis of a July 1, 1956, closing date, the total
17 of his wages and self-employment income after December
18 31, 1955, shall, if it is in excess of \$2,100, be reduced to
19 such amount.

20 (7) Section 203 (a) of such Act is amended to read as
21 follows:

22 " (a) Whenever the total of monthly benefits to which
23 individuals are entitled under section 202 for a month on
24 the basis of the wages and self-employment income of an
25 insured individual is more than \$50 and exceeds (1) 80

1 per centum of his average monthly wage, or (2) one and
2 one-half times his primary insurance amount, whichever is
3 the greater, such total of benefits shall, after any deductions
4 under this section, be reduced to 80 per centum of his
5 average monthly wage or to one and one-half times his
6 primary insurance amount, whichever is the greater, but in
7 no case to less than \$50; except that when any of such
8 individuals so entitled would (but for the provisions of
9 section 202 (k) (2) (A)) be entitled to child's insurance
10 benefits on the basis of the wages and self-employment
11 income of one or more other insured individuals, such total
12 of benefits, after any deductions under this section, shall not
13 be reduced to less than 80 per centum of the sum of the
14 average monthly wages of all such insured individuals. In
15 any case in which the total of the benefits referred to in the
16 preceding sentence, after reduction (if any) thereunder, is
17 more than \$200, such total shall, notwithstanding the provi-
18 sions of such sentence, be reduced to \$200. Whenever a
19 reduction is made under this subsection, each benefit, except
20 the old-age insurance benefit, shall be proportionately
21 decreased."

22 (8) In the case of an individual who became (without
23 the application of section 202 (j) (1)) entitled to old-age
24 insurance benefits or died prior to ~~(100)~~the day following
25 ~~the effective date~~ *September 1954*, the provisions of section

1 215 (f) (3) as in effect prior to the enactment of this Act
2 shall be applicable as though this Act had not been enacted.

3 (f) (1) The amendments made by the preceding sub-
4 sections, other than subsection (b) and paragraphs (1),
5 (2), (3), and (4) of subsection (e), shall (subject to
6 the provisions of paragraph (2) and notwithstanding the
7 provisions of section 215 (f) (1) of the Social Security
8 Act) apply in the case of lump-sum death payments under
9 section 202 of such Act with respect to deaths occurring
10 after, and in the case of monthly benefits under such section
11 for months after, ~~(101)~~the effective date *August 1954*.

12 (2) (A) The amendment made by subsection (b) (2)
13 shall be applicable only in the case of monthly benefits
14 ~~(102)~~for months after *August 1954*, and the lump-sum
15 death payment ~~(103)~~in the case of death after *August*
16 *1954*, based on the wages and self-employment income of
17 an individual (i) who does not become eligible for benefits
18 under section 202 (a) of the Social Security Act until after
19 ~~(104)~~the effective date *August 1954*, or (ii) who dies after
20 ~~(105)~~such effective date *August 1954* and without be-
21 coming eligible for benefits under such section 202 (a), or
22 (iii) who is or has been entitled to have his primary insurance
23 amount recomputed under section 215 (f) (2) of the
24 Social Security Act, as amended by subsection (e) (2)
25 of this section, or under subsection (e) (5) (B) of this sec-

1 tion, or (iv) with respect to whom not less than six of the
2 quarters elapsing after June 1953 are quarters of coverage
3 (as defined in such Act), or (v) who ~~(106)files, after the~~
4 ~~effective date, files~~ an application for a disability determina-
5 tion which is accepted as an application for purposes of
6 section 216 (i) of such Act, or (vi) who dies after
7 ~~(107)the effective date August 1954~~ and whose survivors
8 are (or would, but for the provisions of section 215 (f)
9 ~~(108)(7) (6)~~ of such Act, be) entitled to a recomputa-
10 tion of his primary insurance amount under section 215
11 (f) (4) (A) of such Act, as amended by this Act. For
12 purposes of the preceding sentence an individual shall be
13 deemed eligible for benefits under section 202 (a) of the
14 Social Security Act for any month if he was, or would upon
15 filing application therefor in such month have been,
16 entitled to such benefits for such month.

17 (B) In the case of any individual entitled to old-age
18 insurance benefits under section 202 (a) of the Social Secu-
19 rity Act who was or, upon filing application therefor, would
20 have been entitled to such benefits for ~~(109)the month in which~~
21 ~~the effective date occurs August 1954~~, to whom subpara-
22 graph (A) is inapplicable, and with respect to whom not
23 less than six of the quarters elapsing after June 30, 1953,
24 are quarters of coverage, the Secretary of Health, Education,
25 and Welfare shall, notwithstanding the provisions of section

1 215 (f) (1) of the Social Security Act, recompute the pri-
2 mary insurance amount of such individual but only upon
3 the filing of an application, after ~~(110)~~the effective date *August*
4 *1954*, by him or, if he dies without filing such an application,
5 by any person entitled to monthly survivors benefits under
6 section 202 of such Act on the basis of such individual's
7 wages and self-employment income. Such recomputation
8 shall be made in the manner provided in section 215 of the
9 Social Security Act for computation of such individual's
10 primary insurance amount, except that the provisions of sub-
11 section (f) of such section (other than paragraph (3) (C)
12 thereof) shall not be applicable for purposes of such compu-
13 tation, and except that his closing date, for purposes of sub-
14 section (b) of such section, shall be determined as though
15 he became entitled to old-age insurance benefits in the month
16 in which he filed such application for recomputation or, if
17 he died without filing such application, the month in which
18 he died. Such recomputation shall be effective ~~(111)~~*for and*
19 *after the month in which the application therefor was filed*
20 *by such individual or (i) if the application is filed by such*
21 *individual, for and after the twelfth month before the month*
22 *in which the application therefor was filed by such individual*
23 *but in no case before the first month of the quarter which is*
24 *such individual's sixth quarter of coverage acquired after*
25 *June 30, 1953, or (ii) if such application was filed by a*

1 person entitled to monthly survivors benefits under section
2 202 of the Social Security Act on the basis of such individ-
3 ual's wages and self-employment income, for and after the
4 first month for which such person was entitled to such sur-
5 vivors benefits. No such recomputation of an individual's
6 primary insurance amount shall be effective unless it results
7 in a higher primary insurance amount for him; nor shall any
8 such recomputation of an individual's primary insurance
9 amount be effective if such amount has previously been
10 recomputed under this subsection.

11 (3) The amendments made by subsections (b) (1),
12 (e) (1), and (e) (3) (B) shall be applicable only in
13 the case of monthly benefits based on the wages and self-
14 employment income of an individual who does not become
15 entitled to old-age insurance benefits under section 202 (a) of
16 the Social Security Act until after ~~(112)~~the effective date *Au-*
17 *gust 1954*, or who dies after ~~(113)~~the effective date *August*
18 *1954* without becoming entitled to such benefits, or who files an
19 application after ~~(114)~~the effective date *August 1954* and is
20 entitled to a recomputation under paragraph (2) or (4) of
21 section 215 (f) of the Social Security Act, as amended by
22 this Act, or who is entitled to a recomputation under para-
23 graph (2) (B) of this subsection, or who is entitled to a
24 recomputation under paragraph (5) of subsection (e).

25 (4) The amendments made by subsection (e) (2) shall

1 be applicable only in the case of applications for recompu-
2 tation filed after 1954. The amendment made by subsection
3 (e) (4) shall be applicable only in the case of deaths after
4 1954.

5 (5) The amendments made by subparagraph (A) of
6 subsection (e) (3) shall be applicable only in the case
7 of applications for recomputation filed, or deaths occurring,
8 after ~~(115)~~the effective date *August 1954*.

9 (6) No increase in any benefit by reason of the amend-
10 ments made by this section (other than subsection ~~(116)~~~~(i)~~
11 ~~(e)~~) or by reason of subparagraph (B) of paragraph (2)
12 ~~(117)~~*of this subsection* shall be regarded as a recomputation
13 for purposes of section 215 (f) of the Social Security Act.

14 (g) Effective ~~(118)~~with the beginning of the second
15 month following the month in which this Act is enacted
16 *September 1, 1954*, section 2 (c) (2) (B) of the Social
17 Security Act Amendments of 1952 is amended to read as
18 follows:

19 “(B) The provisions of subparagraph (A) shall
20 cease to apply to the benefit of any individual under
21 title II of the Social Security Act for any month after
22 ~~(119)~~the month following the month in which the Social
23 Security Amendments of 1954 are enacted *August*
24 *1954.*”

25 (h) (1) Where—

1 (A) an individual was entitled (without the appli-
2 cation of section 202 (j) (1) of the Social Security
3 Act) to an old-age insurance benefit under title II of
4 such Act for ~~(120)the month in which the effective date~~
5 ~~occurs~~ *August 1954*;

6 (B) one or more other persons were entitled (with-
7 out the application of such section 202 (j) (1)) to
8 monthly benefits under such title for such month on the
9 basis of the wages and self-employment income of such
10 individual; and

11 (C) the total of the benefits to which all persons
12 are entitled under such title on the basis of such indi-
13 vidual's wages and self-employment income for any
14 subsequent month for which he is entitled to an old-age
15 insurance benefit under such title, would (but for the
16 provisions of this paragraph) be reduced by reason of the
17 application of section 203 (a) of the Social Security
18 Act, as amended by this Act,

19 then the total of benefits referred to in clause (C) for such
20 subsequent month shall be reduced to whichever of the
21 following is the larger—

22 (D) the amount determined pursuant to section
23 203 (a) of the Social Security Act, as amended by this
24 Act; or

25 (E) the amount determined pursuant to such sec-

1 tion, as in effect prior to the enactment of this Act, for
2 ~~(121)the month in which the effective date occurs~~
3 *August 1954* plus the excess of (i) the amount of his old-
4 age insurance benefit for such month computed as if the
5 amendments made by the preceding subsections of this
6 section had been applicable in the case of such benefit for
7 such month over (ii) the amount of his old-age insurance
8 benefit for such month, or

9 (F) the amount determined pursuant to section 2
10 (d) (1) of the Social Security Act Amendments of 1952
11 for ~~(122)the month in which the effective date occurs~~
12 *August 1954* plus the excess of (i) the amount of his
13 old-age insurance benefit for such month computed as if
14 the amendments made by the preceding subsections of
15 this section had been applicable in the case of such bene-
16 fit for such month over (ii) the amount of his old-age
17 insurance benefit for such month.

18 (2) Where—

19 (A) two or more persons were entitled (without
20 the application of section 202. (j) (1) of the Social Secu-
21 rity Act) to monthly benefits under title II of such Act
22 for ~~(123)the month in which the effective date occurs~~
23 *August 1954* on the basis of the wages and self-employ-
24 ment income of a deceased individual; and

25 (B) the total of the benefits to which all such

1 persons are entitled on the basis of such deceased in-
2 dividual's wages and self-employment income for any
3 subsequent month would (but for the provisions of this
4 paragraph) be reduced by reason of the application of
5 the first sentence of section 203 (a) of the Social Secu-
6 rity Act, as amended by this Act,
7 then, notwithstanding any other provision in title II of the
8 Social Security Act, such deceased individual's average
9 monthly wage shall, for purposes of such section 203 (a),
10 be whichever of the following is the larger:

11 (C) his average monthly wage determined pur-
12 suant to section 215 of such Act, as amended by this
13 Act; or

14 (D) his average monthly wage determined under
15 such section 215, as in effect prior to the enactment of
16 this Act, plus \$7.

17 (i) ~~(124)(4)~~ Section 202 of such Act is amended by
18 inserting after subsection (l) the following new subsection:

19 "Minimum Survivor's or Dependent's Benefit

20 "(m) In any case in which the benefit of any individual
21 for any month under this section (other than subsection
22 (a)) is, prior to reduction under subsection (k) (3), less
23 than \$30 and no other individual is (without the application
24 of section 202 (j) (1)) entitled to a benefit under this

1 section for such month on the basis of the same wages and
 2 self-employment income, such benefit for such month shall,
 3 prior to reduction under such subsection (k) (3), be in-
 4 creased to \$30.”

5 ~~(125)(2)~~ the first sentence of subsection ~~(i)~~ of such section
 6 202 is amended by inserting “, or an amount equal to \$255,
 7 whichever is the smaller” after “primary insurance amount”.

8 AMENDMENTS RELATING TO DEDUCTIONS FROM BENEFITS

9 SEC. 103. (a) (1) Section 203 (b) of the Social
 10 Security Act is amended by striking out paragraphs (1)
 11 and (2) and inserting in lieu thereof the following new
 12 paragraph:

13 “(1) in which such individual is under the age of
 14 ~~(126)~~~~seventy-five~~ *seventy-two* and for which month he is
 15 charged with any earnings under the provisions of sub-
 16 section (e) of this section; or”.

17 (2) Such section 203 (b) is amended by inserting
 18 after paragraph (1) (inserted by paragraph (1) of this
 19 subsection) the following new paragraph:

20 “(2) in which such individual is under the age of
 21 ~~(127)~~~~seventy-five~~ *seventy-two* and on seven or more dif-
 22 ferent calendar days of which he engaged in noncovered
 23 remunerative activity outside the United States; or”.

1 (b) (1) Section 203 (c) of such Act is amended by
2 striking out paragraphs (1) and (2) and inserting in lieu
3 thereof the following new paragraph:

4 “(1) in which the individual, on the basis of
5 whose wages and self-employment income such benefit
6 was payable, is under the age of ~~(128)seventy-five~~
7 *seventy-two* and for which month he is charged with any
8 earnings under the provisions of subsection (e) of this
9 section; or”.

10 (2) Such section 203 (c) is amended by inserting after
11 paragraph (1) (inserted by paragraph (1) of this sub-
12 section) the following new paragraph:

13 “(2) in which the individual referred to in para-
14 graph (1) is under the age of ~~(129)seventy-five~~
15 *seventy-two* and on seven or more different calendar days
16 of which he engaged in noncovered remunerative activ-
17 ity outside the United States.”

18 (c) The second sentence of section 203 (d) of such
19 Act is amended to read as follows: “The charging of earn-
20 ings to any month shall be treated as an event occurring in
21 such month.”

22 (d) (1) The heading of section 203 (e) of such Act is
23 amended to read “Months to Which Earnings Are Charged”.

24 (2) Paragraphs (1) and (2) of such section 203 (e)
25 are amended to read as follows:

1 “(1) If an individual’s earnings for a taxable year of
2 twelve months are not more than ~~(130)\$1,000~~ \$1,200,
3 no month in such year shall be charged with any earn-
4 ings. If an individual’s earnings for a taxable year of
5 less than twelve months are not more than the product of
6 ~~(131)one-twelfth of \$1,000~~ \$100 times the number of
7 months in such year, no month in such year shall be
8 charged with any earnings.

9 “(2) If an individual’s earnings for a taxable year
10 of twelve months are in excess of ~~(132)\$1,000~~ \$1,200,
11 the amount of his earnings in excess of ~~(133)\$1,000~~
12 \$1,200 shall be charged to months as follows: The first
13 \$80 of such excess shall be charged to the last month of
14 such taxable year, and the balance, if any, of such excess
15 shall be charged at the rate of \$80 per month to each pre-
16 ceding month in such year to which such charging is not
17 prohibited by the last sentence of this paragraph, until all
18 of such balance has been applied. If an individual’s
19 earnings for a taxable year of less than twelve months
20 are more than the product of ~~(134)one-twelfth of \$1,000~~
21 \$100 times the number of months in such year, the
22 amount of such earnings in excess of such product shall be
23 charged to months as follows: The first \$80 of such ex-
24 cess shall be charged to the last month of such taxable
25 year, and the balance, if any, shall be charged at the rate

1 of \$80 per month to each preceding month in such year
 2 to which such charging is not prohibited by the last sen-
 3 tence of this paragraph, until all of such balance has been
 4 applied. Notwithstanding the preceding provisions of
 5 this paragraph, no part of the excess referred to in such
 6 provisions shall be charged to any month (A) for which
 7 the individual whose earnings are involved was not en-
 8 titled to a benefit under this title, (B) in which an event
 9 described in paragraph (2), (3), (4), or (5) of
 10 subsection ~~(135)(b)~~, or in subsection ~~(m)~~, (b) oc-
 11 curred, (C) in which such individual was age ~~(136)~~sev-
 12 enty-five *seventy-two* or over, or (D) in which such
 13 individual did not engage in self-employment and did
 14 not render services for wages (determined as provided
 15 in paragraph (4) of this subsection) of more than \$80.”

16 (3) Paragraph (3) (B) of such section 203 (e) is
 17 amended to read as follows:

18 “(B) For purposes of clause (D) of paragraph (2)—

19 “(i) An individual will be presumed, with respect
 20 to any month, to have been engaged in self-employment
 21 in such month until it is shown to the satisfaction of the
 22 Secretary that such individual rendered no substantial
 23 services in such month with respect to any trade or busi-
 24 ness the net income or loss of which is includible in com-
 25 puting (as provided in paragraph (4) of this subsec-

1 tion) his net earnings or net loss from self-employment
 2 for any taxable year. The Secretary shall by regula-
 3 tions prescribe the methods and criteria for determining
 4 whether or not an individual has rendered substantial
 5 services with respect to any trade or business.

6 “(ii) An individual will be presumed, with respect
 7 to any month, to have rendered services for wages (de-
 8 termined as provided in paragraph (4) of this subsec-
 9 tion) of more than \$80 until it is shown to the satis-
 10 faction of the Secretary that such individual did not
 11 render such services in such month for more than such
 12 amount.”

13 (4) Such section 203 (e) is further amended by add-
 14 ing at the end thereof the following new paragraphs:

15 “(4) (A) An individual’s earnings for a taxable
 16 year shall be (i) the sum of his wages for services
 17 rendered in such year and his net earnings from self-
 18 employment for such year, minus (ii) any net loss from
 19 self-employment for such year.

20 “(B) In determining an individual’s ~~(137)net~~
 21 ~~earnings from self-employment and his net loss from~~
 22 self-employment for purposes of subparagraph (A) of
 23 this paragraph and subparagraph (B) of paragraph
 24 (3), the provisions of section ~~(138)211, other than~~
 25 ~~paragraphs (1) and (4) of subsection (e), 211 shall~~

1 be applicable; and any ~~(139)~~excess of income over
2 deductions resulting from such a computation shall be
3 his net earnings from self-employment and any excess
4 of deductions over income so resulting ~~(140)~~from such
5 a computation shall be his net loss from self-employ-
6 ment.

7 “(C) For purposes of this subsection, an individual’s
8 wages shall be computed without regard to the limita-
9 tions as to amounts of remuneration specified in
10 ~~(141)~~subsections ~~(a)~~, ~~(g) (2)~~, ~~(g) (3)~~, ~~(h) (2)~~, and
11 ~~(j)~~ of section 209; and in making such computation
12 services which do not constitute employment as defined
13 in section 210, performed within the United States by the
14 individual as an employee, shall be deemed to be employ-
15 ment as so defined if the remuneration for such services
16 is not includible in computing his net earnings or net
17 loss from self-employment *section 209 (a)*.

18 “(5) For purposes of this subsection, wages (deter-
19 mined as provided in paragraph (4) (C)) which, ac-
20 cording to reports received by the Secretary, are paid to
21 an individual during a taxable year shall be presumed
22 to have been paid to him for services performed in such
23 year until it is shown to the satisfaction of the Secretary
24 that they were paid for services performed in another
25 taxable year. If such reports with respect to an individ-

1 ual show his wages for a calendar year, such individual's
2 taxable year shall be presumed to be a calendar year for
3 purposes of this subsection until it is shown to the satis-
4 faction of the Secretary that his taxable year is not a
5 calendar year."

6 (e) Section 203 (f) of such Act is amended to read
7 as follows:

8 "Penalty for Failure To Report Certain Events

9 "(f) Any individual in receipt of benefits subject to de-
10 duction under subsection ~~(142)(b), (e), or (m)~~ (b) or (c)
11 (or who is in receipt of such benefits on behalf of another
12 individual), because of the occurrence of an event specified
13 therein (other than an event specified in subsection (b) (1)
14 or (c) (1)), who fails to report such occurrence to the Sec-
15 retary prior to the receipt and acceptance of an insurance
16 benefit for the second month following the month in which
17 such event occurred, shall suffer an additional deduction
18 equal to that imposed under subsection ~~(143)(b), (e), or~~
19 ~~(m)~~, (b) or (c), except that the first additional deduction
20 imposed by this subsection in the case of any individual shall
21 not exceed an amount equal to one month's benefit even
22 though the failure to report is with respect to more than one
23 month."

24 (f) (1) The heading of section 203 (g) of such Act
25 is amended to read "Report of Earnings to Secretary".

1 (2) The first sentence of paragraph (1) of section 203
 2 (g) of such Act is amended to read as follows: "If an indi-
 3 vidual is entitled to any monthly insurance benefit under
 4 section 202 during any taxable year in which he has earnings
 5 or wages, as computed pursuant to paragraph (4) of subsec-
 6 tion (c), in excess of the product of ~~(144)~~one-twelfth of
 7 ~~\$1,000~~ \$100 times the number of months in such year, such
 8 individual (or the individual who is in receipt of such benefit
 9 on his behalf) shall make a report to the Secretary of his
 10 earnings (or wages) for such taxable year."

11 ~~(145)~~(3) *The third sentence of paragraph (1) of such sec-*
 12 *tion 203 (g) is amended by striking out "seventy-five" and*
 13 *inserting in lieu thereof "seventy-two".*

14 ~~(146)~~(3) (4) Paragraph (2) of such section 203 (g) is
 15 amended to read as follows:

16 “(2) If an individual fails to make a report required
 17 under paragraph (1), within the time prescribed therein,
 18 for any taxable year and any deduction is imposed under
 19 subsection (b) (1) by reason of his earnings for such year,
 20 he shall suffer additional deductions as follows:

21 “(A) if such failure is the first one with respect to
 22 which an additional deduction is imposed under this
 23 paragraph, such additional deduction shall be equal to
 24 his benefit or benefits for the last month of such year
 25 for which he was entitled to a benefit under section 202;

1 “(B) if such failure is the second one for which an
2 additional deduction is imposed under this paragraph,
3 such additional deduction shall be equal to two times his
4 benefit or benefits for the last month of such year for
5 which he was entitled to a benefit under section 202;

6 “(C) if such failure is the third or a subsequent one
7 for which an additional deduction is imposed under this
8 paragraph, such additional deduction shall be equal to
9 three times his benefit or benefits for the last month
10 of such year for which he was entitled to a benefit
11 under section 202;

12 except that the number of the additional deductions required
13 by this paragraph with respect to a failure to report earnings
14 for a taxable year shall not exceed the number of months in
15 such year for which such individual received and accepted
16 insurance benefits under section 202 and for which deduc-
17 tions are imposed under subsection (b) (1) by reason of
18 his earnings. In determining whether a failure to report
19 earnings is the first or a subsequent failure for any individual,
20 all taxable years ending prior to the imposition of the first
21 additional deduction under this paragraph, other than the
22 latest one of such years, shall be disregarded.”

23 ~~(147)(4)~~ (5) Paragraph (3) of such section 203 (g) is
24 amended by striking out “subsection (b) (2)” each time it
25 appears and inserting in lieu thereof “subsection (b) (1)”;

1 by striking out "net earnings from self-employment" each
 2 time it appears and inserting in lieu thereof "earnings"; by
 3 striking out "such net earnings" and inserting in lieu thereof
 4 "such earnings"; and by adding at the end of such paragraph
 5 the following new sentence: "If, after the close of a taxable
 6 year of an individual entitled to benefits under section 202 for
 7 such year, the Secretary requests such individual to furnish
 8 a report of his earnings (as computed pursuant to paragraph
 9 (4) of subsection (e)) for such taxable year or any other
 10 information with respect to such earnings which the Secre-
 11 tary may specify, and the individual fails to comply with such
 12 request, such failure shall in itself constitute justification for
 13 a determination that such individual's benefits are subject to
 14 deductions under subsection (b) (1) for each month in such
 15 taxable year (or only for such months thereof as the Secre-
 16 tary may specify) by reason of his earnings for such year."

17 **(148)(6)** *The heading of section 203 (j) of such Act is*
 18 *amended by striking out "Seventy-five" and inserting in lieu*
 19 *thereof "Seventy-two" and such section is amended by striking*
 20 *out "seventy-five" and inserting in lieu thereof "seventy-two".*

21 (g) Section 203 of such Act is amended by adding at the
 22 end thereof the following new subsection:

23 "Noncovered Remunerative Activity Outside the United
 24 States

25 "(k) An individual shall be considered to be engaged in

1 noncovered remunerative activity outside the United States
2 if he performs services outside the United States as an em-
3 ployee and such services do not constitute employment as
4 defined in section 210, or if he carries on a trade or business
5 outside the United States (other than the performance of
6 service as an employee) the net income or loss of which (1)
7 is not includible in computing his net earnings from self-em-
8 ployment for a taxable year and (2) would not be excluded
9 from net earnings from self-employment, if carried on in the
10 United States, by any of the numbered paragraphs of section
11 211 (a). When used in the preceding sentence with respect
12 to a trade or business (other than the performance of service
13 as an employee), the term 'United States' does not include
14 Puerto Rico or the Virgin Islands in the case of an alien who
15 is not a resident of the United States (including Puerto Rico
16 and the Virgin Islands); and the term 'trade or business'
17 shall have the same meaning as when used in section
18 ~~(149)~~²³ 162 of the Internal Revenue Code ~~(150)~~^{of 1954.}"

19 (h) Section 203 of such Act is further amended by add-
20 ing after subsection (k) (added by subsection (g) of this
21 section) the following new subsection:

22 "Good Cause for Failure To Make Reports Required

23 "(1) The failure of an individual to make any report
24 required by subsection (f) or (g) within the time pre-
25 scribed therein shall not be regarded as such a failure if it

1 is shown to the satisfaction of the Secretary that he had good
2 cause for failing to make such report within such time.
3 The determination of what constitutes good cause for pur-
4 poses of this subsection shall be made in accordance with
5 regulations of the Secretary.”

6 ~~(151)(i) (1)~~ Section 203 of such Act is further amended by
7 adding after subsection ~~(1)~~ ~~(added by subsection (h) of this~~
8 ~~section)~~ the following new subsection:

9 “Deductions From Benefits of Dependents’ and Survivors’

10 **Residing Abroad**

11 ~~“(m) (1)~~ Deductions shall be made from any benefits
12 to which a dependent or survivor is entitled under subsection
13 ~~(b), (c), (d), (e), (f), (g), or (h)~~ of section 202 on the
14 basis of the wages and self-employment income of an insured
15 individual until the total of such deductions equals such
16 dependent’s or survivor’s benefit or benefits under such sub-
17 section for any month during no part of which he is a resident
18 of the United States unless—

19 ~~“(A)~~ such dependent or survivor resided in the
20 United States for three years during the five years im-
21 mediately preceding the first month for which he was
22 eligible for such benefits or any other monthly benefits
23 under such section 202 based on the wages and self-
24 employment income of such insured individual; or

25 ~~“(B)~~ such insured individual would be a currently

1 insured individual at the time he became eligible for
2 or entitled to old-age insurance benefits or primary
3 insurance benefits or, if he died without becoming so
4 eligible or entitled, at the time of his death, even if
5 no wages were counted for such purpose except his
6 wages (if any) for service referred to in clause (B)
7 of so much of section 210 (a) as precedes paragraph
8 (1) and his wages (if any) deemed paid pursuant to
9 subsection (a) or (e) of section 217; or

10 “(C) in the case of a child entitled to child’s insur-
11 ance benefits, such child first became eligible for such
12 benefits (on the basis of the wages and self-employment
13 income of such insured individual) prior to the month
14 in which he attained the age of three and such child
15 was born in the United States.

16 “(2) For purposes of paragraph (1)—

17 “(A) an individual shall be deemed eligible for
18 benefits under any subsection of section 202 for any
19 month if he was, or would have been upon filing appli-
20 cation therefor in such month, entitled to such benefits
21 for such month;

22 “(B) a dependent is a wife, husband, or child of an
23 individual entitled to old-age insurance benefits; and

24 “(C) a survivor is a widow, widower, child, former
25 wife divorced, or parent (of a deceased individual) en-

1 titled to monthly benefits under subsection ~~(d)~~, ~~(e)~~,
2 ~~(f)~~, ~~(g)~~, or ~~(h)~~ of section 202."

3 ~~(2)~~ The first sentence of section 203 ~~(d)~~ of such Act
4 is amended by striking out "~~(b)~~ and ~~(c)~~" and inserting in
5 lieu thereof "~~(b)~~, ~~(c)~~, and ~~(m)~~".

6 ~~(3)~~ Section 214 ~~(b)~~ of such Act is amended by strik-
7 ing out "or" before clause ~~(3)~~ and by inserting immediately
8 before the period at the end thereof: "; or ~~(4)~~ for pur-
9 poses of section 203 ~~(m)~~ only, the first quarter in which he
10 was, or would have been upon filing application therefor
11 in such quarter, entitled to old-age insurance benefits or
12 primary insurance benefits".

13 ~~(4)~~ Subsections ~~(a)~~ ~~(1)~~ and ~~(c)~~ ~~(1)~~ of section 217
14 of such Act are each amended by adding at the end thereof
15 the following new sentence: "The provisions of clause ~~(B)~~
16 shall also not apply for purposes of section 203 ~~(m)~~ ~~(1)~~
17 ~~(B)~~."

18 ~~(5)~~ The amendments made by this subsection shall be
19 applicable in the case of any individual who ~~(A)~~ is en-
20 titled to benefits under any subsection of section 202 of the
21 Social Security Act ~~(other than subsection (a) thereof)~~,
22 on the basis of the wages and self-employment income of an
23 insured individual, after the month in which this Act is
24 enacted, and ~~(B)~~ was not, and would not have been upon
25 filing application therefor in such month, entitled ~~(without~~

1 the application of subsection ~~(j)~~ ~~(1)~~ of such section 202)
2 to benefits under the same or any other subsection of such
3 section 202 on the basis of such insured individual's wages
4 and self-employment income for the month in which this
5 Act is enacted or any prior month.

6 ~~(152)~~~~(j)~~ ~~(i)~~ (1) The amendments made by subsection (f)
7 and by paragraph (1) of subsection (a) of this section shall
8 be applicable in the case of monthly benefits under title II of
9 the Social Security Act for months in any taxable year (of
10 the individual entitled to such benefits) beginning after
11 December 1954. The amendments made by paragraph (1)
12 of subsection (b) of this section shall be applicable in the
13 case of monthly benefits under such title II for months in
14 any taxable year (of the individual on the basis of whose
15 wages and self-employment income such benefits are pay-
16 able) beginning after December 1954. The amendments
17 made by subsections (e) and (g), and by paragraph (2)
18 of subsection (a) and paragraph (2) of subsection (b),
19 shall be applicable in the case of monthly benefits under such
20 title II for months after December 1954. The remaining
21 amendments made by this section (other than subsection (h)
22 ~~(153)~~~~and (i)~~) shall be applicable, insofar as they are re-
23 lated to the monthly benefits of an individual which are
24 based on his wages and self-employment income, in the case
25 of monthly benefits under such title II for months in any

1 taxable year (of such individual) beginning after December
2 1954 and, insofar as they are related to the monthly benefits
3 of an individual which are based on the wages and self-
4 employment income of someone else, in the case of monthly
5 benefits under such title II for months in any taxable year
6 (of the individual on whose wages and self-employment in-
7 come such benefits are based) beginning after December
8 1954.

9 (2) No deduction shall be imposed on or after the date
10 of the enactment of this Act under subsection (f) or (g) of
11 section 203 of the Social Security Act, as in effect prior to
12 such date, on account of failure to file a report of an event
13 described in subsection (b) (1), (b) (2), or (c) (1) of
14 such section (as in effect prior to such date); and no such
15 deduction imposed prior to such date shall be collected after
16 such date. In determining whether, under section 203 (g)
17 (2) of the Social Security Act, as amended by this Act, a
18 failure to file a report is a first or subsequent failure, any
19 failure with respect to a taxable year which began prior to
20 January 1955 shall be disregarded.

21 ~~(154)~~(3) *Subsections (b) (1), (b) (2), (c), (e), and (j)*
22 *of section 203 of the Social Security Act as in effect prior*
23 *to the enactment of this Act, to the extent they are in effect*
24 *with respect to months after 1954, are each amended by strik-*

1 *ing out "seventy-five" and inserting in lieu thereof "seventy-*
2 *two", but only with respect to such months after 1954.*

3 INCREASE IN EARNINGS COUNTED

4 SEC. 104. (a) Subsection (a) of section 209 of the
5 Social Security Act is amended to read as follows:

6 " (a) (1) That part of remuneration which, after re-
7 muneration (other than remuneration referred to in the suc-
8 ceeding subsections of this section) equal to \$3,600 with
9 respect to employment has been paid to an individual during
10 any calendar year prior to 1955, is paid to such individual
11 during such calendar year;

12 " (2) That part of remuneration which, after remunera-
13 tion (other than remuneration referred to in the succeeding
14 subsections of this section) equal to \$4,200 with respect to
15 employment has been paid to an individual during any cal-
16 endar year after 1954, is paid to such individual during such
17 calendar year;".

18 (b) Paragraph (1) of subsection (b) of section 211
19 of such Act is amended to read as follows:

20 " (1) That part of the net earnings from self-
21 employment which is in excess of—

22 " (A) For any taxable year ending prior to
23 1955, (i) \$3,600, minus (ii) the amount of the

1 wages paid to such individual during the taxable
2 year; and

3 “(B) For any taxable year ending after
4 1954, (i) \$4,200, minus (ii) the amount of the
5 wages paid to such individual during the taxable
6 year; or”.

7 (c) Clauses (ii) and (iii) of section 213 (a) (2) (B)
8 of such Act are amended to read as follows—

9 “(ii) if the wages paid to any individual
10 in any calendar year equal \$3,600 in the case
11 of a calendar year after 1950 and before 1955,
12 or \$4,200 in the case of a calendar year after
13 1954, each quarter of such year shall (subject
14 to clause (i)) be a quarter of coverage.

15 “(iii) if an individual has self-employment
16 income for a taxable year, and if the sum of
17 such income and the wages paid to him during
18 such year equals \$3,600 in the case of a taxable
19 year beginning after 1950 and ending before
20 1955, or \$4,200 in the case of a taxable year
21 ending after 1954, each quarter any part of
22 which falls in such year shall (subject to clause
23 (i)) be a quarter of coverage;”.

24 (d) Paragraph (1) of section 215 (e) of such Act is
25 amended to read as follows:

1 “(1) in computing an individual’s average monthly
2 wage there shall not be counted the excess over \$3,600
3 in the case of any calendar year after 1950 and before
4 1955, and the excess over \$4,200 in the case of any
5 calendar year after 1954, of (A) the wages paid to
6 him in such year, plus (B) the self-employment income
7 credited to such year (as determined under section
8 212; ~~(155)and~~”.

9 RETROACTIVE APPLICATIONS FOR BENEFITS

10 SEC. 105. (a) Section 202 (j) (1) of the Social Se-
11 curity Act is amended by striking out “sixth” and inserting
12 in lieu thereof “twelfth”.

13 (b) The amendment made by subsection (a) shall be
14 applicable only in the case of applications for monthly bene-
15 fits under section 202 of the Social Security Act filed after
16 ~~(156)the month following the month in which this Act is~~
17 ~~enacted August 1954~~; except that no individual shall, by
18 reason of such amendment, be entitled to any benefit for any
19 month prior to ~~(157)the fifth month before the month in~~
20 ~~which this Act is enacted February 1954.~~

21 PRESERVATION OF INSURANCE RIGHTS OF INDIVIDUALS

22 WITH EXTENDED TOTAL DISABILITY

23 SEC. 106. (a) (1) Section 213 (a) (2) (A) of the
24 Social Security Act is amended to read as follows:

25 “(A) The term ‘quarter of coverage’ means, in the case

1 of any quarter occurring prior to 1951, a quarter in which
2 the individual has been paid \$50 or more in wages, except
3 that no quarter any part of which was included in a period
4 of disability (as defined in section 216 (i)), other than the
5 initial quarter of such period, shall be a quarter of coverage.
6 In the case of any individual who has been paid, in a cal-
7 endar year prior to 1951, \$3,000 or more in wages, each
8 quarter of such year following his first quarter of coverage
9 shall be deemed a quarter of coverage, excepting any quarter
10 in such year in which such individual died or became entitled
11 to a primary insurance benefit and any quarter succeeding
12 such quarter in which he died or became so entitled, and
13 excepting any quarter any part of which was included in a
14 period of disability, other than the initial quarter of such
15 period.”

16 (2) Section 213 (a) (2) (B) (i) of such Act is
17 amended to read as follows:

18 “(i) no quarter after the quarter in which such
19 individual died shall be a quarter of coverage, and no
20 quarter any part of which was included in a period of
21 disability (other than the initial quarter and the last
22 quarter of such period) shall be a quarter of coverage;”.

23 (b) (1) Section 214 (a) (2) of the Social Security
24 Act is amended by striking out subparagraph (B) and in-
25 serting in lieu thereof the following:

1 “(B) forty quarters of coverage,
2 not counting as an elapsed quarter for purposes of subpara-
3 graph (A) any quarter any part of which was included in a
4 period of disability (as defined in section 216 (i)) unless
5 such quarter was a quarter of coverage.”

6 (2) Section 214 (b) of such Act is amended by striking
7 out the period and inserting in lieu thereof: “, not counting
8 as part of such thirteen-quarter period any quarter any part
9 of which was included in a period of disability unless such
10 quarter was a quarter of coverage.”

11 (c) (1) Section 215 (b) (1) of the Social Security Act
12 (as amended by section 102 (b) (1) of this Act) is amended
13 by inserting after “(158)quarter quarters of coverage”
14 the following: “and any month in any quarter any part of
15 which was included in a period of disability (as defined in
16 section 216 (i)) unless such quarter was a quarter of
17 coverage”.

18 (2) Section 215 (d) of such Act is amended by adding
19 at the end thereof the following new paragraph:

20 “(5) In the case of any individual to whom paragraph
21 (1), (2), or (4) of this subsection is applicable, his primary
22 insurance benefit shall be computed as provided therein ex-
23 cept that, for purposes of paragraphs (1) and (2) and sub-
24 paragraph (C) of paragraph (4), any quarter prior to 1951
25 any part of which was included in a period of disability shall

1 be excluded from the elapsed quarters unless it was a quarter
2 of coverage, and any wages paid in any such quarter shall
3 not be counted.”

4 (3) Section 215 (e) of such Act (as amended by
5 section 102 (e) (1) of this Act) is amended by adding
6 after paragraph (3) the following new paragraph:

7 “(4) in computing an individual’s average monthly
8 wage, there shall not be taken into account (A) any
9 wages paid such individual in any quarter any part of
10 which was included in a period of disability unless such
11 quarter was a quarter of coverage, or (B) any self-
12 employment income of such individual for any taxable
13 year all of which was included in a period of disability.”

14 (d) Section 216 of the Social Security Act is amended
15 by adding after subsection (h) the following new subsection:

16 “Disability; Period of Disability

17 “(i) (1) The term ‘disability’ means (A) inability
18 to engage in any substantial gainful activity by reason of
19 any medically determinable physical or mental impairment
20 which can be expected to result in death or to be of long-
21 continued and indefinite duration, or (B) blindness; and the
22 term ‘blindness’ means central visual acuity of 5/200 or
23 less in the better eye with the use of a correcting lens. An
24 eye in which the visual field is reduced to five degrees or less
25 concentric contraction shall be considered for the purpose of

1 this paragraph as having a central visual acuity of 5/200
2 or less. An individual shall not be considered to be under a
3 disability unless he furnishes such proof of the existence
4 thereof as may be required. Nothing in this title shall be
5 construed as authorizing the Secretary or any other officer or
6 employee of the United States to interfere in any way with
7 the practice of medicine or with relationships between prac-
8 titioners of medicine and their patients, or to exercise any
9 supervision or control over the administration or operation
10 of any hospital.

11 “(2) The term ‘period of disability’ means a continuous
12 period of not less than six full calendar months (beginning
13 and ending as hereinafter provided in this subsection) during
14 which an individual was under a disability (as defined in
15 paragraph (1)). No such period shall begin as to any
16 individual unless such individual, while under a disability,
17 files an application for a disability determination with re-
18 spect to such period; and no such period shall begin as to
19 any individual after such individual attains retirement age.
20 Except as provided in paragraph (4), a period of disability
21 shall begin—

22 “(A) if the individual satisfies the requirements of
23 paragraph (3) on such day,

24 “(i) on the day the disability began, or

25 “(ii) on the first day of the one-year period

1 which ends with the day before the day on which
2 the individual files such application,
3 whichever occurs later;

4 “(B) if such individual does not satisfy the require-
5 ments of paragraph (3) on the day referred to in sub-
6 paragraph (A), then on the first day of the first quarter
7 thereafter in which he satisfies such requirements.

8 A period of disability shall end with the close of the last
9 day of the first month in which either the disability ceases
10 or the individual attains retirement age. No application for
11 a disability determination which is filed more than three
12 months before the first day on which a period of disability
13 can begin (as determined under this paragraph) shall be
14 accepted as an application for purposes of this paragraph,
15 and no such application which is filed prior to January 1,
16 1955, shall be accepted.

17 “(3) The requirements referred to in clauses (A) and
18 (B) of paragraphs (2) and (4) are satisfied by an in-
19 dividual with respect to any quarter only if he had not less
20 than—

21 “(A) six quarters of coverage (as defined in sec-
22 tion 213 (a) (2)) during the thirteen-quarter period
23 which ends with such quarter; and

24 “(B) twenty quarters of coverage during the forty-
25 quarter period which ends with such quarter,

1 not counting as part of the thirteen-quarter period specified
2 in clause (A), or the forty-quarter period specified in clause
3 (B), any quarter any part of which was included in a prior
4 period of disability unless such quarter was a quarter of
5 coverage.

6 “(4) If an individual files an application for a disability
7 determination after December 1954, and before July 1957,
8 with respect to a disability which began before July 1956,
9 and continued without interruption until such application
10 was filed, then the beginning day for the period of disability,
11 if such individual does not die prior to July 1, 1955, shall
12 be—

13 “(A) the day such disability began, but only if he
14 satisfies the requirements of paragraph (3) on such
15 day;

16 “(B) if he does not satisfy such requirements on
17 such day, the first day of the first quarter thereafter in
18 which he satisfies such requirements.”

19 (e) (1) The first sentence of section 217 (a) (1) of
20 the Social Security Act is amended by inserting “and for
21 purposes of section 216 (i) (3),” after “World War II
22 veteran,”.

23 (2) The first sentence of section 217 (e) (1) of such
24 Act is amended by inserting “and for purposes of section 216
25 (i) (3),” after “veteran (as defined in paragraph (4)),”.

1 "DISABILITY DETERMINATIONS

2 "SEC. 221. (a) In the case of any individual, the deter-
3 mination of whether or not he is under a disability (as
4 defined in section 216 (i)) and of the day such disability
5 began, and the determination of the day on which such
6 disability ceases, shall, except as provided in subsection (g),
7 be made by a State agency pursuant to an agreement entered
8 into under subsection (b). Except as provided in subsections
9 (c) and (d), any such determination shall be the determi-
10 nation of the Secretary for purposes of this title.

11 "(b) The Secretary shall enter into an agreement with
12 each State which is willing to make such an agreement
13 under which the State agency or agencies administering
14 the State plan approved under the Vocational Rehabilita-
15 tion Act, or any other appropriate State agency or agen-
16 cies, or both, will make the determinations referred to in
17 subsection (a) with respect to all individuals in such State,
18 or with respect to such class or classes of individuals in
19 the State as may be designated in the agreement at the
20 State's request.

21 "(c) The Secretary may on his own motion review a
22 determination, made by a State agency pursuant to an
23 agreement under this section, that an individual is under
24 a disability and, as a result of such review, may determine

1 that such individual is not under a disability or that such
2 disability began on a day later than that determined by
3 such agency, or that such disability ceased on a day earlier
4 than that determined by such agency.

5 “(d) Any individual dissatisfied with any deter-
6 mination under subsection (a), (c), or (g) shall be
7 entitled to a hearing thereon by the Secretary to the same
8 extent as is provided in section 205 (b) with respect to
9 decisions of the Secretary, and to judicial review of the
10 Secretary’s final decision after such hearing as is provided
11 in section 205 (g).

12 “(e) Each State which has an agreement with the Sec-
13 retary under this section shall be entitled to receive from
14 the Trust Fund, in advance or by way of reimbursement, as
15 may be mutually agreed upon, the cost to the State of carry-
16 ing out the agreement under this section. The Secretary
17 shall from time to time certify such amount as is necessary
18 for this purpose to the Managing Trustee, reduced or
19 increased, as the case may be, by any sum (for which ad-
20 justment hereunder has not previously been made) by which
21 the amount certified for any prior period was greater or
22 less than the amount which should have been paid to the
23 State under this subsection for such period; and the Man-
24 aging Trustee, prior to audit or settlement by the General
25 Accounting Office, shall make payment from the Trust

1 Fund at the time or times fixed by the Secretary, in
2 accordance with such certification.

3 “(f) All money paid to a State under this section shall
4 be used solely for the purposes for which it is paid; and any
5 money so paid which is not used for such purposes shall
6 be returned to the Treasury of the United States for deposit
7 in the Trust Fund.

8 “(g) In the case of individuals in a State which has no
9 agreement under subsection (b), in the case of individuals
10 outside the United States, and in the case of any class or
11 classes of individuals not included in an agreement under
12 subsection (b), the determinations referred to in subsection
13 (a) shall be made by the Secretary in accordance with regu-
14 lations prescribed by him.

15 “REFERRAL FOR REHABILITATION SERVICES

16 “SEC. 222. It is hereby declared to be the policy of the
17 Congress in enacting the preceding section that disabled indi-
18 viduals applying for a determination of disability shall be
19 promptly referred to the State agency or agencies administer-
20 ing or supervising the administration of the State plan ap-
21 proved under the Vocational Rehabilitation Act for neces-
22 sary vocational rehabilitation services, to the end that the
23 maximum number of disabled individuals may be restored to
24 productive activity.”

25 (h) Notwithstanding the provisions of section 215 (f)

1 (1) of the Social Security Act, the amendments made by
 2 subsections (a), (b), (c), (d), (e), and (f) of this section
 3 shall apply with respect to monthly benefits under title II of
 4 the Social Security Act for months after June 1955, and with
 5 respect to lump-sum death payments under such title in the
 6 case of deaths occurring after June 1955; but no recomputa-
 7 tion of benefits by reason of such amendments shall be re-
 8 garded as a recomputation for purposes of section 215 (f)
 9 of the Social Security Act.

10 ~~(160)~~ DELETION OF EARNINGS DURING UNLAWFUL
 11 RESIDENCE IN THE UNITED STATES

12 SEC. 107. ~~(a)~~ Section 205 of the Social Security Act
 13 is amended by redesignating subsection ~~(n)~~ as subsection
 14 ~~(m)~~ and inserting after such subsection the following new
 15 subsection:

16 ~~“Earnings During Unlawful Residence Deleted From~~
 17 ~~Record~~

18 ~~“(n) (1) Notwithstanding the provisions of subsection~~
 19 ~~(e), wages for service performed by an individual during~~
 20 ~~any period that he is unlawfully in the United States, and~~
 21 ~~self-employment income derived by him during such period,~~
 22 ~~shall be deleted from the Secretary’s records for such in-~~
 23 ~~dividual and shall not be counted for purposes of determining~~

1 entitlement to or the amount of any benefits or lump-sum
2 death payments under section 202.

3 “(2) Upon application for benefits or a lump-sum death
4 payment on the basis of the wages and self-employment in-
5 come of any individual the Secretary shall make a decision
6 without regard to paragraph (1) unless he has been notified
7 by the Attorney General that such individual was unlaw-
8 fully in the United States during any period of time. If the
9 Attorney General has made or makes a determination that
10 there was such a period, he shall notify the Secretary thereof,
11 and the Secretary shall certify no further benefits for pay-
12 ment or shall recompute the amount of any further benefits
13 payable on the basis of such individual's wages and self-
14 employment income, as may be required by paragraph (1).
15 Any payment certified by the Secretary on the basis of the
16 wages and self-employment income of such individual prior
17 to receipt of such notice shall not be deemed by reason of
18 this subsection to be an erroneous payment.”

19 (b) The amendment made by subsection (a) shall be
20 applicable in the case of monthly benefits under title II
21 of the Social Security Act for months after, and in the case
22 of lump-sum death payments with respect to deaths
23 occurring after, the month following the month in which this
24 Act is enacted.

1 of coverage (163), but only if there are not fewer than six of
2 such quarters so elapsing.”

3 (164)(b) Subparagraph (B) of section 213 (a) (2) of such
4 Act is amended by inserting “(except wages for agricul-
5 tural labor)” after “\$50 or more in wages” in that part of
6 such subparagraph which precedes clause (i), and by strik-
7 ing out clause (iv) and inserting in lieu thereof the
8 following:

9 “(iv) if an individual is paid wages for agricultural
10 labor in a calendar year, then, subject to clause (i), (a)
11 the last two quarters of such year which can be but are
12 not otherwise quarters of coverage shall be quarters of
13 coverage if such wages are less than \$300; (b) the last
14 three quarters of such year which can be but are not
15 otherwise quarters of coverage shall be quarters of cover-
16 age if such wages equal or exceed \$300 but are less than
17 \$400; and (c) each quarter of such year which is not
18 otherwise a quarter of coverage shall be a quarter of cov-
19 erage if such wages are \$400 or more; and

20 “(v) no quarter shall be counted as a quarter of
21 coverage prior to the beginning of such quarter.

22 If, in the case of any individual who has attained retirement
23 age or died and who has been paid wages for agricultural
24 labor in a calendar year, the requirements for insured status
25 in subsection (a) or (b) of section 214, the requirements

1 for entitlement to a computation or recomputation of his
 2 primary insurance amount, or the requirements of paragraph
 3 ~~(3)~~ of section 216 ~~(i)~~ are not met after assignment of quar-
 4 ters of coverage to quarters in such year as provided in clause
 5 ~~(iv)~~ of the preceding sentence, but would be met if such
 6 quarters of coverage were assigned to different quarters in
 7 such year, then such quarters of coverage shall instead be as-
 8 signed, for purposes only of determining compliance with
 9 such requirements, to such different quarters."

10 BENEFITS IN CERTAIN CASES OF DEATHS BEFORE
 11 SEPTEMBER 1950

12 SEC. ~~(165)~~ 108. (a) In the case of any individual—

13 (1) who died prior to September 1, 1950, and was
 14 not a fully insured individual (under title II of the Social
 15 Security Act), when he died, and

16 (2) who had not less than six quarters of coverage
 17 (as defined in such title),

18 such individual shall, except for purposes of determining en-
 19 titlement of a former wife divorced to benefits under section
 20 202 (g) of the Social Security Act, be deemed to have died a
 21 fully insured individual. Such individual's primary insurance
 22 amount shall be computed under subsection (a) (2) of sec-
 23 tion 215 of such ~~(166)~~ Act, except that, for *Act*. For the
 24 purpose of such computation, the provisions of ~~(167)~~ para-
 25 graph ~~(4)~~ of subsection ~~(d)~~ of such section (in lieu of the

1. ~~provisions of paragraph (3) of such subsection~~ section 215
 2. *(d) (3) of such Act shall apply if such individual died a*
 3. *currently insured individual (under title II of such Act)*
 4. *and any other person was entitled on the basis of his wages*
 5. *to monthly benefits or a lump-sum death payment under*
 6. *section 202 of such Act; in all other cases the provisions of*
 7. *section 215 (d) (4) shall be applicable, (168)and except*
 8. *that (169)his such individual's closing date shall be the*
 9. *first day of the quarter in which he died. In the case of*
 10. *any such individual, the requirement in subsection (h) of*
 11. *section 202 of such Act that proof of support be filed within*
 12. *two years of the date of his death shall not apply if such proof*
 13. *is filed (170)within two years after the first month following*
 14. *the month in which this Act is enacted before September*
 15. *1956.*

16. (b) The provisions of subsection (a) shall be applicable
 17. only in the case of monthly benefits under section 202 of
 18. the Social Security Act for months after (171)the first month
 19. following the month in which this Act is enacted *August*
 20. *1954*, on the basis of applications filed after such month
 21. (172)in which this Act is enacted.

22. **ELIMINATION OF REQUIREMENT OF FILING APPLICATION**
 23. **IN CERTAIN CASES**

24. SEC. (173)111 109. (a) Section 202 (e) (1) (C) of
 25. the Social Security Act is amended to read as follows:

1 “(C) (i) has filed application for widow’s insur-
2 ance benefits or was entitled, after attainment of re-
3 tirement age, to wife’s insurance benefits, on the basis
4 of the wages and self-employment income of such indi-
5 vidual, for the month preceding the month in which he
6 died, or

7 “(ii) was entitled, on the basis of such wages and
8 self-employment income, to mother’s insurance benefits
9 for the month preceding the month in which she at-
10 tained retirement age.”

11 (b) Section 202 (g) (1) (D) of such Act is amended
12 to read as follows:

13 “(D) has filed application for mother’s insurance
14 benefits, or was entitled to wife’s insurance benefits
15 on the basis of the wages and self-employment income
16 of such individual for the month preceding the month
17 in which he died.”

18 (c) The third sentence of section 202 (i) of such Act
19 is amended by inserting immediately before the period at
20 the end thereof the following: “, or unless such person was
21 entitled to wife’s or husband’s insurance benefits, on the
22 basis of the wages and self-employment income of such in-
23 sured individual, for the month preceding the month in which
24 such individual died”.

1 of any wages paid him for services performed in 1939, and
 2 subsequent to his attaining age sixty-five, and”.

3 **PROOF OF SUPPORT BY HUSBAND OR WIDOWER IN CERTAIN**
 4 **CASES**

5 SEC. (181)444 112. (a) For the purpose of determining
 6 the entitlement of any individual to husband's insurance
 7 benefits under subsection (c) of section 202 of the Social
 8 Security Act on the basis of his wife's wages and self-
 9 employment income, the requirements of paragraph (1)
 10 (D) of such subsection shall be deemed to be met if—

11 (1) such individual was receiving at least one-half
 12 of his support, as determined in accordance with regula-
 13 tions prescribed by the Secretary of Health, Education,
 14 and Welfare, from his wife on the first day of the first
 15 month (A) for which she was entitled to a monthly
 16 benefit under subsection (a) of such section 202, and
 17 (B) in which an event described in paragraph (1) or
 18 (2) of section 203 (b) of such Act (as in effect before
 19 or after the enactment of this Act) did not occur,

20 (2) such individual has filed proof of such support
 21 within two years after such first month, and

22 (3) such wife was, without the application of sub-
 23 section (j) (1) of such section 202, entitled to a pri-
 24 mary insurance benefit under such Act for August 1950.

25 (b) For the purpose of determining the entitlement of

1 any individual to widower's insurance benefits under sub-
2 section (f) of section 202 of the Social Security Act on
3 the basis of his deceased wife's wages and self-employment
4 income, the requirements of paragraph (1) (E) (ii) of
5 such subsection shall be deemed to be met if—

6 (1) such individual was receiving at least one-half
7 of his support, as determined in accordance with regula-
8 tions prescribed by the Secretary of Health, Education,
9 and Welfare, from his wife, and she was a currently
10 insured individual, on the first day of the first month
11 (A) for which she was entitled to a monthly benefit
12 under subsection (a) of such section 202, and (B) in
13 which an event described in paragraph (1) or (2) of
14 section 203 (b) of such Act (as in effect before or after
15 the enactment of this Act) did not occur,

16 (2) such individual has filed proof of such support
17 within two years after such first month, and

18 (3) such wife was, without the application of
19 subsection (j) (1) of such section 202, entitled to a
20 primary insurance benefit under such Act for August
21 1950.

22 (c) For purposes of subsection (b) (1) of this ~~(182) Act~~
23 *section*, and for purposes of section 202 (c) (1) of the Social
24 Security Act in cases to which subsection (a) of this section
25 is applicable, the wife of an individual shall be deemed a

1 currently insured individual if she had not less than six
 2 quarters of coverage (as determined under section 213 of
 3 the Social Security Act) during the thirteen-quarter period
 4 ending with the calendar quarter in which occurs the first
 5 month (1) for which such wife was entitled to a monthly
 6 benefit under section 202 (a) of such Act, and (2) in
 7 which an event described in paragraph (1) or (2) of
 8 section 203 (b) of such Act ~~(183)~~*(as in effect before or*
 9 *after the enactment of this Act)* did not occur.

10 (d) This section shall apply only with respect to
 11 husband's insurance benefits under section 202 (c) of the
 12 Social Security Act, and widower's insurance benefits under
 13 section 202 (f) of such Act, for months after ~~(184)~~*the*
 14 *first month following the month in which this Act is en-*
 15 *acted August 1954,* and only with respect to benefits based
 16 on applications filed after such ~~(185)~~*first* month.

17 DEFINITION

18 SEC. ~~(186)~~*113.* As used in the provisions of the
 19 Social Security Act amended by this title, the term "Sec-
 20 retary" means the Secretary of Health, Education, and
 21 Welfare.

22 ~~(187)~~COVERED EMPLOYMENT NOT COUNTED UNDER 23 OTHER FEDERAL RETIREMENT SYSTEMS

24 SEC. 114. *Notwithstanding any other provision of law,*
 25 *in determining eligibility for or the amount of any benefit*

1 *(other than a benefit under title II of the Social Security Act*
 2 *or the Railroad Retirement Act of 1937, as amended) under*
 3 *any retirement system established by the United States or any*
 4 *instrumentality thereof, there shall not be taken into account*
 5 *any service which constitutes employment (as defined in sec-*
 6 *tion 210 (a) of the Social Security Act) and is performed*
 7 *after 1954 by individuals as officers or employees of the*
 8 *United States or any instrumentality thereof.*

9 TITLE II—AMENDMENTS TO INTERNAL REVE-
 10 NUE ~~(188)~~CODE CODES OF 1939 AND 1954

11 AMENDMENTS TO DEFINITIONS OF SELF-EMPLOYMENT

12 INCOME AND RELATED DEFINITIONS

13 SEC. 201. (a) ~~(189)~~~~(1)~~ Paragraph ~~(1)~~ of section
 14 ~~481 (a)~~ of the Internal Revenue Code is amended to read
 15 as follows:

16 “~~(1)~~ There shall be excluded rentals from real
 17 estate and from personal property leased with the real
 18 estate ~~(including such rentals paid in crop shares)~~
 19 ~~together with the deductions attributable thereto, unless~~
 20 ~~such rentals are received in the course of a trade or~~
 21 ~~business as a real estate dealer;”.~~

22 ~~(2)~~ Subsection ~~(a)~~ of section 481 of the Internal
 23 Revenue Code is amended by striking out paragraph
 24 ~~(2)~~ and redesignating paragraphs ~~(3)~~, ~~(4)~~, ~~(5)~~, ~~(6)~~,
 25 and ~~(7)~~, and any references thereto contained in such

1 code, as paragraphs (2), (3), (4), (5), and (6), respec-
2 tively, and by adding at the end of such subsection the
3 following new sentence: "In the case of any trade or busi-
4 ness which is carried on by an individual who reports his
5 income on a cash receipts and disbursements basis, and in
6 which, if it were carried on exclusively by employees, the
7 major portion of the services would constitute agricultural
8 labor as defined in section 1426 (h), (i) if the gross income
9 derived from such trade or business by such individual is
10 not more than \$1,800, the net earnings from self-employ-
11 ment derived by him therefrom may, at his option, be
12 deemed to be 50 per centum of such gross income in lieu of
13 his net earnings from self-employment from such trade or
14 business computed as provided under the preceding pro-
15 visions of this subsection, or (ii) if the gross income
16 derived from such trade or business by such individual is
17 more than \$1,800 and the net earnings from self-employ-
18 ment derived by him therefrom, as computed under the
19 preceding provisions of this subsection, are less than \$900,
20 such net earnings may instead, at the option of such indi-
21 vidual, be deemed to be \$900. For the purpose of the
22 preceding sentence, gross income derived from such trade
23 or business shall mean the gross receipts from such trade or
24 business reduced by the cost or other basis of property which
25 was purchased and sold in carrying on such trade or business,

1 adjusted ~~(after such reduction)~~ in accordance with the pre-
 2 ceding provisions of this subsection.”

3 ~~(190)(b) (1)~~ Paragraph (1) of section ~~(191)481 1402~~
 4 (b) of the Internal Revenue Code ~~(192)~~of 1954 is amended
 5 to read as follows:

6 “(1) ~~(193)That~~ that part of the net earnings from
 7 self-employment which is in excess of—

8 “(A) ~~(194)For~~ for any taxable year ending
 9 prior to 1955, (i) \$3,600, minus (ii) the amount
 10 of the wages paid to such individual during the
 11 taxable year; and

12 “(B) ~~(195)For~~ for any taxable year ending
 13 after 1954, (i) \$4,200, minus (ii) the amount of
 14 the wages paid to such individual during the tax-
 15 able year; or”.

16 ~~(196)(2)~~ (b) Section ~~(197)481 1402~~ (b) of the Internal
 17 Revenue Code ~~(198)~~of 1954 is amended by inserting after
 18 “employees)” the following: “, or under an agreement
 19 entered into pursuant to the provisions of section ~~(199)1426~~
 20 ~~(m) 3121 (l)~~ (relating to coverage of citizens of the United
 21 States who are employees of foreign subsidiaries of domestic
 22 corporations),”.

23 ~~(200)(e)~~ Section 481 ~~(e)~~ of the Internal Revenue Code
 24 is amended by striking out paragraphs ~~(4)~~ and ~~(5)~~, by

1 inserting "or" at the end of paragraph (3), and by adding
2 after paragraph (3) the following new paragraph:

3 ~~"(4) The performance of service by an individual~~
4 ~~in the exercise of his profession as a physician, or the~~
5 ~~performance of such service by a partnership."~~

6 (c) (1) Section 1402 (c) (2) of the Internal Revenue
7 Code of 1954 is amended by inserting after "18" the
8 following: "and other than service described in paragraph
9 (4) of this subsection".

10 (2) Section 1402 (c) of the Internal Revenue Code
11 of 1954 is amended by adding at the end thereof
12 the following new sentence: "The provisions of para-
13 graph (4) shall not apply to service (other than service
14 performed by a member of a religious order who has
15 taken a vow of poverty as a member of such order) per-
16 formed by an individual during the period for which a
17 certificate filed by such individual under subsection (e)
18 is in effect. The provisions of paragraph (5) shall not
19 apply to service performed by an individual in the exercise
20 of his profession as a Christian Science practitioner during
21 the period for which a certificate filed by him under subsec-
22 tion (e) is in effect."

23 (3) Section 1402 of the Internal Revenue Code of 1954

1 *is amended by adding at the end thereof the following new*
2 *subsection:*

3 “(e) *MINISTERS AND MEMBERS OF RELIGIOUS*
4 *ORDERS, AND CHRISTIAN SCIENCE PRACTITIONERS.—*

5 “(1) *WAIVER CERTIFICATE.—Any individual who*
6 *is (A) a duly ordained, commissioned, or licensed min-*
7 *ister of a church or a member of a religious order*
8 *(other than a member of a religious order who has*
9 *taken a vow of poverty as a member of such order)*
10 *or (B) a Christian Science practitioner may file a*
11 *certificate (in such form and manner, and with such*
12 *official, as may be prescribed by regulations made under*
13 *this chapter) certifying that he elects to have the insur-*
14 *ance system established by title II of the Social Security*
15 *Act extended to service, described in subsection (c) (4)*
16 *or (5), as may be, performed by him.*

17 “(2) *TIME FOR FILING CERTIFICATE.—Any indi-*
18 *vidual who desires to file a certificate pursuant to para-*
19 *graph (1) must file such certificate on or before the due*
20 *date of the return (including any extension thereof) for*
21 *his second taxable year ending after 1954 for which he*
22 *has net earnings from self-employment (computed with-*
23 *out regard, in the case of an individual referred to in*
24 *paragraph (1) (A) to paragraph (4) of subsection*
25 *(c), and in the case of an individual referred to in*

1 paragraph (1) (B), without regard to paragraph (5)
2 of such subsection) of \$400 or more, any part of which
3 was derived from his performance of service described
4 in such paragraph (4) or (5), as the case may be.

5 “(3) *EFFECTIVE DATE OF CERTIFICATE.*—A cer-
6 tificate filed pursuant to this subsection shall be effective
7 for the first taxable year with respect to which it is filed
8 (but in no case shall the certificate be effective for a tax-
9 able year with respect to which the period for filing a re-
10 turn has expired, or for a taxable year ending prior to
11 1955) and all succeeding taxable years. An election
12 made pursuant to this subsection shall be irrevocable.”

13 (4) Section 1402 (a) of the Internal Revenue Code of
14 1954 is amended—

15 (A) by striking out the period at the end of para-
16 graph (8) and inserting in lieu thereof a semicolon, and

17 (B) by inserting after paragraph (8) thereof a new
18 paragraph as follows:

19 “(9) an individual who is—

20 “(A) a duly ordained, commissioned, or licensed
21 minister of a church or a member of a religious order;
22 and

23 “(B) a citizen of the United States performing
24 service described in subsection (c) (4) as an employee.

1 of an American employer (as defined in section 3121
 2 (h))
 3 shall compute his net earnings from self-employment derived
 4 from the performance of service described in subsection (c)
 5 (4) without regard to section 911 (relating to earned income
 6 from sources without the United States) and section 931
 7 (relating to income from sources within possessions of the
 8 United States)."

9 (d) Paragraph (5) of section 1402 (c) of the Internal
 10 Revenue Code of 1954 is amended by striking out "funeral
 11 director,".

12 ~~(201)(d)~~ (e) The amendments made by subsections (a),
 13 (b), ~~(202)~~ and ~~(e)~~ (c), and (d) of this section shall be
 14 applicable only with respect to taxable years ending after
 15 1954.

16 REFUND OF CERTAIN TAXES DEDUCTED FROM WAGES

17 SEC. 202. (a) (1) The first sentence of section
 18 ~~(203)1401 (d) (3)~~ 6413 (c) (1) of the Internal Revenue
 19 Code ~~(204)~~ of 1954 is amended to read as follows: "If by
 20 reason of an employee receiving wages from more than one
 21 employer during a calendar year after the calendar year 1950
 22 and prior to the calendar year 1955, the wages received by
 23 him during such year exceed \$3,600, the employee shall be
 24 entitled ~~(205)~~ (subject to the provisions of section 31 (b))
 25 to a ~~(206)~~ credit or refund of any amount of tax, with respect

1 to such wages, imposed by section 1400 ~~(207)~~ of the *Internal*
 2 *Revenue Code of 1939* and deducted from the employee's
 3 wages (whether or not paid to the Secretary or his dele-
 4 gate), which exceeds the tax with respect to the first \$3,600
 5 of such wages received; or if by reason of an employee
 6 receiving wages from more than one employer during any
 7 calendar year after the calendar year 1954, the wages re-
 8 ceived by him during such year exceed \$4,200, the employee
 9 shall be entitled ~~(208)~~ (subject to the provisions of section
 10 31 (b)) to a ~~(209)~~ credit or refund of any amount of tax,
 11 with respect to such wages, imposed by section ~~(210)~~ 1400
 12 3101 and deducted from the employee's wages (whether
 13 or not paid to the Secretary or his delegate), which exceeds
 14 the tax with respect to the first \$4,200 of such wages
 15 received."

16 (2) Section 1401 (d) (3) of the Internal Revenue
 17 Code ~~(211)~~ of 1939 is amended by striking out the period at
 18 the end of the second sentence and inserting in lieu thereof
 19 "or, in the case of any agreement (or modification
 20 ~~(212)~~ thereof) pursuant to section 218 of the Social Security
 21 Act which is effective as of a date more than two years
 22 prior to the date such agreement (or modification) was
 23 agreed to, within ~~(213)~~ a period of two years after ~~(214)~~ the
 24 end of the calendar year in which such agreement (or modi-

1 fication) was agreed to by the State and the Secretary
2 of Health, Education, and Welfare.”

3 (b) (1) The heading of section ~~(215)~~4401 ~~(d)~~ ~~(4)~~
4 ~~6413~~ (c) (2) of the Internal Revenue Code ~~(216)~~of 1954
5 is amended to read as follows: “~~(217)~~SPECIAL RULES IN
6 ~~THE~~ APPLICABILITY IN CASE OF FEDERAL AND STATE
7 EMPLOYEES AND EMPLOYEES OF CERTAIN FOREIGN COR-
8 PORATIONS.—”

9 (2) Section ~~(218)~~4401 ~~(d)~~ ~~(4)~~ ~~(A)~~ ~~6413~~ (c) (2)
10 (A) of the Internal Revenue Code ~~(219)~~of 1954 is
11 amended by striking out “\$3,600,” and inserting in lieu
12 thereof “\$3,600 for the calendar year 1951, 1952, 1953, or
13 1954, or \$4,200 for any calendar year after 1954.”

14 (3) Section ~~(220)~~4401 ~~(d)~~ ~~(4)~~ ~~6413~~ (c) (2) of
15 the Internal Revenue Code ~~(221)~~of 1954 is amended by
16 adding at the end thereof the following new subparagraph:

17 “(C) Employees Of Certain Foreign Corpora-
18 tions.—For ~~(222)~~the purposes of paragraph
19 ~~(223)~~~~(3)~~ (1) of this subsection, ~~(224)~~in the case
20 of remuneration received during any calendar year
21 after the calendar year 1954, the term ‘wages’ in-
22 cludes such remuneration for services covered by an
23 agreement made pursuant to section ~~(225)~~4426
24 ~~(m)~~ of this subchapter 3121 (l) as would be wages
25 if such services constituted employment; the term

1 ‘employer’ includes any domestic corporation which
 2 has entered into an agreement pursuant to section
 3 ~~(226)1426 (m)~~ 3121 (l); the term ‘tax’ or ‘tax
 4 imposed by section ~~(227)1400~~ 3101’ includes, in
 5 the case of services covered by an agreement entered
 6 into pursuant to section ~~(228)1426 (m)~~ 3121 (l),
 7 an amount equivalent to the tax which would be
 8 imposed by section ~~(229)1400~~ 3101, if such serv-
 9 ices constituted employment as defined in section
 10 ~~(230)1426~~ 3121; and the provisions of paragraph
 11 ~~(231)(3)~~ (1) of this subsection shall apply whether
 12 or not any amount deducted from the employee’s
 13 remuneration as a result of the agreement entered
 14 into pursuant to section ~~(232)1426 (m)~~ 3121 (l)
 15 has been paid to the Secretary or his delegate.”

16 (c) The second sentence of section ~~(233)1420 (e)~~
 17 3122 of the Internal Revenue Code ~~(234)of 1954~~ is amended
 18 by ~~(235)inserting “in the case of the calendar year 1951,~~
 19 ~~1952, 1953, or 1954, or the \$4,200 limitation in such sec-~~
 20 ~~tion in the case of any calendar year after 1954” after “the~~
 21 ~~\$3,600 limitation in section 1426 (a) (1)”.~~ striking out
 22 “\$3,600” and inserting in lieu thereof “\$4,200”.

23 (d) The amendments made by subsections (a) (1),
 24 (b) ~~(236)(2)~~, and (c) shall be applicable only with re-
 25 spect to remuneration paid after 1954. ~~(237)The amend-~~

1 *ment made by subsection (a) (2) shall be effective as if it*
 2 *had been enacted as a part of section 203 (c) of the Social*
 3 *Security Act Amendments of 1950 which added section*
 4 *1401 (d) (3) to the Internal Revenue Code of 1939.*

5 **(238) COLLECTION AND PAYMENT OF TAXES WITH**
 6 **RESPECT TO COAST GUARD EXCHANGES**

7 **SEC. 203. (a) Section 1420 (c) of the Internal Rev-**
 8 **enue Code is amended by adding at the end thereof the**
 9 **following new sentence: "The provisions of this subsection**
 10 **shall be applicable also in the case of service performed by a**
 11 **civilian employee, not compensated from funds appropriated**
 12 **by the Congress, in the Coast Guard Exchanges or other**
 13 **activities, conducted by an instrumentality of the United**
 14 **States subject to the jurisdiction of the Secretary, at installa-**
 15 **tions of the Coast Guard for the comfort, pleasure, content-**
 16 **ment, and mental and physical improvement of personnel of**
 17 **the Coast Guard; and for purposes of this subsection the**
 18 **Secretary shall be deemed to be the head of such instru-**
 19 **mentality."**

20 **(b) The amendment made by subsection (a) shall be-**
 21 **come effective January 1, 1955.**

22 **AMENDMENTS TO DEFINITION OF WAGES**

23 **SEC. (239)204 203. (a) Paragraph (1) of section**
 24 **(240)1426 3121 (a) of the Internal Revenue Code (241)of**

1 1954 is amended by striking out "\$3,600" wherever it ap-
 2 pears therein and inserting in lieu thereof "\$4,200".

3 (b) (1) Subparagraph (B) of section ~~(242)~~1426
 4 3121 (a) (7) of the Internal Revenue Code ~~(243)~~of 1954
 5 is amended to read as follows:

6 " (B) ~~(244)~~Cash *cash* remuneration paid by an em-
 7 ployer in any calendar quarter to an employee for domes-
 8 tic service in a private home of the employer, if the cash
 9 remuneration paid in such quarter by the employer to
 10 the employee for such service is less than \$50. As used
 11 in this subparagraph, the term 'domestic service in a
 12 private home of the employer' does not include service
 13 described in subsection ~~(245)(h)~~ (g) (5) ;".

14 (2) Section ~~(246)~~1426 3121 (a) (7) of the Internal
 15 Revenue Code ~~(247)~~of 1954 is amended by adding at the
 16 end thereof the following new subparagraph:

17 " (C) ~~(248)~~Cash *cash* remuneration paid by an em-
 18 ployer in any calendar quarter to an employee for service
 19 not in the course of the employer's trade or business, if the
 20 cash remuneration paid in such quarter by the employer
 21 to the employee for such service is less than \$50. As
 22 used in this ~~(249)~~subparagraph *subparagraph*, the term
 23 'service not in the course of the employer's trade or busi-
 24 ness' does not include domestic service in a private home of

1 the employer and does not include service described in
2 subsection ~~(250)(h)~~ (g) (5);”.

3 (3) Section ~~(251)4426 3121~~ (a) (8) of the Internal
4 Revenue Code ~~(252)of 1954~~ is amended by inserting
5 “(A)” after “(8)” and by adding at the end thereof the
6 following new subparagraph:

7 “(B) ~~(253)Cash~~ *cash* remuneration paid by an
8 employer in any calendar ~~(254)year~~ *quarter* to an
9 employee for agricultural labor, if the cash remunera-
10 tion paid in such ~~(255)year~~ *quarter* by the employer
11 to the employee for such labor is less than ~~(256)\$200~~
12 *\$50*”.

13 (c) The amendments made by subsections (a) and (b)
14 shall be applicable only with respect to remuneration paid
15 after 1954.

16 AMENDMENTS TO DEFINITION OF EMPLOYMENT

17 SEC. ~~(257)205 204~~. (a) Section ~~(258)4426 3121~~

18 (b) (1) of the Internal Revenue Code ~~(259)of 1954~~
19 is amended to read as follows:

20 ~~(260)“(1) Service performed by foreign agricultural~~
21 ~~workers under contracts entered into in accordance with~~
22 ~~title V of the Agricultural Act of 1949, as amended;”.~~

23 “(1) (A) *service performed in connection with the*
24 *production or harvesting of any commodity defined as an*

1 *agricultural commodity in section 15 (g) of the Agri-*
 2 *cultural Marketing Act, as amended (46 Stat. 1550 § 3;*
 3 *12 U. S. C. 1141j);*

4 *“(B) service performed by foreign agricultural*
 5 *workers (i) under contracts entered into in accordance*
 6 *with title V of the Agricultural Act of 1949, as amended*
 7 *(65 Stat. 119; 7 U. S. C. 1461-1468), or (ii) law-*
 8 *fully admitted to the United States from the Bahamas,*
 9 *Jamaica, and the other British West Indies, on a tem-*
 10 *porary basis to perform agricultural labor;”*

11 (b) Section ~~(261)~~⁴⁴²⁶ 3121 (b) of the Internal Reve-
 12 nue Code ~~(262)~~^{of 1954} is amended by striking out para-
 13 graph (3) and redesignating paragraphs (4), (5), (6),
 14 (7), (8), (9), (10), (11), (12), (13), and (14), and
 15 any references thereto contained in such code, as paragraphs
 16 (3), (4), (5), ~~(6)~~, (7), (8), (9), (10), (11), (12),
 17 and (13), respectively.

18 (c) The paragraph of section ~~(263)~~⁴⁴²⁶ 3121 (b) of
 19 the Internal Revenue Code ~~(264)~~^{of 1954} herein redesi-
 20 gnated as paragraph (4) is amended by striking out “if the
 21 individual is employed on and in connection with such vessel
 22 or aircraft when outside the United States” and inserting in
 23 lieu thereof: “if (A) the individual is employed on and in
 24 connection with such vessel or aircraft when outside the

1 United States and (B) (i) such individual is not a citizen of
2 the United States or (ii) the employer is not an American
3 employer”.

4 ~~(265)(d) (1)~~ Subparagraph ~~(B)~~ of the paragraph of sec-
5 tion 1426 ~~(b)~~ of the Internal Revenue Code herein redesi-
6 gnated as paragraph ~~(6)~~ is amended—

7 ~~(A)~~ by inserting “by an individual” after “Serv-
8 ice performed,” and by inserting “and if such service
9 is covered by a retirement system established by such
10 instrumentality,” after “December 31, 1950,”;

11 ~~(B)~~ by inserting “a Federal Home Loan Bank,”
12 after “a Federal Reserve Bank,” in clause ~~(ii)~~; and

13 ~~(C)~~ by striking out “or” at the end of clause ~~(iii)~~;
14 by adding “or” at the end of clause ~~(iv)~~, and by adding
15 at the end of the subparagraph the following new clause:

16 ~~“(v) service performed by a civilian employee,~~
17 ~~not compensated from funds appropriated by the~~
18 ~~Congress, in the Coast Guard Exchanges or other~~
19 ~~activities, conducted by an instrumentality of the~~
20 ~~United States subject to the jurisdiction of the Sec-~~
21 ~~retary of the Treasury, at installations of the Coast~~
22 ~~Guard for the comfort, pleasure, contentment, and~~
23 ~~mental and physical improvement of personnel of~~
24 ~~the Coast Guard;”.~~

1 ~~(2)~~ Subparagraph ~~(C)~~ of such paragraph is amended
2 to read as follows:

3 ~~“(C)~~ Service performed in the employ of the
4 United States or in the employ of any instrumentality of
5 the United States, if such service is performed—

6 ~~“(i)~~ as the President or Vice President of the
7 United States or as a Member, Delegate, or Resi-
8 dent Commissioner of or to the Congress;

9 ~~“(ii)~~ in the legislative branch;

10 ~~“(iii)~~ in a penal institution of the United States
11 by an inmate thereof;

12 ~~“(iv)~~ by any individual as an employee in-
13 cluded under section 2 of the Act of August 4, 1947
14 (relating to certain interns, student nurses, and
15 other student employees of hospitals of the Federal
16 Government; 5 U. S. C., sec. 1052);

17 ~~“(v)~~ by any individual as an employee serving
18 on a temporary basis in case of fire, storm, earth-
19 quake, flood, or other similar emergency; or

20 ~~“(vi)~~ by any individual to whom the Civil
21 Service Retirement Act of 1930 does not apply be-
22 cause such individual is subject to another retire-
23 ment system (other than the retirement system of
24 the Tennessee Valley Authority);”.

25 ~~(e)~~ The paragraph of section 1426 ~~(b)~~ of the Internal

1 Revenue Code herein redesignated as paragraph ~~(8)~~ is
2 amended to read as follows:

3 ~~“(8) (A)~~ Service performed in the employ of a
4 religious, charitable, educational, or other organization
5 exempt from income tax under section 101 ~~(6)~~, other
6 than service performed by a duly ordained, commis-
7 sioned, or licensed minister of a church in the exercise of
8 his ministry or by a member of a religious order in the
9 exercise of duties required by such order; but this sub-
10 paragraph shall not apply to service performed during
11 the period for which a certificate, filed pursuant to sub-
12 section ~~(1) (1)~~, is in effect, if such service is performed
13 by an employee ~~(i)~~ whose signature appears on the list
14 filed by such organization under such subsection, or ~~(ii)~~
15 who became an employee of such organization after the
16 certificate was filed and after such period began;

17 ~~“(B)~~ Service performed in the employ of a reli-
18 gious, charitable, educational, or other organization ex-
19 empt from income tax under section 101 ~~(6)~~, by a duly
20 ordained, commissioned, or licensed minister of a church
21 in the exercise of his ministry or by a member of a
22 religious order in the exercise of duties required by such
23 order; but this subparagraph shall not apply to service
24 performed by a duly ordained, commissioned, or licensed
25 minister of a church or a member of a religious order,

1 other than a member of a religious order who has taken
 2 a vow of poverty as a member of such order, during the
 3 period for which a certificate, filed pursuant to sub-
 4 section ~~(1)~~ ~~(2)~~, is in effect, if such service is performed
 5 by an employee ~~(i)~~ whose signature appears on the list
 6 filed by such organization under such subsection, or ~~(ii)~~
 7 who became an employee of such organization after the
 8 certificate was filed and after such period began;”.

9 ~~(266)(f)~~ *(d)*. Section ~~(267)~~⁴²⁶ 3121 (b) of the Internal
 10 Revenue Code ~~(268)~~*of 1954* is further amended by striking
 11 out paragraph (15) and redesignating paragraphs (16)
 12 and (17), and any references thereto contained in such code,
 13 as paragraphs (14) and (15), respectively.

14 ~~(269)(g)~~ *(c)* The amendments made by subsections
 15 ~~(270)(c)~~, ~~(d)~~, ~~(e)~~, and ~~(f)~~ *(c) and (d)* shall be applica-
 16 ble only with respect to services performed after 1954.
 17 The amendments made by subsections (a) and (b) shall
 18 be applicable only with respect to services (whether per-
 19 formed after 1954 or prior to 1955) for which the remun-
 20 eration is paid after 1954.

21 ~~(271)~~ *AMENDMENT RELATING TO COLLECTION OF*
 22 *EMPLOYEE TAX*

23 *SEC. 205. Section 3102 (a) of the Internal Revenue*
 24 *Code of 1954 is amended by adding at the end thereof*
 25 *the following new sentence: “An employer who in any calen-*

1 *dar quarter pays to an employee cash remuneration to which*
 2 *paragraph (7) (B) or (C), (8) (B), or (10) of section*
 3 *3121 (a) is applicable may deduct an amount equivalent*
 4 *to such tax from any such payment of remuneration, even*
 5 *though at the time of payment the total amount of such*
 6 *remuneration paid to the employee by the employer in the*
 7 *calendar quarter is less than \$50."*

8 **AMENDMENT TO DEFINITION OF EMPLOYEE**

9 **SEC. 206. (a)** Subparagraph (C) of section ~~(272)~~¹⁴²⁶
 10 *3121 (d) (3) of the Internal Revenue Code (273) of 1954*
 11 *is amended by striking out " , if the performance of such*
 12 *services is subject to licensing requirements under the laws*
 13 *of the State in which such services are performed".*

14 (b) The amendment made by subsection (a) shall be
 15 applicable only with respect to services performed after
 16 1954.

17 ~~(274)~~**WAIVER OF TAX EXEMPTION BY NONPROFIT OR-**
 18 **GANIZATIONS WITH RESPECT TO MINISTERS IN THEIR**
 19 **EMPLOY**

20 **SEC. 207. (a)** Paragraph ~~(1)~~ of section 1426 ~~(1)~~ of the
 21 **Internal Revenue Code is amended by inserting "(other**
 22 **than service performed by a duly ordained, commissioned, or**
 23 **licensed minister of a church in the exercise of his ministry or**
 24 **by a member of a religious order in the exercise of duties**

1 required by such order)" after "service" in the first sentence,
2 by striking out "two-thirds of its employees" and inserting
3 in lieu thereof "two-thirds of its employees performing serv-
4 ice to which this paragraph is applicable" in such sentence,
5 and by deleting so much of such paragraph as follows the first
6 sentence.

7 (b) Such section 1426 (1) is amended by redesignating
8 paragraphs (2) and (3) as paragraphs (6) and (7),
9 respectively, and by adding after paragraph (1) the follow-
10 ing new paragraphs:

11 ~~"(2)~~ WAIVER OF EXEMPTION IN THE CASE OF
12 MINISTERS.—An organization exempt from income tax
13 under section 101 (6) may file a certificate (in such
14 form and manner, and with such official, as may be pre-
15 scribed by regulations made under this subchapter)
16 certifying that it desires to have the insurance system
17 established by title II of the Social Security Act ex-
18 tended to service performed by its employees who are
19 duly ordained, commissioned, or licensed ministers of a
20 church or churches and perform such service in the
21 exercise of their ministry or who are members of a re-
22 ligious order or orders (other than a member of a
23 religious order who has taken a vow of poverty as a
24 member of such order) and perform such service in the

1 exercise of duties required by such order or orders, and
 2 that at least two-thirds of such employees concur in the
 3 filing of the certificate. Notwithstanding the preceding
 4 sentence of this paragraph, a certificate may not be filed
 5 by an organization pursuant to such sentence unless (A)
 6 such organization does not have any employees with
 7 respect to whom a certificate may be filed pursuant to
 8 paragraph (1), or (B) such organization has filed a
 9 certificate pursuant to paragraph (1) with respect to
 10 such employees.

11 “~~(3)~~ LIST TO ACCOMPANY CERTIFICATE.—A cer-
 12 tificate may be filed pursuant to paragraph (1) or para-
 13 graph (2) only if it is accompanied by a list containing
 14 the signature, address, and social security account num-
 15 ber (if any) of each employee who concurs in the filing
 16 of the certificate. Such list may be amended at any time
 17 by filing with the prescribed official a supplemental list
 18 or lists containing the signature, address, and social se-
 19 curity account number (if any) of each additional em-
 20 ployee who concurs in the filing of the certificate. The
 21 list and any supplemental list shall be filed in such form
 22 and manner as may be prescribed by regulations made
 23 under this subchapter.

24 “~~(4)~~ EFFECTIVE PERIOD OF WAIVER.—A certifi-

1 ~~ate filed pursuant to paragraph (1) or paragraph (2)~~
2 ~~shall be in effect (for the purposes of subsection (b) (8)~~
3 ~~of this section and for the purposes of section 210 (a)~~
4 ~~(8) of the Social Security Act) —~~

5 ~~“(A) in the case of a certificate filed pursuant~~
6 ~~to paragraph (1), for the period beginning with the~~
7 ~~first day of the calendar quarter in which such cer-~~
8 ~~tificate is filed or the first day of the succeeding cal-~~
9 ~~endar quarter, as may be specified in the certificate;~~
10 ~~or~~

11 ~~“(B) in the case of a certificate filed pur-~~
12 ~~suant to paragraph (2), for the period beginning~~
13 ~~with the first day of whichever of the following~~
14 ~~calendar quarters may be specified in the certificate;~~
15 ~~(i) the quarter in which such certificate is filed,~~
16 ~~or (ii) the succeeding quarter, or (iii) if the cer-~~
17 ~~tificate is filed during the calendar year 1955, any~~
18 ~~quarter in such year prior to the quarter in which it~~
19 ~~is filed;~~

20 ~~except that, in the case of service performed by an~~
21 ~~individual whose name appears on a supplemental list~~
22 ~~filed after the first month following the first calendar~~
23 ~~quarter for which the certificate is in effect (as deter-~~
24 ~~mined under subparagraph (A) or (B), whichever is~~

1 applicable) or following the calendar quarter in which
2 the certificate was filed, whichever is later, and to whom
3 subparagraph (A) or (B) of subsection (b) (8) of
4 this section would otherwise apply, the certificate shall
5 be in effect, for purposes of such subsection (b) (8)
6 and for purposes of section 210 (a) (8) of the Social
7 Security Act, only with respect to service performed
8 by such individual after the calendar quarter in which
9 such supplemental list is filed.

10 “(5) ~~TERMINATION OF WAIVER PERIOD BY OR-~~
11 ~~GANIZATION.~~—The period for which a certificate filed
12 pursuant to paragraph (1) of this subsection is effective
13 may be terminated by the organization, effective at the
14 end of a calendar quarter, upon giving two years’
15 advance notice in writing, but only if, at the time of
16 the receipt of such notice, the certificate has been in
17 effect for a period of not less than eight years and only
18 if such notice applies also to the period for which the
19 certificate, if any, filed by such organization pursuant to
20 paragraph (2) is effective. The period for which a
21 certificate filed pursuant to paragraph (2) is effective
22 may also be terminated by the organization, effective at
23 the end of a calendar quarter, upon giving two years’
24 advance notice in writing, but only if, at the time of the
25 receipt of such notice, the certificate has been in effect

1 for a period of not less than eight years. The notice of
2 termination may be revoked by the organization by
3 giving, prior to the close of the calendar quarter specified
4 in the notice of termination, a written notice of such
5 revocation. Notice of termination or revocation thereof
6 shall be filed in such form and manner, and with such
7 official, as may be prescribed by regulations made under
8 this subchapter."

9 (c) The paragraph of such section 1426 (1) herein
10 redesignated as paragraph (6) is amended by adding at the
11 end thereof the following new sentence: "If the period
12 covered by a certificate filed pursuant to paragraph (1) of
13 this subsection is terminated under this paragraph, the period
14 covered by the certificate, if any, filed by the same organiza-
15 tion pursuant to paragraph (2) shall also be terminated
16 at the same time."

17 (d) The paragraph of such section 1426 (1) herein
18 redesignated as paragraph (7) is amended to read as
19 follows:

20 "~~(7) NO RENEWAL OF WAIVER.~~—In the event the
21 period covered by a certificate filed pursuant to para-
22 graph (1) or (2) of this subsection is terminated by
23 the organization, no certificate may again be filed by
24 such organization pursuant to such paragraph."

1 ~~(c)~~ The amendments made by this section shall become
 2 effective January 1, 1955. Nothing in this section shall
 3 be construed as affecting the validity of any certificate filed
 4 prior to January 1, 1955, under section 1426 ~~(1)~~ of the
 5 Internal Revenue Code. If a certificate filed during the
 6 calendar year 1955 pursuant to section 1426 ~~(1)~~ ~~(2)~~ of
 7 the Internal Revenue Code is in effect for any calendar
 8 quarter in 1955 which precedes the quarter during which
 9 the certificate was filed, the return and payment of the taxes
 10 for any such preceding calendar quarter with respect to
 11 service which constitutes employment by reason of the filing
 12 of such certificate shall be deemed to be timely made if made
 13 on or before the last day of the first month following the
 14 calendar quarter in which the certificate is filed.

15 CHANGES IN TAX SCHEDULES

16 SEC. ~~(275)~~208 207. (a) Section ~~(276)~~480 1401 of
 17 the Internal Revenue Code ~~(279)~~of 1954 is amended by
 18 striking out paragraph ~~(278)~~~~(5)~~ (4) and inserting in lieu
 19 thereof the following:

20 “~~(279)~~~~(5)~~ In (4) in the case of any taxable year
 21 beginning after December 31, 1969, and before Jan-
 22 uary 1, 1975, the tax shall be equal to 5½ ~~(280)~~per

1 ~~centum~~ percent of the amount of the self-employment
2 income for such taxable ~~(281)year.~~ year;

3 “~~(282)(6)~~ In (5) in the case of any taxable year
4 beginning after December 31, 1974, the tax shall be
5 equal to 6 ~~(283)per centum~~ percent of the amount of
6 the self-employment income for such taxable year.”

7 (b) Section ~~(284)1409~~ 3101 of the Internal Revenue
8 Code ~~(285)of 1954~~ is amended by striking out paragraph
9 ~~(286)(6)~~ (4) and inserting in lieu thereof the following:

10 “~~(287)(6)~~ With (4) with respect to wages received
11 during the calendar years 1970 to 1974, both inclusive,
12 the rate shall be $3\frac{1}{2}$ ~~(288)per centum.~~ percent;

13 “~~(289)(7)~~ With (5) with respect to wages received
14 after December 31, 1974, the rate shall be 4 ~~(290)per~~
15 ~~centum~~ percent.”

16 (c) Section ~~(291)1410~~ 3111 of the Internal Revenue
17 Code ~~(292)of 1954~~ is amended by striking out paragraph
18 ~~(293)(6)~~ (4) and inserting in lieu thereof the following:

19 “~~(294)(6)~~ With (4) with respect to wages paid
20 during the calendar years 1970 to 1974, both inclusive,
21 the rate shall be $3\frac{1}{2}$ ~~(295)per centum.~~ percent;

22 “~~(296)(7)~~ With (5) with respect to wages paid

1 after December 31, 1974, the rate shall be 4 ~~(297)~~per
2 ~~centum~~ percent."

3 FOREIGN SUBSIDIARIES OF ~~(298)~~AMERICAN EMPLOYER
4 DOMESTIC CORPORATION

5 SEC. ~~(299)~~209 208. Section ~~(300)~~1426 3121 of the
6 Internal Revenue Code ~~(301)~~of 1954 is amended by adding
7 at the end thereof the following new subsection:

8 "~~(302)~~~~(m)~~ (l) AGREEMENTS ENTERED INTO BY DO-
9 MESTIC CORPORATIONS WITH RESPECT TO FOREIGN SUB-
10 SIDIARIES.—

11 "(1) AGREEMENT WITH RESPECT TO CERTAIN
12 EMPLOYEES OF FOREIGN SUBSIDIARIES.—The Secretary
13 or his delegate shall, at the request of any domestic cor-
14 poration, enter into an agreement (in such form and
15 manner as may be prescribed by the Secretary or his
16 delegate) with any such corporation which desires to
17 have the insurance system established by title II of the
18 Social Security Act extended to service performed out-
19 side the United States in the employ of any one or more
20 of its foreign subsidiaries (as defined in paragraph
21 ~~(303)~~~~(7)~~ (8)) by all employees who are citizens of
22 the United States, except that the agreement shall not be
23 applicable to any service performed by, or remuneration
24 paid to, an employee if such service or remuneration
25 would be excluded from the ~~(304)~~terms term 'employ-

1 ment' or 'wages', (305)respectively, as defined in this
2 section, had the service been performed in the (306)em-
3 ploy of the domestic corporation *United States*. Such
4 agreement may be amended at any time so as to be made
5 applicable, in the same manner and under the same
6 conditions, (307)in the case of *with respect to* any other
7 foreign subsidiary of such domestic corporation. Such
8 agreement shall be applicable with respect to citizens of
9 the United States who, (308)on or after the effective
10 date of the agreement, (309)become are employees of
11 and perform services outside the United States for any
12 foreign subsidiary specified in the agreement. Such
13 agreement shall provide—

14 “(A) (310)That ~~that~~ the domestic corporation
15 shall pay to the Secretary or his delegate, at such
16 time or times as the Secretary (311)or *his delegate*
17 may by regulations prescribe, amounts equivalent to
18 the sum of the taxes which would be imposed by
19 sections (312)1400 and 1410, including interest and
20 penalties, if the services of employees covered by
21 the agreement had constituted employment as de-
22 fined in section 1426 3101 and 3111 (including
23 amounts equivalent to the interest, additions to the
24 taxes, additional amounts, and penalties which would
25 be applicable) with respect to the remuneration which

1 *would be wages if the services covered by the agree-*
2 *ment constituted employment as defined in this section;*
3 and

4 “(B) ~~(313)~~That that the domestic corporation
5 will comply with such regulations relating to pay-
6 ments and reports as the Secretary ~~(314)~~or his
7 *delegate* may prescribe to carry out the purposes of
8 this ~~(315)~~subsection.” *subsection.*

9 “(2) EFFECTIVE PERIOD OF AGREEMENT.—An
10 agreement entered into pursuant to paragraph (1) shall
11 be in effect for the period beginning with the first day of
12 the calendar quarter in which such agreement is entered
13 into or the first day of the succeeding calendar quarter,
14 as may be specified in the agreement, but in no case
15 prior to January 1, 1955; except that in case such
16 agreement is amended to include the services performed
17 for any other subsidiary and such amendment is executed
18 after the first month following the first calendar quarter
19 for which the agreement is in effect, the agreement shall
20 be in effect with respect to service performed for such
21 other subsidiary only after the calendar quarter in which
22 such amendment is executed.

23 “(3) TERMINATION OF PERIOD BY A DOMESTIC
24 CORPORATION.—The period for which an agreement
25 entered into pursuant to paragraph (1) of this subsec-

1 tion is effective may be terminated with respect to any
2 one or more of its foreign subsidiaries by the domestic
3 corporation, effective at the end of a calendar quarter,
4 upon giving two years' advance notice in writing, but
5 only if, at the time of the receipt of such notice, the
6 agreement has been in effect for a period of not less than
7 eight years. The notice of termination may be revoked
8 by the domestic corporation by giving, prior to the close
9 of the calendar quarter specified in the notice of termi-
10 nation, a written notice of such revocation. Notice of
11 termination or revocation thereof shall be filed in such
12 form and manner as may be prescribed by regulations.
13 Notwithstanding any other provision of this subsection,
14 the period for which any such agreement is effective
15 with respect to any foreign (316) *subsidiary corporation*
16 shall terminate at the end of any calendar quarter in which
17 the (317) *domestic foreign corporation*, at any time in
18 such quarter, (318) *owns 50 per centum or less of the*
19 *voting stock of such subsidiary ceases to be a foreign sub-*
20 *subsidiary as defined in paragraph (8).*

21 “(4) TERMINATION OF PERIOD BY SECRETARY.—
22 If the Secretary or his delegate finds that any domestic
23 corporation which entered into an agreement pursuant
24 to this subsection has failed to comply substantially with
25 the terms of such agreement, the Secretary or his dele-

1 gate shall give such domestic corporation not less than
2 sixty days' advance notice in writing that the period
3 covered by such agreement will terminate at the end
4 of the calendar quarter specified in such notice. Such
5 notice of termination may be revoked by the Secretary
6 or his delegate by giving, prior to the close of the calen-
7 dar quarter specified in the notice of termination, written
8 notice of such revocation to the domestic corporation.
9 No notice of termination or of revocation thereof shall be
10 given under this paragraph to a domestic corporation
11 without the prior concurrence of the Secretary of
12 Health, Education, and Welfare.

13 “(5) NO RENEWAL OF AGREEMENT.—If any
14 agreement entered into pursuant to paragraph (1) of
15 this subsection is terminated in its entirety (319)(A) by
16 a notice of termination filed by the domestic corporation
17 pursuant to paragraph (3), or (B) by a notice of termi-
18 nation given by the Secretary or his delegate pursuant
19 to paragraph (4), the domestic corporation may not
20 again enter into an agreement pursuant to (320)~~such~~
21 ~~paragraph~~ paragraph (1). If any such agreement is
22 terminated with respect to any (321)foreign subsidiary,
23 such agreement may not thereafter be amended so as
24 again to make it applicable with respect to such
25 subsidiary.

1 “(6) DEPOSITS IN TRUST FUND.—(322) All
2 amounts received by the Secretary pursuant to an agree-
3 ment entered into under paragraph (1) of this subsection
4 shall be regarded for purposes of section 201 of the
5 Social Security Act as taxes collected pursuant to this
6 subchapter. For purposes of section 201 of the Social
7 Security Act, relating to appropriations to the Federal
8 Old-Age and Survivors Insurance Trust Fund, such
9 remuneration—

10 “(A) paid for services covered by an agreement
11 entered into pursuant to paragraph (1) as would
12 be wages if the services constituted employment,
13 and

14 “(B) as is reported to the Secretary or his dele-
15 gate pursuant to the provisions of such agreement or
16 of the regulations issued under this subsection,
17 shall be considered wages subject to the taxes imposed
18 by this chapter.

19 “(7) OVERPAYMENTS AND UNDERPAYMENTS.—

20 “(A) If more or less than the correct amount
21 due under an agreement entered into pursuant to
22 this subsection is paid with respect to any payment
23 of remuneration, proper adjustments with respect
24 to the amounts due under such agreement shall be
25 made, without interest, in such manner and at such

1 times as may be required by regulations prescribed
2 by the Secretary ~~(323)~~ or *his delegate*.

3 “(B) If an overpayment cannot be adjusted
4 under subparagraph (A), the amount thereof shall
5 be paid by the Secretary or his delegate, through
6 the Fiscal Service of the Treasury Department,
7 but only if a claim for such overpayment is filed
8 with the Secretary or his delegate within two years
9 from the time such overpayment was made.

10 “(8) DEFINITION OF FOREIGN SUBSIDIARY.—For
11 purposes of this subsection and section 210 (a) of the
12 Social Security Act, a foreign subsidiary of a domestic
13 corporation is—

14 “(A) ~~(324)~~ *A* a foreign corporation more than
15 50 ~~(325)~~ ~~per centum~~ *percent* of the voting stock of
16 which is owned by such domestic corporation; or

17 “(B) ~~(326)~~ *A* a foreign corporation more than
18 50 ~~(327)~~ ~~per centum~~ *percent* of the voting stock of
19 which is owned by the foreign corporation described
20 in subparagraph ~~(328)~~ ~~(A)~~.” *(A)*.

21 ~~(329)~~ “(9) DOMESTIC CORPORATION AS SEPARATE
22 ENTITY.—*Each domestic corporation which enters into*
23 *an agreement pursuant to paragraph (1) of this sub-*
24 *section shall, for purposes of this subsection and section*
25 *6413 (c) (2) (C), relating to special refunds in the*

1 case of employees of certain foreign corporations, be
 2 considered an employer in its capacity as a party to such
 3 agreement separate and distinct from its identity as a
 4 person employing individuals on its own account.

5 “~~(330)(9)~~ (10) REGULATIONS.—Regulations of
 6 the Secretary ~~(331)~~ or his delegate to carry out the pur-
 7 poses of this subsection shall be designed to make the re-
 8 quirements imposed on domestic corporations with
 9 respect to services covered by an agreement entered
 10 into pursuant to this subsection the same, so far as
 11 practicable, as those imposed upon employers ~~(332)~~ pur-
 12 suant to subchapter A or E of chapter 9 of this title
 13 pursuant to this title with respect to the taxes imposed
 14 by this chapter.”

15 DEDUCTIONS FROM GROSS INCOME FOR PAYMENTS WITH
 16 RESPECT TO EMPLOYEES OF CERTAIN FOREIGN
 17 CORPORATIONS

18 ~~(333)~~ SEC. 210. Section 23 of the Internal Revenue Code
 19 ~~(relating to deductions from gross income)~~ is amended by
 20 inserting at the end thereof the following new subsection:

21 “~~(gg)~~ PAYMENTS WITH RESPECT TO EMPLOYEES OF
 22 CERTAIN FOREIGN CORPORATIONS.—In the case of a
 23 domestic corporation, amounts ~~(to the extent not com-~~
 24 ~~pensated for)~~ paid or incurred pursuant to an agreement
 25 entered into under section 1426 ~~(m)~~ with respect to services

1 performed by United States citizens employed by foreign
2 subsidiary corporations. Any reimbursement of any amount
3 previously allowed as a deduction for income tax purposes
4 under this subsection shall be included in gross income for
5 the taxable year in which received."

6 *SEC. 209. (a) The Internal Revenue Code of 1954*
7 *is amended by inserting after section 175 thereof the following*
8 *new section:*

9 **"SEC. 176. PAYMENTS WITH RESPECT TO EMPLOYEES OF CER-**
10 **TAIN FOREIGN CORPORATIONS.**

11 *"In the case of a domestic corporation, there shall be*
12 *allowed as a deduction amounts (to the extent not compen-*
13 *sated for) paid or incurred pursuant to an agreement entered*
14 *into under section 3121 (l) with respect to services performed*
15 *by United States citizens employed by foreign subsidiary cor-*
16 *porations. Any reimbursement of any amount previously*
17 *allowed as a deduction under this section shall be included*
18 *in gross income for the taxable year in which received."*

19 *(b) The table of sections to part VI of subchapter B*
20 *of chapter 1 of subtitle A of the Internal Revenue Code of*
21 *1954 is amended by adding at the end thereof the following:*

*"Sec. 176. Payments with respect to employees of certain
 foreign corporations."*

1 TITLE III—PROVISIONS RELATING TO PUBLIC
2 ASSISTANCE

3 TEMPORARY EXTENSION OF 1952 MATCHING FORMULA

4 SEC. 301. Section 8 (e) of the Social Security Act
5 Amendments of 1952 (Public Law 590, Eighty-second Con-
6 gress) is amended by striking out "September 30, 1954"
7 and inserting in lieu thereof "September 30, ~~(334)1955~~
8 1956".

9 TEMPORARY EXTENSION OF SPECIAL PROVISION RELATING
10 TO STATE PLANS FOR AID TO THE BLIND

11 SEC. 302. Section 344 (b) of the Social Security Act
12 Amendments of 1950 (Public Law 734, Eighty-first Con-
13 gress) is amended by striking out "June 30, 1955" and
14 inserting in lieu thereof "June 30, 1957".

15 TECHNICAL AMENDMENTS

16 SEC. 303. (a) Sections 3 (b) (1), 403 (b) (1), and
17 1003 (b) (1) of the Social Security Act are each amended
18 by striking out "one-half" and inserting in lieu thereof "the
19 State's proportionate share".

20 (b) Section 3 (b) of such Act is amended (1) by strik-
21 ing out "clause (1) of subsection (a)" wherever it appears
22 and inserting in lieu thereof "subsection (a)", ~~(335)and (2)~~

1 (2) by striking out "such clause" in paragraph (1) and in-
2 serting "such subsection" in lieu thereof, and (3) by striking
3 out "increased by five per centum" immediately before the
4 period at the end of paragraph (3).

5 TITLE IV—MISCELLANEOUS PROVISIONS

6 AMENDMENTS PRESERVING RELATIONSHIP BETWEEN
7 RAILROAD RETIREMENT AND OLD-AGE AND SUR-
8 VIVORS INSURANCE

9 SEC. 401. (a) Section 1 (q) of the Railroad Retire-
10 ment Act of 1937, as amended, is amended by striking out
11 "1952" and inserting in lieu thereof "1954".

12 (b) Section 2 (c) of the Railroad Retirement Act of
13 1937, as amended, is amended by striking out "six" and
14 inserting in lieu thereof "twelve"; and subsection (5) (j)
15 of such Act, as amended, is amended by striking out "sixth"
16 and inserting in lieu thereof "twelfth". The amendments
17 made by this subsection shall be applicable only in the case
18 of applications for annuities under the Railroad Retirement
19 Act filed after ~~(336)the month following the month in which~~
20 ~~this Act is enacted August 1954~~; except that no individual
21 shall, by reason of such amendment, be entitled to any
22 annuity for any month prior to ~~(337)the fifth month before~~
23 ~~the month in which this Act is enacted February 1954~~.

24 (c) Section 5 (l) (9) of the Railroad Retirement Act
25 of 1937, as amended, is amended by striking out "\$3,600"

1 the second time it appears and inserting in lieu thereof
2 "\$4,200".

3 (d) Section 5 (i) (1) (ii) of the Railroad Retirement
4 Act of 1937, as amended, is amended to read as follows:

5 " (ii) will have been under the age of ~~(338)seventy-~~
6 ~~five~~ *seventy-two* and for which month he is charged with
7 any earnings under section 203 (e) of the Social Security
8 Act or in which month he engaged on seven or more dif-
9 ferent calendar days in noncovered remunerative activity
10 outside the United States (as defined in section 203 (k)
11 of the Social Security Act); and for purposes of this
12 subdivision the Board shall have the authority to make
13 such determinations and such suspensions of payment
14 of benefits in the manner and to the extent that the
15 Secretary of Health, Education, and Welfare would be
16 authorized to do so under section 203 (g) (3) of the
17 Social Security Act if the individuals to whom this sub-
18 division applies were entitled to benefits under section
19 202 of such Act;"

20 CROSS REFERENCES TO REDESIGNATED PROVISIONS

21 SEC. 402. References in the Internal Revenue Code
22 ~~(339)~~ *of 1939, the Internal Revenue Code of 1954, the Rail-*
23 *road Retirement Act of 1937, as amended, or any other law*
24 *of the United States to any section or subdivision of a section*
25 *of the Social Security Act redesignated by this ~~(340)~~Act, and*

1 references in the Social Security Act, the Railroad Retirement
2 Act of 1937, as amended, or any other law of the
3 United States to any section or subdivision of a section of
4 the Internal Revenue Code redesignated by this Act, Act
5 shall be deemed to refer to such section or subdivision of a
6 section as so redesignated.

7 **(341) SERVICE FOR CERTAIN TAX-EXEMPT ORGANIZA-**
8 **TIONS PRIOR TO ENACTMENT OF THIS ACT**

9 **SEC. 403. (a) In any case in which—**

10 *(1) an individual has been employed, at any time*
11 *subsequent to 1950 and prior to the enactment of this*
12 *Act, by an organization which is exempt from income*
13 *tax under section 101 (6) of the Internal Revenue Code*
14 *of 1939 but which has failed to file prior to the enact-*
15 *ment of this Act a waiver certificate under section 1426*
16 *(l) (1) of the Internal Revenue Code of 1939;*

17 *(2) the service performed by such individual as an*
18 *employee of such organization during the period subse-*
19 *quent to 1950 and prior to 1955 would have constituted*
20 *employment (as defined in section 210 of the Social Se-*
21 *curity Act and section 1426 (b) of the Internal Reve-*
22 *nue Code of 1939) if such organization had filed prior*
23 *to the performance of such service such a certificate*
24 *accompanied by a list of the signatures of employees*

1 *who concurred in the filing of such certificate and such*
2 *individual's signature had appeared on such list;*

3 *(3) the taxes imposed by sections 1400 and 1410*
4 *of the Internal Revenue Code of 1939 have been paid*
5 *with respect to any part of the remuneration paid to*
6 *such individual by such organization for such service;*

7 *(4) part of such taxes have been paid prior to the*
8 *enactment of this Act;*

9 *(5) so much of such taxes as have been paid prior*
10 *to the enactment of this Act have been paid by such*
11 *organization in good faith and upon the assumption that*
12 *a waiver certificate had been filed by it under section*
13 *1426 (l) (1) of the Internal Revenue Code of 1939;*
14 *and*

15 *(6) no refund of such taxes has been obtained, the*
16 *amount of such remuneration with respect to which such*
17 *taxes have been paid shall, upon the request of such*
18 *individual (filed in such form and manner, and with*
19 *such official, as may be prescribed by regulations made*
20 *under subchapter A of Chapter 9 of the Internal Reve-*
21 *nue Code of 1939), be deemed to constitute remunera-*
22 *tion for employment as defined in section 210 of the*

1 *Social Security Act and section 1426 (b) of the In-*
2 *ternal Revenue Code of 1939.*

3 *(b) In any case in which—*

4 *(1) an individual has been employed, at any time*
5 *subsequent to 1950 and prior to the enactment of this*
6 *Act, by an organization which has filed a waiver cer-*
7 *tificate under section 1426 (l) (1) of the Internal*
8 *Revenue Code of 1939;*

9 *(2) the service performed by such individual during*
10 *the time he was so employed would have constituted*
11 *employment (as defined in section 210 of the Social*
12 *Security Act and section 1426 (b) of the Internal Reve-*
13 *nue Code of 1939) if such individual's signature had*
14 *appeared on the list of signatures of employees who*
15 *concurred in the filing of such certificate;*

16 *(3) the taxes imposed by sections 1400 and 1410*
17 *of the Internal Revenue Code of 1939 have been paid*
18 *with respect to any part of the remuneration paid to*
19 *such individual by such organization for such service;*
20 *and*

21 *(4) no refund of such taxes has been obtained,*
22 *the amount of such remuneration with respect to which such*
23 *taxes have been paid shall, upon the request of such individual*
24 *(filed in such form and manner, and with such official, as*

1 *may be prescribed by regulations made under subchapter A*
2 *of chapter 9 of the Internal Revenue Code of 1939), be*
3 *deemed to constitute remuneration for employment as defined*
4 *in section 210 of the Social Security Act and section 1426 (b)*
5 *of the Internal Revenue Code of 1939, and such individual*
6 *shall be deemed to have concurred in the filing of the waiver*
7 *certificate filed by such organization under section 1426 (l)*
8 *(1) of the Internal Revenue Code of 1939.*

9 **(342) STUDY OF FEASIBILITY OF PROVIDING INCREASED**
10 **MINIMUM BENEFITS UNDER TITLE II**

11 *SEC. 404 (a). The Secretary shall conduct a full and*
12 *complete study with a view to determining the feasibility of*
13 *increasing the minimum old-age insurance benefit under*
14 *title II of the Social Security Act to (1) \$55 per month,*
15 *(2) \$60 per month, and (3) \$75 per month.*

16 *(b) Such study shall include (1) a detailed analysis of*
17 *the estimated increase in cost, if any, involved in increasing*
18 *such minimum benefit to each of the above referred to amounts,*
19 *(2) estimates of the financial impact such increase would*
20 *have upon the Old Age and Survivors Insurance Trust*
21 *Fund, and (3) an estimate of the amount, if any, by which*
22 *Federal grants to the States for public assistance would be*
23 *reduced by reason of such increase in minimum old-age*
24 *insurance benefits.*

1 (c) *The Secretary shall report to the Congress at the*
2 *earliest practicable date the results of the study provided for*
3 *by this section.*

Passed the House of Representatives June 1, 1954.

Attest: **LYLE O. SNADER,**
Clerk.

Passed the Senate with amendments August 13 (legis-
lative day, August 5), 1954.

Attest: **J. MARK TRICE,**
Secretary.

83d CONGRESS
2d Session

H. R. 9366

AN ACT

To amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

IN THE SENATE OF THE UNITED STATES

AUGUST 13 (legislative day, AUGUST 5), 1954

Ordered to be printed with the amendments of the
Senate numbered

MESSAGE FROM THE SENATE

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 9366. An act to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

The message also announced that the Senate insists upon its amendments to the foregoing bill; requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. MILLIKIN, Mr. MARTIN, Mr. WILLIAMS, Mr. GEORGE, and Mr. BYRD to be the conferees on the part of the Senate.

SOCIAL SECURITY ACT AND THE
INTERNAL REVENUE CODE

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from New York? The Chair hears none, and appoints the following conferees: Messrs. REED of New York, JENKINS, SIMPSON of Pennsylvania, COOPER, and DINGELL.

SOCIAL SECURITY AMENDMENTS OF 1954

—————
AUGUST 20, 1954.—Ordered to be printed
—————

Mr. REED of New York, from the committee of conference, submitted
the following

CONFERENCE REPORT

[To accompany H. R. 9366]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 1, 2, 9, 10, 12, 13, 30, 45, 47, 48, 50, 51, 52, 124, 125, 137, 139, 140, 141, 162, 190, 196, 201, 202, 239, 254, 255, 257, 275, and 299.

That the House recede from its disagreement to the amendments of the Senate numbered 4, 5, 6, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 31, 32, 36, 37, 39, 40, 41, 42, 43, 44, 46, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 163, 166, 167, 168, 169, 170, 171, 172, 175, 177, 178, 179, 180, 182, 183, 184, 185, 188, 191, 192, 193, 194, 195, 197, 198, 199, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 258, 259, 260, 261, 262, 263, 264, 267, 268, 272, 273, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 300, 301,

302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 334, 335, 336, 337, 338, 339, and 340 and agree to the same.

Amendment numbered 3:

That the House recede from its disagreement to the amendment of the Senate numbered 3, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: \$100; and the Senate agree to the same.

Amendment numbered 7:

That the House recede from its disagreement to the amendment of the Senate numbered 7, and agree to the same with the following amendments:

Restore the matter proposed to be stricken out by the Senate amendment.

On page 4, of the House engrossed bill, strike out lines 20 and 21.

On page 4, of the House engrossed bill, strike out "(C)" on line 22 and insert (B).

On page 6, lines 6 and 7, of the House engrossed bill, strike out "(other than the retirement system of the Tennessee Valley Authority)".

And the Senate agree to the same.

Amendment numbered 8:

That the House recede from its disagreement to the amendment of the Senate numbered 8, and agree to the same with the following amendments:

On page 2, line 10, of the Senate engrossed amendments, strike out "(c) (1)" and insert the following: (d) (1)

On page 2, line 15, of the Senate engrossed amendments, strike out "sentence" and insert the following: sentences

On page 3, line 6, of the Senate engrossed amendments, strike out "(7)" and insert the following: (6) (as renumbered by subsection (g) (1) of this section)

On page 3, line 7, of the Senate engrossed amendments, strike out "paragraph (7)" and insert the following: such paragraph (6)

On page 3, line 9, of the Senate engrossed amendments, strike out "(8)" and insert (7)

And the Senate agree to the same.

Amendment numbered 11:

That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with the following amendments:

Restore the matter proposed to be stricken out by the Senate amendment.

On page 11, of the House engrossed bill, strike out lines 3 through 9 and insert the following:

(4) Section 211 (c) (5) of such Act is amended to read as follows:

"(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veteri-

narian, chiropractor, naturopath, optometrist, or Christian Science practitioner; or the performance of such service by a partnership."

And the Senate agree to the same.

Amendment numbered 33:

That the House recede from its disagreement to the amendment of the Senate numbered 33, and agree to the same with the following amendments:

On page 7, line 10, of the Senate engrossed amendments, strike out "(i)" and insert (j)

On page 7, line 12, of the Senate engrossed amendments, strike out "(g)" and insert (h)

And the Senate agree to the same.

Amendment numbered 34:

That the House recede from its disagreement to the amendment of the Senate numbered 34, and agree to the same with an amendment as follows:

On page 8, line 11, of the Senate engrossed amendments strike out "(j)" and insert (k); and the Senate agree to the same.

Amendment numbered 35:

That the House recede from its disagreement to the amendment of the Senate numbered 35, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: (l); and the Senate agree to the same.

Amendment numbered 38:

That the House recede from its disagreement to the amendment of the Senate numbered 38, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: (m); and the Senate agree to the same.

Amendment numbered 49:

That the House recede from its disagreement to the amendment of the Senate numbered 49, and agree to the same with an amendment as follows:

Restore the matter proposed to be stricken out by the Senate amendment and, on page 23, line 15, of the House engrossed bill, strike out "paragraph (2) of"; and the Senate agree to the same.

Amendment numbered 53:

That the House recede from its disagreement to the amendment of the Senate numbered 53, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: (j) and (m); and the Senate agree to the same.

Amendment numbered 54:

That the House recede from its disagreement to the amendment of the Senate numbered 54, and agree to the same with an amendment as follows:

Restore the matter proposed to be stricken out by the Senate amendment and, on page 24, line 6, of the House engrossed bill, strike out "paragraph (2) of"; and the Senate agree to the same.

Amendment numbered 138:

That the House recede from its disagreement to the amendment of the Senate numbered 138, and agree to the same with an amendment as follows:

Restore the matter proposed to be stricken out by the Senate amendment and, on page 57, line 25, of the House engrossed bill, strike out "and (4)" and insert (4), and (5); and the Senate agree to the same.

Amendment numbered 160:

That the House recede from its disagreement to the amendment of the Senate numbered 160, and agree to the same with an amendment as follows:

Strike out the matter proposed to be stricken out by the Senate amendment and insert the following:

TERMINATION OF BENEFITS UPON DEPORTATION

SEC. 107. Section 202 of the Social Security Act is amended by adding after subsection (m) thereof (added by section 102 (i) of this Act) the following new subsection:

"Termination of Benefits Upon Deportation of Primary Beneficiary

"(n) (1) If any individual is (after the date of enactment of this subsection) deported under paragraph (1), (2), (4), (5), (6), (7), (10), (11), (12), (14), (15), (16), (17), or (18) of section 241 (a) of the Immigration and Nationality Act, then, notwithstanding any other provisions of this title—

"(A) no monthly benefit under this section shall be paid to such individual, on the basis of his wages and self-employment income, for any month occurring (i) after the month in which the Secretary is notified by the Attorney General that such individual has been so deported, and (ii) before the month in which such individual is thereafter lawfully admitted to the United States for permanent residence,

"(B) if no benefit could be paid to such individual (or if no benefit could be paid to him if he were alive) for any month by reason of subparagraph (A), no monthly benefit under this section shall be paid, on the basis of his wages and self-employment income, for such month to any other person who is not a citizen of the United States and is outside the United States for any part of such month, and

"(C) no lump-sum death payment shall be made on the basis of such individual's wages and self-employment income if he dies (i) in or after the month in which such notice is received, and (ii) before the month in which he is thereafter lawfully admitted to the United States for permanent residence.

Section 203 (b) and (c) of this Act shall not apply with respect to any such individual for any month for which no monthly benefit may be paid to him by reason of this paragraph.

"(2) As soon as practicable after the deportation of any individual under any of the paragraphs of section 241 (a) of the Immigration and

Nationality Act enumerated in paragraph (1) in this subsection, the Attorney General shall notify the Secretary of such deportation."

And the Senate agree to the same.

Amendment numbered 161:

That the House recede from its disagreement to the amendment of the Senate numbered 161, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: 108; and the Senate agree to the same.

Amendment numbered 164:

That the House recede from its disagreement to the amendment of the Senate numbered 164, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be stricken out by the Senate amendment insert the following:

(b) Subparagraph (B) of section 213 (a) (2) of such Act is amended by inserting "(except wages for agricultural labor paid after 1954)" after "\$50 or more in wages" in that part of such subparagraph which precedes clause (i), and by striking out clause (iv) and inserting in lieu thereof the following:

"(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 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.

If, in the case of any individual who has attained retirement age or died or is under a disability and who has been paid wages for agricultural labor in a calendar year after 1954, 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."

And the Senate agree to the same.

Amendment numbered 165:

That the House recede from its disagreement to the amendment of the Senate numbered 165, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: 109; and the Senate agree to the same.

Amendment numbered 173:

That the House recede from its disagreement to the amendment of the Senate numbered 173, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: 110; and the Senate agree to the same.

Amendment numbered 174:

That the House recede from its disagreement to the amendment of the Senate numbered 174, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: 111; and the Senate agree to the same.

Amendment numbered 176:

That the House recede from its disagreement to the amendment of the Senate numbered 176, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: 112; and the Senate agree to the same.

Amendment numbered 181:

That the House recede from its disagreement to the amendment of the Senate numbered 181, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: 113; and the Senate agree to the same.

Amendment numbered 186:

That the House recede from its disagreement to the amendment of the Senate numbered 186, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: 114; and the Senate agree to the same.

Amendment numbered 187:

That the House recede from its disagreement to the amendment of the Senate numbered 187, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

COVERED EMPLOYMENT NOT COUNTED UNDER OTHER FEDERAL RETIREMENT SYSTEMS

SEC. 115. Notwithstanding any other provision of law, in determining eligibility for or the amount of any benefit (other than a benefit under title II of the Social Security Act or under the Railroad Retirement Act of 1937, as amended) under any retirement system established by the United States or any instrumentality thereof, there shall not be taken into account any service which, by reason of the amendments to section 210 (a) of the Social Security Act made by section 101 (c) of this Act, constitutes employment as defined in such section 210 (a).

And the Senate agree to the same.

Amendment numbered 189:

That the House recede from its disagreement to the amendment of the Senate numbered 189, and agree to the same with the following amendments to the House engrossed bill:

Restore the matter proposed to be stricken out by the Senate amendment.

On page 93, line 5, strike out "481 (a)" and insert 1402 (a)

On page 93, line 6, after "Internal Revenue Code", insert of 1954

On page 93, line 7, strike out "There" and insert there

On page 93, line 13, strike out "481" and insert 1402

On page 93, line 14, after "Code", insert of 1954

On page 93, line 16, strike out "and (7)," and insert (7), and (8),

On page 93, line 17, strike out "and (6)," and insert (6), and (7),

Page 94, line 2, strike out "1426 (h)," and insert 3121 (g),

Page 94, line 6, strike out "per centum" and insert percent

And the Senate agree to the same.

Amendment numbered 200:

That the House recede from its disagreement to the amendment of the Senate numbered 200, and agree to the same with the following amendments:

On page 31, line 10, of the Senate engrossed amendments, strike out "sentence" and insert the following: *sentences*

On page 32, in lines 13 and 14, of the Senate engrossed amendments, strike out "service, described in subsection (c) (4) or (5)," and insert the following: *service described in subsection (c) (4), or service described in subsection (c) (5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner,*

On page 32 of the Senate engrossed amendments, beginning with "computed" in line 20, strike out all through line 2 on page 33 and insert the following: *(computed, in the case of an individual referred to in paragraph (1) (A), without regard to subsection (c) (4), and, in the case of an individual referred to in paragraph (1) (B), without regard to subsection (c) (5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner) of \$400 or more, any part of which was derived from the performance of service described in subsection (c) (4), or from the performance of service described in subsection (c) (5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner, as the case may be.*

On page 33, line 14 of the Senate engrossed amendments, strike out "(8)" and insert the following: *(7) (as renumbered by subsection (a) (2) of this section)*

On page 33, line 15 of the Senate engrossed amendments, strike out "paragraph (8)" and insert the following: *such paragraph (7)*

On page 33, line 17 of the Senate engrossed amendments, strike out "(9)" and insert the following: *(8)*

On page 34 of the Senate engrossed amendments strike out lines 6, 7, and 8 and insert in lieu thereof the following:

(5) Section 1402 (c) (5) of the Internal Revenue Code of 1954 is amended to read as follows:

"(5) the performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterin-

arian, chiropracter, naturopath, optometrist, or Christian Science practitioner; or the performance of such service by a partnership."
And the Senate agree to the same.

Amendment numbered 238:

That the House recede from its disagreement to the amendment of the Senate numbered 238, and agree to the same with the following amendment:

On page 99, lines 3 and 4 of the House engrossed bill, strike out "1420 (e) of the Internal Revenue Code" and insert *3122 of the Internal Revenue Code of 1954*; and the Senate agree to the same.

Amendment numbered 256:

That the House recede from its disagreement to the amendment of the Senate numbered 256, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *\$100*; and the Senate agree to the same.

Amendment numbered 265:

That the House recede from its disagreement to the amendment of the Senate numbered 265, and agree to the same with the following amendments to the House engrossed bill:

Restore the matter proposed to be stricken out by the Senate amendment.

On page 102, line 4, strike out "1426 (b) of the Internal Revenue Code" and insert *3121 (b) of the Internal Revenue Code of 1954*

On page 102, line 6, strike out "Serv-" and insert *serv-*

On page 102, strike out lines 10 and 11.

On page 102, line 12, strike out "(C)" and insert (B)

On page 103, line 3, strike out "Service" and insert *service*

On page 103, in lines 23 and 24, strike out "(other than the retirement system of the Tennessee Valley Authority)".

On pages 104 and 105, strike out subsection (e).

And the Senate agree to the same.

Amendment numbered 266:

That the House recede from its disagreement to the amendment of the Senate numbered 266, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: (e); and the Senate agree to the same.

Amendment numbered 269:

That the House recede from its disagreement to the amendment of the Senate numbered 269, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: (f); and the Senate agree to the same.

Amendment numbered 270:

That the House recede from its disagreement to the amendment of the Senate numbered 270, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: (c), (d), and (e); and the Senate agree to the same.

Amendment numbered 271:

That the House recede from its disagreement to the amendment of the Senate numbered 271, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

AMENDMENT RELATING TO COLLECTION OF EMPLOYEE TAX

SEC. 205A. Section 3102 (a) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new sentence: "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 (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 \$100."

And the Senate agree to the same.

Amendment numbered 274:

That the House recede from its disagreement to the amendment of the Senate numbered 274, and agree to the same with an amendment as follows:

Strike out the matter proposed to be stricken out by the Senate amendment and insert in lieu thereof the following:

*FILING OF SUPPLEMENTAL LISTS OF EMPLOYEES BY CERTAIN
NONPROFIT ORGANIZATIONS*

SEC. 207. (a) Paragraph (1) of section 3121 (k) of the Internal Revenue Code of 1954 is amended by striking out the third sentence thereof and inserting in lieu thereof the following: "Such list may be amended at any time prior to the expiration of the twenty-fourth month following the first calendar quarter for which the certificate is in effect, 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."

(b) Paragraph (1) of such section 3121 (k) is further amended by striking out the period at the end of the fifth sentence thereof and inserting in lieu thereof the following: ", except that, in the case of service performed by an individual whose name appears on a supplemental list filed after the first month following the first calendar quarter for which the certificate is in effect, the certificate shall be in effect, for purposes of such subsection (b) (8) and for purposes of section 210 (a) (8) of the Social Security Act, only with respect to service performed by such individual after the calendar quarter in which such supplemental list is filed."

And the Senate agree to the same.

Amendment numbered 333:

That the House recede from its disagreement to the amendment of the Senate numbered 333, and agree to the same with an amendment as follows:

On page 47, line 2, of the Senate engrossed amendments, strike out "209" and insert 210; and the Senate agree to the same.

Amendment numbered 341:

That the House recede from its disagreement to the amendment of the Senate numbered 341, and agree to the same with the following amendments:

On page 50, line 21, of the Senate engrossed amendments, after "paid", insert the following: *prior to the enactment of this Act*

On page 51, line 3, of the Senate engrossed amendments, after "filed", insert the following: *on or before January 1, 1957, and*

And the Senate agree to the same.

Amendment numbered 342:

That the House recede from its disagreement to the amendment of the Senate numbered 342, and agree to the same with an amendment as follows:

On page 51, line 16, of the Senate engrossed amendments, after "Secretary", insert the following: *of Health, Education, and Welfare*; and the Senate agree to the same.

DANIEL A. REED,
THOMAS A. JENKINS,
RICHARD M. SIMPSON,
JERE COOPER,
JOHN D. DINGELL,

Managers on the Part of the House.

EUGENE D. MILLIKIN,
EDWARD MARTIN,
JOHN J. WILLIAMS,

Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The following Senate amendments made technical, clerical, clarifying, or conforming changes (including changes in section references made necessary by the enactment of the Internal Revenue Code of 1954): 5, 9, 10, 13, 15, 25, 28-30, 32, 35, 37-44, 46-60, 61-63, 67, 68, 71-73, 79, 80, 83, 84, 86, 87, 97, 100-110, 112-124, 135, 138, 142, 143, 146, 147, 149, 150, 152, 153, 155-159, 161, 162, 165, 166, 168-186, 188, 190-199, 201-237, 239-253, 257-259, 261-264, 266-270, 272, 273, 275-297, 298-318, 320, 321, 323-328, 330-333, 335-337, 339, and 340. With respect to these amendments (1) the House either recedes or recedes with amendments which are technical, clerical, clarifying, or conforming in nature, or (2) the Senate recedes in order to conform to other action agreed upon by the committee of conference.

Amendments Nos. 1, 2, and 3: The House bill amended section 209 (h) of the Social Security Act so as to exclude from wages, for purposes of old-age and survivors insurance, cash remuneration paid by an employer to an employee in any calendar year for agricultural labor unless such remuneration is \$200 or more. This provision would replace the provision in present law (eliminated by section 101 (a) (4) of the bill) which excludes agricultural labor performed in a calendar quarter from covered employment unless the cash remuneration paid for such labor is \$50 or more and the individual performing such labor is "regularly employed" for that purpose. Under the Senate amendments, coverage for agricultural labor would depend upon the payment to the employee of \$50 or more in a calendar quarter rather than \$200 or more in a calendar year. The Senate recedes from amendments Nos. 1 and 2, and the House recedes from its disagreement to amendment No. 3 with an amendment reducing the amount of such cash remuneration from \$200 to \$100, with the result that, under the conference agreement, coverage for agricultural labor depends upon the payment to the employee by any one employer of \$100 or more in a calendar year.

Amendment No. 4: The House bill removed the exclusion from "employment" of services performed in connection with the production, harvesting, or processing of crude gum (oleo-resin), thereby covering such services under old-age and survivors insurance on the same basis as other agricultural labor. The Senate amendment

restored the provision excluding such services from coverage. The House recedes.

Amendment No. 6: The House bill continued in effect the provisions of the present law excluding from "employment" services performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949. The Senate amendment provided in addition for the exclusion from "employment" of services performed by foreign agricultural workers lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies on a temporary basis to perform agricultural labor. The House recedes.

Amendment No. 7: Section 101 (c) of the House bill extended coverage to most service (now excluded) performed by employees of Federal instrumentalities who are not already covered by a federally established retirement system. It also extended coverage to service performed by two groups of employees (employees of Federal home loan banks and individuals subject to the retirement system of the TVA) who are now covered by other retirement systems. Paragraph (3) of section 101 (c) made certain administrative provisions applicable to civilian employees of Coast Guard exchanges and other activities (who constitute one of the groups brought under coverage by the bill). The Senate amendment deleted these provisions, thereby continuing the exclusion of these employees from coverage. The House recedes with an amendment which in effect restores the House language but continues the exclusion from coverage of employees of Federal home loan banks and individuals subject to the retirement system of the TVA.

Amendment No. 8: Section 101 (d) (1) of the House bill provided for the coverage of certain ministers and members of religious orders employed by nonprofit tax-exempt organizations upon the filing by the organization concerned of a certificate (concurrent in by two-thirds of the clergymen employees) waiving its exemption from the taxes imposed by the Federal Insurance Contributions Act. Clergymen who concur in the filing of such certificate, and those employed by the organization thereafter, would be covered on a compulsory basis. Section 101 (d) (2) of the House bill provided for the coverage, on a compulsory basis, of self-employed ministers and members of religious orders (as well as other ministers and members of religious orders to the extent that their income is derived from self-employment). Section 101 (d) (3) of the House bill made it clear that nothing in the bill should be construed to mean that any minister is an employee of an organization for any purposes other than those specified.

The Senate amendment struck out these provisions of the House bill, and substituted a new provision which would permit both employed and self-employed ministers and members of religious orders (other than those who have taken a vow of poverty) to elect voluntarily and on an individual basis, as provided in section 1402 (e) of the Internal Revenue Code of 1954 (added by amendment No. 200), to be covered under old-age and survivors insurance as self-employed individuals. The substituted provision would also permit Christian Science practitioners (who under the House bill are covered on a compulsory basis as professional self-employed) to elect coverage on the same individual basis. In addition, the Senate amendment contained a new provision providing that ministers and members of religious

orders (and United States citizens performing ministerial services in the employ of American employers) shall compute their net earnings from self-employment derived from such services without regard to certain provisions of the Internal Revenue Code of 1954 relating to income from sources outside the United States. The House recedes with a clerical amendment.

Amendment No. 11: Section 101 (g) (1) of the House bill extended coverage to self-employed farm operators having annual net earnings of \$400 or more from self-employment. It also provided for self-employed farm operators an optional method of reporting income for old-age and survivors insurance purposes; under this provision, the farm operator could presume his net earnings from farming to be 50 per centum of his gross income from farming if such gross income is less than \$1,800, and could presume his net earnings from farming to be \$900 if such gross income is more than \$1,800 and such net earnings (otherwise computed) would be less than \$900. Section 101 (g) (2) of the House bill provided that, in determining net earnings from self-employment, rentals paid in the form of crop shares should not be included.

Section 101 (g) (4) of the House bill extended coverage to all professional self-employed individuals, except physicians, on the same basis as nonprofessional self-employed individuals are now covered. Among those to whom coverage would be extended by this provision are lawyers, dentists, osteopaths, veterinarians, chiropractors, naturopaths, optometrists, Christian Science practitioners, architects, accountants (of several specified types), funeral directors, and professional engineers.

The Senate amendment strikes out these provisions, thereby continuing in effect the present exclusion from coverage of self-employed farm operators and self-employed professional individuals.

The House recedes with an amendment which (1) restores the House provisions relating to the coverage of self-employed farm operators, and (2) continues the present exclusion from coverage of most professional self-employed individuals but extends coverage to architects, accountants, funeral directors, and engineers (along with Christian Science practitioners on the basis provided by amendments Nos. 8 and 200).

Amendment No. 12: This amendment, which relates to the exclusion of coal royalties in computing net earnings from self-employment, merely restores a provision, contained in section 101 (g) (3) of the House bill, which was stricken out by amendment No. 11 along with the provisions relating to coverage of self-employed farm operators and self-employed professional individuals. In view of the action taken by the conferees on that amendment, the Senate recedes.

Amendments Nos. 14, 16, 17, 18, and 19: Section 101 (h) (1) of the House bill, relating to the prohibition against coverage of employees in positions under a State or local retirement system, made such prohibition inapplicable to employees who (while holding such positions) are ineligible to be members of such system. The same provision of the House bill provided that individuals in positions under such a system (other than those ineligible for membership and policemen and firemen), either on the date of the enactment of the bill or on the date the State agreement is made applicable to their coverage group, can be covered for old-age and survivors' insurance purposes only upon a referendum. The Senate amendments, which are technical in nature,

divided this provision into two subparagraphs in order to permit the application of separate effective dates to the two parts. The House recesses.

Amendments Nos. 20, 21, 22, 23, and 24: The House bill provided that 90 days' notice be given all eligible employees of any referendum held on the question of whether service subject to a State or local retirement system should be covered under a State agreement for old-age and survivors' insurance purposes. It also provided, as a condition of such coverage, that a majority of the eligible employees must vote in the referendum and that two-thirds of those voting must vote in favor of coverage. The Senate amendments would require that not less than 90 days' notice be given, and that a majority of the eligible employees vote in favor of coverage. The House recesses.

Amendments Nos. 26 and 27: The House bill provided that, if a State or local retirement system covers positions of State employees and employees of one or more political subdivisions, or covers employees of two or more political subdivisions, each such subdivision (and the State, if its employees are also covered) may be deemed to have a separate retirement system for purposes of section 218 of the Social Security Act. The Senate' amendments provided that any one or more of the subdivisions concerned (or any one or more of such subdivisions and the State, if State employees are covered) may be deemed to have a separate retirement system; the subdivisions could thus be grouped together, if desired, according to size, location, number, or type of personnel involved. The Senate amendments also provided that, where a retirement system covers positions of employees of more than one institution of higher learning (including a junior college or teachers' college), the employees of each such institution shall (if the State so desires) be deemed to have a separate retirement system for purposes of section 218. The House recesses.

Amendment No. 31: This amendment added to the House bill a new provision, effective January 1, 1955, permitting a State to deem certain inspectors of agricultural products to be State employees who would constitute a separate coverage group for purposes of section 218 of the Social Security Act. The House recesses.

Amendment No. 33: This amendment added to the House bill a new provision permitting the modification of the agreement entered into with the State of Utah pursuant to section 218 of the Social Security Act so that the agreement will apply to services performed by employees of certain designated schools and State agencies (with the employees of each such school and agency constituting a separate coverage group). The State may include any one or more of these groups under the agreement; and any group so included by a modification agreed to before 1955 may be covered retroactively with respect to services performed after any date specified in the modification, but not earlier than December 31, 1950. The House recesses with a clerical amendment.

Amendment No. 34: This amendment added to the House bill a new provision providing that if the agreement entered into with the State of Arizona pursuant to section 218 of the Social Security Act is modified prior to January 1, 1956, so as to make such agreement applicable to service performed by employees in positions covered by the Arizona Teachers' Retirement System (all of whom shall be deemed to constitute a separate coverage group), such modification may be made effective with respect to service performed in such posi-

tions after any effective date specified therein; but not earlier than December 31, 1950. The House recedes with a clerical amendment.

Amendment No. 36: Section 101 (j) of the House bill established a presumption that work deductions have been made from the benefits of certain State and local employees whose services prior to 1955 were covered retroactively by a State under an agreement entered into under section 218 of the Social Security Act. This presumption would enable employees who were entitled to old-age and survivors insurance benefits (and not subject to deduction under section 203 (b) of the Social Security Act) at the time the services were performed to qualify for recomputation of their primary insurance amounts, and would arise solely for the purpose of determining entitlement to such a recomputation. (Under existing law such a recomputation is authorized only where the primary beneficiary has had deductions from benefits on account of services performed during 12 months out of a period of 36 months. This amendment makes clarifying changes with respect to the method of recomputation and provides additional dates as of which an individual may be presumed to become entitled to old-age insurance benefits, but it makes only minor changes in the substance of the House bill. The House recedes.

Amendment No. 45: This amendment would remove funeral directors from the list of the professions excluded from coverage by section 211 (c) (5) of the Social Security Act, thereby covering them under old-age and survivors insurance on a compulsory basis. In view of the action taken by the conferees on amendment No. 11 (relating to professional self-employed), the Senate recedes.

Amendments Nos. 64, 65, and 66: The House bill provided that the determination of an individual's starting and closing dates for purposes of computing his average monthly wage should, where more than one date was possible, be made on the basis of the dates yielding the higher average monthly wage. The Senate amendments would base this determination instead on the dates yielding the higher primary insurance amount, in order to avoid the necessity of using the date which produces the higher average monthly wage even though use of an alternative date would produce a higher primary insurance amount and therefore a higher benefit. The House recedes.

Amendments Nos. 69 and 70: Section 102 (e) (2) of the House bill provided that an individual, in computing his average monthly wage, could drop out the 5 years of lowest earnings (instead of the 4 such years) only if he had at least 20 quarters of coverage prior to his closing date. The Senate amendment eliminated the requirement that the 20 quarters occur prior to the closing date, thereby permitting the 5-year dropout in the case of any individual having at least 20 quarters of coverage regardless of when the quarters occurred. The House recedes.

Amendment No. 74: The House bill provided that an individual could secure a "work recomputation" of his primary insurance amount (to take account of earnings after the last previous computation thereof) only if he has earnings of not less than \$1,000 in a calendar year after 1953 and after the last previous computation of such amount. This amendment, in order to conform with the increase made by amendments Nos. 130-134, in the exempt amount for retirement test purposes, would require earnings of more than \$1,200 (rather than earnings of "not less than \$1,000") in any such

calendar year as a condition of the recomputation. The House recedes.

Amendment No. 75: This amendment added to the House bill a provision making it clear that an individual can qualify for only one "work recomputation" on the basis of earnings in any one calendar year. The House recedes.

Amendment No. 76: Under the House bill, an individual who qualified for a work recomputation before 1955, and who also had enough earnings during 1954 to qualify him for a work recomputation under the new provisions added by the bill, would have to choose one or the other since the recomputation under existing law would preclude a recomputation under the new provisions on the basis of his 1954 earnings. The Senate amendment eliminates the necessity for this choice, thereby making it possible for the individual to obtain the recomputation under existing law and also (if it would increase the benefit) under the new provisions. The House recedes.

Amendments Nos. 77, 78, 81, and 82: Under the House bill, in the first work recomputation to which an individual becomes entitled after enactment all applicable starting and closing dates and benefit formulas would be used, even though the 4 or 5 years of lowest earnings were dropped out in a previous computation of such individual's primary insurance amount. The Senate amendments, to avoid a complete reopening of the benefit recomputation provisions and the necessity of redetermining data already available, would provide that where the drop-out provisions have previously been applied in computing an individual's primary insurance amount, any recomputation shall be made only through use of the new benefit formula in section 215 (a) (1) (A) of the Social Security Act, as amended by the bill. The House recedes.

Amendment No. 85: The House bill permitted the inclusion, in the computation or recomputation of an individual's primary insurance amount, of earnings for the year in which the individual became entitled to old-age insurance benefits or filed his application for recomputation, but only upon application filed after the close of that year. If he should die in the year in which he became entitled to old-age insurance benefits or filed his application for a recomputation, however, the survivors could not obtain a recomputation of his primary insurance amount since they would be entitled to such a recomputation only if the individual himself could have obtained the recomputation upon filing an application therefor in the month of his death. The Senate amendment would make it clear that the survivors could obtain the recomputation. The House recedes.

Amendments Nos. 88, 89, 90, 91, 92, 93, 94, 95, 96, and 98: Section 102 (e) (5) of the House bill contained provisions preserving the rights of individuals to qualify for certain recomputations under existing law prior to 1955. These amendments make it clear that if an individual dies without filing his application for such a recomputation, any of his survivors entitled to monthly benefits or a lump-sum death payment on the basis of his earnings could file an application and secure the recomputation to which he would have been entitled. The House recedes.

Amendment No. 99: The House bill provided that the closing date for an individual who dies or who becomes entitled to old-age insurance benefits in 1956 would be July 1, 1956 (instead of January 1,

1956), if use of the later date would result in a higher primary insurance amount and the individual had not less than six quarters of coverage after 1954; and the later closing date would be permitted in all such cases regardless of which starting date or benefit formula was used. The Senate amendment, to take care of individuals newly covered in 1955, provided that the later closing date would be used only with a starting date of December 31, 1954, and only in computing the primary insurance amount under the new formula contained in section 215 (a) (1) (A) of the Social Security Act, as amended by the bill. The House recedes.

Amendment No. 111: The House bill provided that the recomputation of an individual's primary insurance amount shall be effective (where he has not died) for and after the month in which he filed the application for such recomputation. The Senate amendment, to provide old-age insurance beneficiaries on the rolls in September 1954 with an adequate opportunity to file applications, would provide that the recomputation can be effective for up to 12 months retroactively. The House recedes.

Amendment No. 125: The House bill provided that the amount of a lump-sum death payment under section 202 (i) of the Social Security Act may not exceed \$255, which is the maximum (three times the maximum primary insurance amount) permitted under existing law. The Senate amendment would eliminate this limitation, so that the lump-sum death payment based on an individual's earnings would continue to be equal to three times the amount of such individual's primary insurance amount. The Senate recedes.

Amendments Nos. 126, 127, 128, 129, 136, 145, 148, and 154: The House bill retained as a part of the retirement test the provisions of present law (section 203 of the Social Security Act) which provide that deductions from benefits on account of earnings shall be made only for months in which the beneficiary concerned (or, in the case of dependents' benefits, the old-age insurance beneficiary) is under the age of 75. The Senate amendment lowered from 75 to 72 the age above which such deductions will not be imposed under the amended provisions of section 203 (or under those of the present provisions of section 203 which, to take care of individuals whose taxable years do not coincide with the calendar year, will remain in effect for months after 1954). The House recedes.

Amendments Nos. 130, 131, 132, 133, 134, and 144: The House bill, in placing the retirement test entirely on an annual basis, provided that no deductions from benefits would be made on account of earnings if such earnings do not exceed \$1,000 for a taxable year of 12 months (or a proportionate amount for a shorter taxable year). The Senate amendment increased the amount of earnings permitted without deduction from benefits to \$1,200 for a taxable year of 12 months (or \$100 times the number of months involved for a shorter taxable year). The House recedes.

Amendments Nos. 137, 139, 140, and 141: The House bill, in combining wages and net earnings from self-employment as "earnings" for retirement test purposes, included earnings derived from non-covered employment within the United States as well as net earnings from self-employment derived from certain noncovered trades and businesses. The Senate amendment provided that only earnings arising from covered employment and self-employment shall be in-

cluded in "earnings" for retirement test purposes. (It is expected that the possibility of changing the date for filing reports of earnings for retirement test purposes, so as to conform with the new April 15 filing date for income-tax returns, will be considered early in the next session of Congress.) The Senate recesses.

Amendment No. 151: The House bill contained a provision requiring that deductions be made from the benefits of survivors and dependents who are residing abroad, except in certain specified cases. The Senate amendment deleted this provision. The House recesses.

Amendment No. 160: Section 107 of the House bill provided that any wages and self-employment income earned by an individual while he is unlawfully in the United States may not be counted in computing his benefits, if the Attorney General has notified the Secretary of such unlawful residence. Section 108 of the House bill provided that no benefits shall be paid under section 202 of the Social Security Act on the basis of the wages and self-employment income of any individual after such individual has been deported under any one of fourteen specified paragraphs of section 241 (a) of the Immigration and Nationality Act, if the Attorney General has notified the Secretary of such deportation. The Senate amendment deleted these provisions of the House bill.

The House recesses with an amendment providing that (1) no such benefits shall be paid to any individual on the basis of his wages and self-employment income for any month after the Attorney General notifies the Secretary that such individual has been deported under one of the specified paragraphs and before he has been lawfully readmitted to the United States, (2) no benefits shall be paid to any survivor or dependent of an individual so deported and not lawfully readmitted for any month in which such survivor or dependent is outside the United States, except in the case of survivors and dependents who are citizens of the United States, and (3) earnings by such individual after he has been so deported shall not deprive his survivors and dependents (under section 203 of the Social Security Act) of benefits to which they are otherwise entitled.

Amendment No. 163: The House bill provides an alternative basis for determining fully insured status in the case of individuals newly covered on January 1, 1955 (and others living on that date). Under this provision, the individual would be fully insured for old-age and survivors insurance purposes if all of the quarters elapsing after 1954 and before July 1, 1956, or (if later) before the quarter in which he attains retirement age or dies, are quarters of coverage. The Senate amendment makes it clear that there must be at least six of such quarters so elapsing. The House recesses.

Amendment No. 164: Section 109 (b) of the House bill amended section 213 (a) (2) (B) of the Social Security Act so as to provide a method for crediting quarters of coverage on the basis of annual amounts of wages received for agricultural labor. The Senate amendment deleted this provision as being unnecessary when it placed the coverage test for agricultural labor on a quarterly rather than an annual basis. The House recesses with an amendment which in effect restores the House language with an appropriate modification to conform with the action taken by the conferees on amendments Nos. 1-3 (relating to coverage for agricultural labor).

Amendment No. 167: The House bill provided that any individual who died prior to September 1, 1950, having at least six quarters of

coverage but not being fully insured under the law in effect at that time, shall be deemed to have died a fully insured individual (except for purposes of determining entitlement of a former wife divorced). Such individual's primary insurance amount would be computed under the provisions of section 215 (d) (4) of the present Social Security Act, except that his closing date would be the first day of the quarter in which he died. The Senate amendment provided that if the individual was currently insured when he died, and some other person was entitled to a benefit on the basis of his wages, his primary insurance benefit would be computed under the act as in effect prior to September 1950; in all other cases the computation would be as provided in the House bill. The House recedes.

Amendment No. 187: This amendment adds to the bill a new section providing that service which is performed after 1954 in the employ of the Federal Government, and which constitutes "employment" under section 210 (a) of the Social Security Act, shall not be credited toward benefits under any federally established retirement system other than the old-age and survivors' insurance system and the railroad retirement system. The House recedes with an amendment limiting the application of the section to Federal service newly covered by the bill.

Amendment No. 189: This amendment would delete section 201 (a) of the House bill, which made the necessary changes in the provisions of the Internal Revenue Code relating to the exclusion of farm income from "net earnings from self-employment" for purposes of the Self-Employment Contributions Act to correspond with the changes made in section 211 (a) of the Social Security Act (relating to coverage of self-employed farm operators for old-age and survivors' insurance purposes). To conform with the action taken by the conferees with respect to the coverage of these farm operators, the Senate recedes.

Amendment No. 200: This amendment would delete section 201 (c) of the House bill, which made the necessary changes in the provisions of the Internal Revenue Code relating to the exclusion of professional services from the definition of "trade or business" for purposes of the Self-Employment Contributions Act to correspond with the changes made by the House bill in section 211 (c) of the Social Security Act (relating to the exclusion from coverage of professional self-employed individuals for old-age and survivors' insurance purposes).

In addition, this amendment would add new provisions to section 1402 of the Internal Revenue Code of 1954 to replace the provisions stricken out by amendments Nos. 8 and 274, and to conform with the new provisions added by amendment No. 8 (as well as those added by amendment No. 45, relating to coverage of funeral directors). Section 1402 (e), as added by this amendment, would permit any employed or self-employed minister or member of a religious order (other than one who has taken a vow of poverty), and any Christian Science practitioner, to file a certificate certifying that he elects to be covered by the old-age and survivors insurance system established by title II of the Social Security Act. Any such individual would be covered as a self-employed individual (and subject to the self-employment tax) for the taxable year with respect to which the certificate is filed and all succeeding taxable years, but he would be required to file such certificate on or before the due date of the return for his second taxable year ending after 1954 for which he has net earnings

from self-employment (some part of which was derived from service as such minister, member, or practitioner) of \$400 or more.

The House recedes with amendments (1) conforming with the action taken by the conferees on amendment No. 11 (relating to the coverage of self-employed professional individuals), and (2) making certain clerical, clarifying, and conforming changes.

Amendment No. 238: This amendment would delete section 203 of the House bill, which made the necessary changes in the Internal Revenue Code to correspond with the changes made by the House bill in section 205 (p) (3) of the Social Security Act (relating to the application of certain special rules to civilian employees of Coast Guard exchanges). To conform with the action taken by the conferees with respect to the coverage of Federal employees, the Senate recedes.

Amendments Nos. 254, 255, and 256: These amendments make changes in the provisions of the Internal Revenue Code relating to the exclusion of cash remuneration paid for agricultural labor from "wages" for purposes of the Federal Insurance Contributions Act which correspond with the changes made by the Senate amendments in section 209 (h) of the Social Security Act (relating to coverage of agricultural labor for old-age and survivors insurance purposes). The Senate recedes from amendments Nos. 254 and 255, and the House recedes from its disagreement to amendment No. 256 with an amendment to conform with the action taken by the conferees on amendments Nos. 1-3 (relating to coverage of agricultural labor).

Amendment No. 260: This amendment makes changes in the provisions of the Internal Revenue Code relating to the exclusion of certain forms of agricultural labor from "employment" for purposes of the Federal Insurance Contributions Act which correspond with the changes made by Senate Amendments Nos. 4 and 6 in section 210 (a) (1) of the Social Security Act (relating to the exclusion from coverage for old-age and survivors' insurance purposes of services performed as crude gum workers and as West Indian agricultural workers lawfully admitted to the United States on a temporary basis). To conform with the action taken by the conferees with respect to the coverage of such services, the House recedes.

Amendment No. 265: This amendment would delete section 205 (d) of the House bill, which made the necessary changes in the provisions of the Internal Revenue Code relating to the exclusion of Federal service from "employment" for purposes of the Federal Insurance Contributions Act to correspond with the changes made by the House bill in section 210 (a) of the Social Security Act (relating to the exclusion of Federal service from "employment" for old-age and survivors' insurance purposes).

This amendment would also delete section 205 (e) of the House bill, which made the necessary changes in the provisions of the Internal Revenue Code relating to the exclusion from "employment" of services performed in the employ of nonprofit tax-exempt organizations for purposes of the Federal Insurance Contributions Act to correspond with the changes made by the House bill in section 210 (a) of the Social Security Act (relating to the exclusion from coverage for old-age and survivors' insurance purposes of services performed in the employ of such organizations).

The House recedes with an amendment to conform with the action taken by the conferees on amendment No. 7 (which in effect restored

the House language relating to coverage of Federal employees but continued the exclusion from coverage of Federal home loan bank employees and TVA employees) and amendment No. 8 (which provided for the coverage of ministers on an individual voluntary basis).

Amendment No. 271: The Senate amendment added to the House bill a new section making it clear that an employer may deduct, from the remuneration paid by him to an employee for domestic service, for service not in the course of his trade or business, for agricultural labor, or for industrial homework, an amount equivalent to the employee tax imposed by section 3101 of the Internal Revenue Code of 1954, even though at the time of payment he cannot be certain that the test for liability to the tax will be met. The House recedes with an amendment designed to conform with the action taken by the conferees in placing the coverage and taxability tests for agricultural labor on an annual basis.

Amendment No. 274: This amendment deletes the provisions of the House bill which established procedures for the filing of certificates by nonprofit organizations, waiving their tax exemption with respect to ministers and members of religious orders in their employ, in order to enable such ministers and members of religious orders to obtain coverage under the old-age and survivors' insurance system. To conform with the action taken by the conferees on amendments Nos. 8 and 200, the House recedes, with an amendment providing that the list accompanying any certificate filed by a nonprofit organization with respect to its lay employees may be amended (by filing a supplemental list, as provided in existing law) only within a period of 2 years after the certificate takes effect.

Amendment No. 319: The House bill provided that whenever a domestic corporation enters into an agreement to have the employees of one or more of its foreign subsidiaries covered under old-age and survivors insurance, and such agreement is terminated in its entirety, the domestic corporation may not again enter into such an agreement. Under the Senate amendment, the prohibition against entering into a later agreement would exist only if the former agreement was terminated by a notice of termination filed by the domestic corporation or by the Secretary or his delegate. The House recedes.

Amendment No. 322: The House bill provided that all amounts received by the Secretary from a domestic corporation pursuant to an agreement for the coverage of the employees of a foreign subsidiary of such corporation should be regarded for purposes of section 201 of the Social Security Act (relating to the Federal Old-Age and Survivors Insurance Trust Fund) as taxes collected under the Federal Insurance Contributions Act. The Senate amendment provided that, for purposes of section 201, remuneration (paid for services covered by the agreement) which would constitute wages if the services constituted employment, and which is reported to the Secretary or his delegate pursuant to the agreement or appropriate regulations, shall be considered wages subject to employment taxes. The House recedes.

Amendment No. 329: This amendment added to the House bill a new provision requiring that each domestic corporation which enters into an agreement for the coverage of the employees of one or more foreign subsidiaries shall be considered an employer in its capacity as a party to such agreement, separate and distinct from its identity as an employer of individuals on its own account. The House recedes.

Amendment No. 334: Section 301 of the House bill extended for one additional year (to September 30, 1955) the provision of the 1952 amendments to the Social Security Act which increased the proportion of State public assistance expenditures to be borne from Federal funds. The Senate amendment extended that provision for 2 additional years (to September 30, 1956). The House recedes.

Amendment No. 338: This amendment lowers from 75 to 72 the age above which deductions from railroad retirement survivor benefits on account of outside earnings will not be imposed under the Railroad Retirement Act of 1937. In order to conform with the action taken by the conferees in dealing with the corresponding age requirement for the retirement test in section 203 of the Social Security Act, the House recedes.

Amendment No. 341: This amendment would add to the House bill a new section 403, relating to service performed in the employ of certain tax-exempt organizations after 1950 and prior to 1955. Under this amendment, if an individual was employed during such period by a tax-exempt organization which failed to file a waiver certificate under section 1426 (l) (1) of the Internal Revenue Code of 1939, and his service would have constituted employment if the organization had filed such certificate, the individual will be deemed to have received remuneration for employment (as defined in section 210 of the Social Security Act and section 1426 (b) of the Internal Revenue Code of 1939) to the extent that employment taxes (not refunded) have been paid with respect thereto. Taxes paid prior to the enactment of the bill must have been paid in good faith and upon the assumption that the certificate was filed. Similarly, if the organization filed the certificate but the individual's signature did not appear on the list of concurring employees, his remuneration may be deemed to constitute remuneration for employment to the extent that employment taxes (not refunded) were paid with respect thereto. The House recedes with an amendment making it clear that in either case a part of the employment taxes must have been paid before the enactment of the bill, and providing that the individual concerned (where the certificate was filed but his signature did not appear on the list) must file his request to have such remuneration treated as remuneration for employment within 2 years after the enactment of the bill.

Amendment No. 342: This amendment added to the House bill a new section 404, which would direct the Secretary to conduct a full and complete study of the feasibility of providing increased minimum benefits (\$55, \$60, or \$75 a month) under title II of the Social Security Act. The study would include estimates of the increased costs involved, the impact on the Trust Fund, and the reductions in public assistance grants which might result from such increased benefits. The House recedes with an amendment to make it clear that the "Secretary" is the Secretary of Health, Education, and Welfare.

DANIEL A. REED,
THOMAS A. JENKINS,
RICHARD M. SIMPSON,
JERE COOPER,
JOHN D. DINGELL,

Managers on the Part of the House.



321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 334, 335, 336, 337, 338, 339, and 340 and agree to the same.

Amendment numbered 3: That the House recede from its disagreement to the amendment of the Senate numbered 3, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "\$100"; and the Senate agree to the same.

Amendment numbered 7: That the House recede from its disagreement to the amendment of the Senate numbered 7, and agree to the same with the following amendments:

Restore the matter proposed to be stricken out by the Senate amendment.

On page 4, of the House engrossed bill, strike out lines 20 and 21.

On page 4, of the House engrossed bill, strike out "(C)" on line 22 and insert "(B)."

On page 6, lines 6 and 7, of the House engrossed bill, strike out "(other than the retirement system of the Tennessee Valley Authority)."

And the Senate agree to the same.

Amendment numbered 8: That the House recede from its disagreement to the amendment of the Senate numbered 8, and agree to the same with the following amendments:

On page 2, line 10, of the Senate engrossed amendments, strike out "(c) (1)" and insert the following: "(d) (1)."

On page 2, line 15, of the Senate engrossed amendments, strike out "sentence" and insert the following: "sentences."

On page 3, line 6, of the Senate engrossed amendments, strike out "(7)" and insert the following: "(6) (as renumbered by subsection (g) (1) of this section)."

On page 3, line 7, of the Senate engrossed amendments, strike out "paragraph (7)" and insert the following: "such paragraph (6)."

On page 3, line 9, of the Senate engrossed amendments, strike out "(8)" and insert "(7)."

And the Senate agree to the same.

Amendment numbered 11: That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with the following amendments:

Restore the matter proposed to be stricken out by the Senate amendment.

On page 11, of the House engrossed bill, strike out lines 3 through 9 and insert the following:

"(4) Section 211 (c) (5) of such Act is amended to read as follows:

"(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, or Christian Science practitioner; or the performance of such service by a partnership."

And the Senate agree to the same.

Amendment numbered 33: That the House recede from its disagreement to the amendment of the Senate numbered 33, and agree to the same with the following amendments:

On page 7, line 10, of the Senate engrossed amendments, strike out "(i)" and insert "(j)."

On page 7, line 12, of the Senate engrossed amendments, strike out "(g)" and insert "(h)."

And the Senate agree to the same.

Amendment numbered 34: That the House recede from its disagreement to the amendment of the Senate numbered 34, and agree to the same with an amendment as follows: On page 8, line 11, of the Senate engrossed amendments strike out "(j)" and insert "(k)"; and the Senate agree to the same.

Amendment numbered 35: That the House recede from its disagreement to the amendment of the Senate numbered 35, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted

by the Senate amendment insert the following: "(l)"; and the Senate agree to the same.

Amendment numbered 38: That the House recede from its disagreement to the amendment of the Senate numbered 38, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "(m)"; and the Senate agree to the same.

Amendment numbered 49: That the House recede from its disagreement to the amendment of the Senate numbered 49, and agree to the same with an amendment as follows: Restore the matter proposed to be stricken out by the Senate amendment, and on page 23, line 15, of the House engrossed bill strike out "paragraph (2) or"; and the Senate agree to the same.

Amendment numbered 53: That the House recede from its disagreement to the amendment of the Senate numbered 53, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "(j) and (m)"; and the Senate agree to the same.

Amendment numbered 54: That the House recede from its disagreement to the amendment of the Senate numbered 54, and agree to the same with an amendment as follows: Restore the matter proposed to be stricken out by the Senate amendment, and on page 24, line 6, of the House engrossed bill, strike out "paragraph (2) or"; and the Senate agree to the same.

Amendment numbered 138: That the House recede from its disagreement to the amendment of the Senate numbered 138, and agree to the same with an amendment as follows: Restore the matter proposed to be stricken out by the Senate amendment, and on page 57, line 25, of the House engrossed bill, strike out "and (4)" and insert: ", (4), and (5)"; and the Senate agree to the same.

Amendment numbered 160: That the House recede from its disagreement to the amendment of the Senate numbered 160, and agree to the same with an amendment as follows: Strike out the matter proposed to be stricken out by the Senate amendment and insert the following:

"TERMINATION OF BENEFITS UPON DEPORTATION

"Sec. 107. Section 202 of the Social Security Act is amended by adding after subsection (m) thereof (added by section 102 (i) of this Act) the following new subsection:

"Termination of Benefits Upon Deportation of Primary Beneficiary

"(n) (1) If any individual is (after the date of enactment of this subsection) deported under paragraph (1), (2), (4), (5), (6), (7), (10), (11), (12), (14), (15), (16), (17), or (18) of section 241 (a) of the Immigration and Nationality Act, then, notwithstanding any other provisions of this title—

"(A) no monthly benefit under this section shall be paid to such individual, on the basis of his wages and self-employment income, for any month occurring (i) after the month in which the Secretary is notified by the Attorney General that such individual has been so deported, and (ii) before the month in which such individual is thereafter lawfully admitted to the United States for permanent residence,

"(B) if no benefit could be paid to such individual (or if no benefit could be paid to him if he were alive) for any month by reason of subparagraph (A), no monthly benefit under this section shall be paid, on the basis of his wages and self-employment income, for such month to any other person who is not a citizen of the United States and is outside the United States for any part of such month, and

"(C) no lump-sum death payment shall be made on the basis of such individual's wages and self-employment income if he dies (i) in or after the month in which such notice is received, and (ii) before the month

AMENDMENT TO SOCIAL SECURITY ACT AND THE INTERNAL REVENUE CODE

Mr. REED of New York submitted the following conference report and statement on the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes:

CONFERENCE REPORT (H. REPT. No. 2679)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 1, 2, 9, 10, 12, 13, 30, 45, 47, 48, 50, 51, 52, 124, 125, 137, 139, 140, 141, 162, 190, 196, 201, 202, 239, 254, 255, 257, 275, and 299.

That the House recede from its disagreement to the amendments of the Senate numbered 4, 5, 6, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 31, 32, 36, 37, 39, 40, 41, 42, 43, 44, 46, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 163, 166, 167, 168, 169, 170, 171, 172, 175, 177, 178, 179, 180, 182, 183, 184, 185, 188, 191, 192, 193, 194, 195, 197, 198, 199, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 258, 259, 260, 261, 262, 263, 264, 267, 268, 272, 273, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320,

in which he is thereafter lawfully admitted to the United States for permanent residence. Section 203 (b) and (c) of this Act shall not apply with respect to any such individual for any month for which no monthly benefit may be paid to him by reason of this paragraph.

"(2) As soon as practicable after the deportation of any individual under any of the paragraphs of section 241 (a) of the Immigration and Nationality Act enumerated in paragraph (1) in this subsection, the Attorney General shall notify the Secretary of such deportation."

And the Senate agree to the same.

Amendment numbered 161: That the House recede from its disagreement to the amendment of the Senate numbered 161, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "108"; and the Senate agree to the same.

Amendment numbered 164: That the House recede from its disagreement to the amendment of the Senate numbered 164, and agree to the same with an amendment as follows: In lieu of the matter proposed to be stricken out by the Senate amendment insert the following:

"(b) Subparagraph (B) of section 213 (a) (2) of such Act is amended by inserting '(except wages for agricultural labor paid after 1954)' after '\$50 or more in wages' in that part of such subparagraph which precedes clause (i), and by striking out clause (iv) and inserting in lieu thereof the following:

"(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 are less than \$200; (b) the last 2 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 3 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.

If, in the case of any individual who has attained retirement age or died or is under a disability and who has been paid wages for agricultural labor in a calendar year after 1954, 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."

And the Senate agree to the same.

Amendment numbered 165: That the House recede from its disagreement to the amendment of the Senate numbered 165, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "109"; and the Senate agree to the same.

Amendment numbered 173: That the House recede from its disagreement to the

amendment of the Senate numbered 173, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "110"; and the Senate agree to the same.

Amendment numbered 174: That the House recede from its disagreement to the amendment of the Senate numbered 174, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "111"; and the Senate agree to the same.

Amendment numbered 176: That the House recede from its disagreement to the amendment of the Senate numbered 176, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "112"; and the Senate agree to the same.

Amendment numbered 181: That the House recede from its disagreement to the amendment of the Senate numbered 181, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "113"; and the Senate agree to the same.

Amendment numbered 186: That the House recede from its disagreement to the amendment of the Senate numbered 186, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "114"; and the Senate agree to the same.

Amendment numbered 187: That the House recede from its disagreement to the amendment of the Senate numbered 187, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"COVERED EMPLOYMENT NOT COUNTED UNDER OTHER FEDERAL RETIREMENT SYSTEMS

"SEC. 115. Notwithstanding any other provision of law, in determining eligibility for or the amount of any benefit (other than a benefit under title II of the Social Security Act or under the Railroad Retirement Act of 1937, as amended) under any retirement system established by the United States or any instrumentality thereof, there shall not be taken into account any service which, by reason of the amendments to section 210 (a) of the Social Security Act made by section 101 (c) of this Act, constitutes employment as defined in such section 210 (a)."

And the Senate agree to the same.

Amendment numbered 189: That the House recede from its disagreement to the amendment of the Senate numbered 189, and agree to the same with the following amendments to the House engrossed bill:

Restore the matter proposed to be stricken out by the Senate amendment.

On page 93, line 5, strike out "481 (a)" and insert "1402 (a)."

On page 93, line 6, after "Internal Revenue Code", insert "of 1954."

On page 93, line 7, strike out "There" and insert "there."

On page 93, line 13, strike out "481" and insert "1402."

On page 93, line 14, after "Code", insert "of 1954."

On page 93, line 16, strike out "and (7)," and insert "(7), and (8)."

On page 93, line 17, strike out "and (6)," and insert "(6), and (7)."

Page 94, line 2, strike out "1426 (h)," and insert "3121 (g)."

Page 94, line 6, strike out "per centum" and insert "percent."

And the Senate agree to the same.

Amendment numbered 200: That the House recede from its disagreement to the amend-

ment of the Senate numbered 200, and agree to the same with the following amendments:

On page 31, line 10, of the Senate engrossed amendments, strike out "sentences" and insert the following: "sentences".

On page 32, in lines 13 and 14, of the Senate engrossed amendments, strike out "service, described in subsection (c) (4) or (5)," and insert the following: "service described in subsection (c) (4), or service described in subsection (c) (5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner."

On page 32 of the Senate engrossed amendments, beginning with "(computed" in line 20, strike out all through line 2 on page 33 and insert the following: "(computed, in the case of an individual referred to in paragraph (1) (A), without regard to subsection (c) (4), and, in the case of an individual referred to in paragraph (1) (B), without regard to subsection (c) (5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner) of \$400 or more, any part of which was derived from the performance of service described in subsection (c) (4), or from the performance of service described in subsection (c) (5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner, as the case may be."

On page 33, line 14, of the Senate engrossed amendments, strike out "(8)" and insert the following: "(7) as renumbered by subsection (a) (2) of this section."

On page 33, line 15, of the Senate engrossed amendments, strike out "paragraph (8)" and insert the following: "such paragraph (7)."

On page 33, line 17, of the Senate engrossed amendments, strike out "(9)" and insert the following: "(8)."

On page 34 of the Senate engrossed amendments strike out lines 6, 7, and 8 and insert in lieu thereof the following:

"(5) Section 1402 (c) (5) of the Internal Revenue Code of 1954 is amended to read as follows:

"(5) the performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, or Christian Science practitioner; or the performance of such service by a partnership."

And the Senate agree to the same.

Amendment numbered 238: That the House recede from its disagreement to the amendment of the Senate numbered 238, and agree to the same with the following amendment: On page 99, lines 3 and 4, of the House engrossed bill strike out "1420 (e) of the Internal Revenue Code" and insert "3122 of the Internal Revenue Code of 1954"; and the Senate agree to the same.

Amendment numbered 256: That the House recede from its disagreement to the amendment of the Senate numbered 256, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "\$100"; and the Senate agree to the same.

Amendment numbered 265: That the House recede from its disagreement to the amendment of the Senate numbered 265, and agree to the same with the following amendments to the House engrossed bill:

Restore the matter proposed to be stricken out by the Senate amendment.

On page 102, line 4, strike out "1426 (b) of the Internal Revenue Code" and insert "3121 (b) of the Internal Revenue Code of 1954."

On page 102, line 6, strike out "Serv-" and insert "serv-."

On page 102, strike out lines 10 and 11.

On page 102, line 12, strike out "(C)" and insert "(B)."

On page 103, line 3, strike out "Service" and insert "service."

On page 103, in lines 23 and 24, strike out "(other than the retirement system of the Tennessee Valley Authority)."

On pages 104 and 105, strike out subsection (e).

And the Senate agree to the same.

Amendment numbered 266: That the House recede from its disagreement to the amendment of the Senate numbered 266, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "(e)"; and the Senate agree to the same.

Amendment numbered 269: That the House recede from its disagreement to the amendment of the Senate numbered 269, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "(f)"; and the Senate agree to the same.

Amendment numbered 270: That the House recede from its disagreement to the amendment of the Senate numbered 270, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "(c), (d), and (e)"; and the Senate agree to the same.

Amendment numbered 271: That the House recede from its disagreement to the amendment of the Senate numbered 271, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"AMENDMENT RELATING TO COLLECTION OF EMPLOYEE TAX

"SEC. 205A. Section 3102 (a) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new sentence: '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 (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 \$100.'"

And the Senate agree to the same.

Amendment numbered 274: That the House recede from its disagreement to the amendment of the Senate numbered 274, and agree to the same with an amendment as follows: Strike out the matter proposed to be stricken out by the Senate amendment and insert in lieu thereof the following:

"FILING OF SUPPLEMENTAL LISTS OF EMPLOYEES BY CERTAIN NONPROFIT ORGANIZATIONS

"SEC. 207. (a) Paragraph (1) of section 3121 (k) of the Internal Revenue Code of 1954 is amended by striking out the third sentence thereof and inserting in lieu thereof the following: 'Such list may be amended at any time prior to the expiration of the twenty-fourth month following the first calendar quarter for which the certificate is in effect, 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.'

"(b) Paragraph (1) of such section 3121 (k) is further amended by striking out the period at the end of the fifth sentence thereof and inserting in lieu thereof the follow-

ing: except that, in the case of service performed by an individual whose name appears on a supplemental list filed after the first month following the first calendar quarter for which the certificate is in effect, the certificate shall be in effect, for purposes of such subsection (b) (8) and for purposes of section 210 (a) (8) of the Social Security Act, only with respect to service performed by such individual after the calendar quarter in which such supplemental list is filed."

And the Senate agree to the same.

Amendment numbered 333: That the House recede from its disagreement to the amendment of the Senate numbered 333, and agree to the same with an amendment as follows: On page 47, line 2, of the Senate engrossed amendments, strike out "209" and insert "210"; and the Senate agree to the same.

Amendment numbered 341: That the House recede from its disagreement to the amendment of the Senate numbered 341, and agree to the same with the following amendments:

On page 50, line 21, of the Senate engrossed amendments, after "paid" insert the following: "prior to the enactment of this Act."

On page 51, line 3, of the Senate engrossed amendments, after "filed" insert the following: "on or before January 1, 1957, and."

And the Senate agree to the same.

Amendment numbered 342: That the House recede from its disagreement to the amendment of the Senate numbered 342, and agree to the same with an amendment as follows: On page 51, line 16, of the Senate engrossed amendments, after "Secretary" insert the following: "of Health, Education, and Welfare"; and the Senate agree to the same.

DANIEL A. REED,
THOMAS A. JENKINS,
RICHARD M. SIMPSON,
JERE COOPER,
JOHN D. DINGELL,

Managers on the Part of the House.

EUGENE D. MILLIKIN,
EDWARD MARTIN,
JOHN J. WILLIAMS,

Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The following Senate amendments made technical, clerical, clarifying, or conforming changes (including changes in section references made necessary by the enactment of the Internal Revenue Code of 1954): 5, 9, 10, 13, 15, 25, 28-30, 32, 35, 37-44, 46-60, 61-63, 67, 68, 71-73, 79, 80, 83, 84, 86, 87, 97, 100-110, 112-124, 135, 138, 142, 143, 146, 147, 149, 150, 152, 153, 155-159, 161, 162, 165, 166, 168-186, 188, 190-199, 201-237, 239-253, 257-259, 261-264, 266-270, 272, 273, 275-297, 298-318, 320, 321, 323-328, 330-333, 335-337, 339, and 340. With respect to these amendments (1) the House either recedes or recedes with amendments which are technical, clerical, clarifying, or conforming in nature, or (2) the Senate recedes in order to conform to other action agreed upon by the committee of conference.

Amendments Nos. 1, 2, and 3: The House bill amended section 209 (h) of the Social Se-

curity Act so as to exclude from wages, for purposes of old-age and survivors insurance, cash remuneration paid by an employer to an employee in any calendar year for agricultural labor unless such remuneration is \$200 or more. This provision would replace the provision in present law (eliminated by section 101 (a) (4) of the bill, which excludes agricultural labor performed in a calendar quarter from covered employment unless the cash remuneration paid for such labor is \$50 or more and the individual performing such labor is "regularly employed" for that purpose. Under the Senate amendments, coverage for agricultural labor would depend upon the payment to the employee of \$50 or more in a calendar quarter rather than \$200 or more in a calendar year. The Senate recedes from amendments Nos. 1 and 2, and the House recedes from its disagreement to amendment No. 3 with an amendment reducing the amount of such cash remuneration from \$200 to \$100, with the result that, under the conference agreement, coverage for agricultural labor depends upon the payment to the employee by any one employer, of \$100 or more in a calendar year.

Amendment No. 4: The House bill removed the exclusion from "employment" of services performed in connection with the production, harvesting, or processing of crude gum (oleo-resin), thereby covering such services under old-age and survivors insurance on the same basis as other agricultural labor. The Senate amendment restored the provision excluding such services from the coverage. The House recedes.

Amendment No. 6: The House bill continued in effect the provisions of the present law excluding from "employment" services performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949. The Senate amendment provided in addition for the exclusion from "employment" of services performed by foreign agricultural workers lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies on a temporary basis to perform agricultural labor. The House recedes.

Amendment No. 7: Section 101 (c) of the House bill extended coverage to most service (now excluded) performed by employees of Federal instrumentalities who are not already covered by a federally established retirement system. It also extended coverage to service performed by two groups of employees (employees of Federal home loan banks and individuals subject to the retirement system of the TVA) who are now covered by other retirement systems. Paragraph (3) of section 101 (c) made certain administrative provisions applicable to civilian employees of Coast Guard exchanges and other activities (who constitute one of the groups brought under coverage by the bill). The Senate amendment deleted these provisions, thereby continuing the exclusion of these employees from coverage. The House recedes with an amendment which in effect restores the House language but continues the exclusion from coverage of employees of Federal home loan banks and individuals subject to the retirement system of the TVA.

Amendment No. 8: Section 101 (d) (1) of the House bill provided for the coverage of certain ministers and members of religious orders employed by nonprofit tax-exempt organizations upon the filing by the organization concerned of a certificate (concurrent in by two-thirds of the clergymen employees) waiving its exemption from the taxes imposed by the Federal Insurance Contributions Act. Clergymen who concur in the filing of such certificate, and those employed by the organization thereafter, would be covered on a compulsory basis. Section 101 (d) (2) of the House bill provided for the coverage, on a compulsory basis, of self-employed ministers and members of religious orders (as

well as other ministers and members of religious orders to the extent that their income is derived from self-employment), Section 101 (d) (3) of the House bill made it clear that nothing in the bill should be construed to mean that any minister is an employee of an organization for any purposes other than those specified.

The Senate amendment struck out these provisions of the House bill, and substituted a new provision which would permit both employed and self-employed ministers and members of religious orders (other than those who have taken a vow of poverty) to elect voluntarily and on an individual basis, as provided in section 1402 (e) of the Internal Revenue Code of 1954 (added by amendment No. 200), to be covered under old-age and survivors insurance as self-employed individuals. The substituted provision would also permit Christian Science practitioners (who under the House bill are covered on a compulsory basis as professional self-employed) to elect coverage on the same individual basis. In addition, the Senate amendment contained a new provision providing that ministers and members of religious orders (and United States citizens performing ministerial services in the employ of American employers) shall compute their net earnings from self-employment derived from such services without regard to certain provisions of the Internal Revenue Code of 1954 relating to income from sources outside the United States. The House recedes with a clerical amendment.

Amendment No. 11: Section 101 (g) (1) of the House bill extended coverage to self-employed farm operators having annual net earnings of \$400 or more from self-employment. It also provided for self-employed farm operators an optional method of reporting income for old-age and survivors insurance purposes; under this provision, the farm operator could presume his net earnings from farming to be 50 per centum of his gross income from farming if such gross income is less than \$1,800, and could presume his net earnings from farming to be \$900 if such gross income is more than \$1,800 and such net earnings (otherwise computed) would be less than \$900. Section 101 (g) (2) of the House bill provided that, in determining net earnings from self-employment, rentals paid in the form of crop shares should not be included.

Section 101 (g) (4) of the House bill extended coverage to all professional self-employed individuals, except physicians, on the same basis as nonprofessional self-employed individuals are now covered. Among those to whom coverage would be extended by this provision are lawyers, dentists, osteopaths, veterinarians, chiropractors, naturopaths, optometrists, Christian Science practitioners, architects, accountants (of several specified types), funeral directors, and professional engineers.

The Senate amendment strikes out these provisions, thereby continuing in effect the present exclusion from coverage of self-employed farm operators and self-employed professional individuals.

The House recedes with an amendment which (1) restores the House provisions relating to the coverage of self-employed farm operators, and (2) continues the present exclusion from coverage of most professional self-employed individuals but extends coverage to architects, accountants, funeral directors, and engineers (along with Christian Science practitioners on the basis provided by amendments Nos. 8 and 200).

Amendment No. 12: This amendment, which relates to the exclusion of coal royalties in computing net earnings from self-employment, merely restores a provision, contained in section 101 (g) (3) of the House bill, which was stricken out by amendment No. 11 along with the provisions relating to coverage of self-employed farm operators and self-employed professional individuals.

In view of the action taken by the conferees on that amendment, the Senate recedes.

Amendments Nos. 14, 16, 17, 18, and 19: Section 101 (h) (1) of the House bill, relating to the prohibition against coverage of employees in positions under a State or local retirement system, made such prohibition inapplicable to employees who (while holding such positions) are ineligible to be members of such system. The same provision of the House bill provided that individuals in positions under such a system (other than those ineligible for membership and policemen and firemen), either on the date of the enactment of the bill or on the date the State agreement is made applicable to their coverage group, can be covered for old-age and survivors insurance purposes only upon a referendum. The Senate amendments, which are technical in nature, divided this provision into two subparagraphs in order to permit the application of separate effective dates to the two parts. The House recedes.

Amendments Nos. 20, 21, 22, 23, and 24: The House bill provided that 90 days' notice be given all eligible employees of any referendum held on the question of whether service subject to a State or local retirement system should be covered under a State agreement for old-age and survivors insurance purposes. It also provided, as a condition of such coverage, that a majority of the eligible employees must vote in the referendum and that two-thirds of those voting must vote in favor of coverage. The Senate amendments would require that not less than 90 days' notice be given, and that a majority of the eligible employees vote in favor of coverage. The House recedes.

Amendments Nos. 26 and 27: The House bill provided that, if a State or local retirement system covers positions of State employees and employees of one or more political subdivisions, or covers employees of two or more political subdivisions, each such subdivision (and the State, if its employees are also covered) may be deemed to have a separate retirement system for purposes of section 218 of the Social Security Act. The Senate amendments provided that any one or more of the subdivisions concerned (or any one or more of such subdivisions and the State, if State employees are covered) may be deemed to have a separate retirement system; the subdivisions could thus be grouped together, if desired, according to size, location, number, or type of personnel involved. The Senate amendments also provided that, where a retirement system covers positions of employees of more than one institution of higher learning (including a junior college or teachers' college), the employees of each such institution shall (if the State so desires) be deemed to have a separate retirement system for purposes of section 218. The House recedes.

Amendment No. 31: This amendment added to the House bill a new provision, effective January 1, 1955, permitting a State to deem certain inspectors of agricultural products to be State employees who would constitute a separate coverage group for purposes of section 218 of the Social Security Act. The House recedes.

Amendment No. 33: This amendment added to the House bill a new provision permitting the modification of the agreement entered into with the State of Utah pursuant to section 218 of the Social Security Act so that the agreement will apply to services performed by employees of certain designated schools and State agencies (with the employees of each such school and agency constituting a separate coverage group). The State may include any one or more of these groups under the agreement; and any group so included by a modification agreed to before 1955 may be covered retroactively with respect to services performed after any date specified in the modification,

but not earlier than December 31, 1950. The House recedes with a clerical amendment.

Amendment No. 34: This amendment added to the House bill a new provision providing that if the agreement entered into with the State of Arizona pursuant to section 218 of the Social Security Act is modified prior to January 1, 1956, so as to make such agreement applicable to service performed by employees in positions covered by the Arizona teachers' retirement system (all of whom shall be deemed to constitute a separate coverage group), such modification may be made effective with respect to service performed in such positions after any effective date specified therein, but not earlier than December 31, 1950. The House recedes with a clerical amendment.

Amendment No. 36: Section 101 (j) of the House bill established a presumption that work deductions have been made from the benefits of certain State and local employees whose services prior to 1955 were covered retroactively by a State under an agreement entered into under section 218 of the Social Security Act. This presumption would enable employees who were entitled to old-age and survivors insurance benefits (and not subject to deduction under section 203 (b) of the Social Security Act) at the time the services were performed to qualify for recomputation of their primary insurance amounts, and would arise solely for the purpose of determining entitlement to such a recomputation. (Under existing law such a recomputation is authorized only where the primary beneficiary has had deductions from benefits on account of services performed during 12 months out of a period of 36 months. This amendment makes clarifying changes with respect to the method of recomputation and provides additional dates as of which an individual may be presumed to become entitled to old-age insurance benefits, but it makes only minor changes in the substance of the House bill. The House recedes.

Amendment No. 45: This amendment would remove funeral directors from the list of the professions excluded from coverage by section 211 (c) (5) of the Social Security Act, thereby covering them under old-age and survivors insurance on a compulsory basis. In view of the action taken by the conferees on amendment No. 11 (relating to professional self-employed), the Senate recedes.

Amendments Nos. 64, 65, and 66: The House bill provided that the determination of an individual's starting and closing dates for purposes of computing his average monthly wage should, where more than one date was possible, be made on the basis of the dates yielding the higher average monthly wage. The Senate amendments would base this determination instead on the dates yielding the higher primary insurance amount, in order to avoid the necessity of using the date which produces the higher average monthly wage even though use of an alternative date would produce a higher primary insurance amount and therefore a higher benefit. The House recedes.

Amendments Nos. 69 and 70: Section 102 (e) (2) of the House bill provided that an individual, in computing his average monthly wage, could drop out the 5 years of lowest earnings (instead of the 4 such years) only if he had at least 20 quarters of coverage prior to his closing date. The Senate amendment eliminated the requirement that the 20 quarters occur prior to the closing date, thereby permitting the 5-year drop-out in the case of any individual having at least 20 quarters of coverage regardless of when the quarters occurred. The House recedes.

Amendment No. 74: The House bill provided that an individual could secure a "work recomputation" of his primary insurance amount (to take account of earnings after the last previous computation thereof) only if he has earnings of not less than \$1,000

in a calendar year after 1953 and after the last previous computation of such amount. This amendment, in order to conform with the increase made by amendments Nos. 130-134, in the exempt amount for retirement test purposes, would require earnings of more than \$1,200 (rather than earnings of "not less than \$1,000") in any such calendar year as a condition of the recomputation. The House recedes.

Amendment No. 75: This amendment added to the House bill a provision making it clear that an individual can qualify for only one "work recomputation" on the basis of earnings in any one calendar year. The House recedes.

Amendment No. 76: Under the House bill, an individual who qualified for a work recomputation before 1955, and who also had enough earnings during 1954 to qualify him for a work recomputation under the new provisions added by the bill, would have to choose one or the other since the recomputation under existing law would preclude a recomputation under the new provisions on the basis of his 1954 earnings. The Senate amendment eliminates the necessity for this choice, thereby making it possible for the individual to obtain the recomputation under existing law and also (if it would increase the benefit) under the new provisions. The House recedes.

Amendments Nos. 77, 78, 81, and 82: Under the House bill, in the first work recomputation to which an individual becomes entitled after enactment all applicable starting and closing dates and benefit formulas would be used, even though the 4 or 5 years of lowest earnings were dropped out in a previous computation of such individual's primary insurance amount. The Senate amendments, to avoid a complete reopening of the benefit recomputation provisions and the necessity of redetermining data already available, would provide that where the drop-out provisions have previously been applied in computing an individual's primary insurance amount, any recomputation shall be made only through use of the new benefit formula in section 215 (a) (1) (A) of the Social Security Act, as amended by the bill. The House recedes.

Amendment No. 85: The House bill permitted the inclusion, in the computation or recomputation of an individual's primary insurance amount, of earnings for the year in which the individual became entitled to old-age insurance benefits or filed his application for recomputation, but only upon application filed after the close of that year. If he should die in the year in which he became entitled to old-age insurance benefits or filed his application for a recomputation, however, the survivors could not obtain a recomputation of his primary insurance amount since they would be entitled to such a recomputation only if the individual himself could have obtained the recomputation upon filing an application therefor in the month of his death. The Senate amendment would make it clear that the survivors could obtain the recomputation. The House recedes.

Amendments Nos. 88, 89, 90, 91, 92, 93, 94, 95, 96, and 98: Section 102 (e) (5) of the House bill contained provisions preserving the rights of individuals to qualify for certain recomputations under existing law prior to 1955. These amendments make it clear that, if an individual dies without filing his application for such a recomputation, any of his survivors entitled to monthly benefits or a lump-sum death payment on the basis of his earnings could file an application and secure the recomputation to which he would have been entitled. The House recedes.

Amendment No. 99: The House bill provided that the closing date for an individual who dies or who becomes entitled to old-age insurance benefits in 1956 would be July 1, 1956 (instead of January 1, 1956), if use of the later date would result in a higher pri-

mary insurance amount and the individual had not less than six quarters of coverage after 1954; and the later closing date would be permitted in all such cases regardless of which starting date or benefit formula was used. The Senate amendment, to take care of individuals newly covered in 1955, provided that the later closing date would be used only with a starting date of December 31, 1954, and only in computing the primary insurance amount under the new formula contained in section 215 (a) (1) (A) of the Social Security Act, as amended by the bill. The House recedes.

Amendment No. 111: The House bill provided that the recomputation of an individual's primary insurance amount shall be effective (where he has not died) for and after the month in which he filed the application for such recomputation. The Senate amendment, to provide old-age insurance beneficiaries on the rolls in September 1954 with an adequate opportunity to file applications, would provide that the recomputation can be effective for up to 12 months retroactively. The House recedes.

Amendment No. 125: The House bill provided that the amount of a lump-sum death payment under section 202 (1) of the Social Security Act may not exceed \$255, which is the maximum (three times the maximum primary insurance amount) permitted under existing law. The Senate amendment would eliminate this limitation, so that the lump-sum death payment based on an individual's earnings would continue to be equal to three times the amount of such individual's primary insurance amount. The Senate recedes.

Amendments Nos. 126, 127, 128, 129, 136, 145, 148, and 154: The House bill retained as a part of the retirement test the provisions of present law (section 203 of the Social Security Act) which provide that deductions from benefits on account of earnings shall be made only for months in which the beneficiary concerned (or, in the case of dependents' benefits, the old-age insurance beneficiary) is under the age of 75. The Senate amendment lowered from 75 to 72 the age above which such deductions will not be imposed under the amended provisions of section 203 (or under those of the present provisions of section 203 which, to take care of individuals whose taxable years do not coincide with the calendar year, will remain in effect for months after 1954). The House recedes.

Amendments Nos. 130, 131, 132, 133, 134, and 144: The House bill, in placing the retirement test entirely on an annual basis, provided that no deductions from benefits would be made on account of earnings if such earnings do not exceed \$1,000 for a taxable year of 12 months (or a proportionate amount for a shorter taxable year). The Senate amendment increased the amount of earnings permitted without deduction from benefits to \$1,200 for a taxable year of 12 months (or \$100 times the number of months involved for a shorter taxable year). The House recedes.

Amendments Nos. 137, 139, 140, and 141: The House bill, in combining wages and net earnings from self-employment as "earnings" for retirement test purposes, included earnings derived from noncovered employment within the United States as well as net earnings from self-employment derived from certain noncovered trades and businesses. The Senate amendment provided that only earnings arising from covered employment and self-employment shall be included in "earnings" for retirement test purposes. (It is expected that the possibility of changing the date for filing reports of earnings for retirement test purposes, so as to conform with the new April 15 filing date for income-tax returns, will be considered early in the next session of Congress.) The Senate recedes.

Amendment No. 151: The House bill contained a provision requiring that deductions be made from the benefits of survivors and dependents who are residing abroad, except in certain specified cases. The Senate amendment deleted this provision. The House recedes.

Amendment No. 160: Section 107 of the House bill provided that any wages and self-employment income earned by an individual while he is unlawfully in the United States may not be counted in computing his benefits, if the Attorney General has notified the Secretary of such unlawful residence. Section 108 of the House bill provided that no benefits shall be paid under section 202 of the Social Security Act on the basis of the wages and self-employment income of any individual after such individual has been deported under any one of 14 specified paragraphs of section 241 (a) of the Immigration and Nationality Act, if the Attorney General has notified the Secretary of such deportation. The Senate amendment deleted these provisions of the House bill.

The House recedes with an amendment providing that (1) no such benefits shall be paid to any individual on the basis of his wages and self-employment income for any month after the Attorney General notifies the Secretary that such individual has been deported under one of the specified paragraphs and before he has been lawfully readmitted to the United States, (2) no benefits shall be paid to any survivor or dependent of an individual so deported and not lawfully readmitted for any month in which such survivor or dependent is outside the United States, except in the case of survivors and dependents who are citizens of the United States, and (3) earnings by such individual after he has been so deported shall not deprive his survivors and dependents (under section 203 of the Social Security Act) of benefits to which they are otherwise entitled.

Amendment No. 163: The House bill provides an alternative basis for determining fully insured status in the case of individuals newly covered on January 1, 1955 (and others living on that date). Under this provision, the individual would be fully insured for old-age and survivors insurance purposes if all of the quarters elapsing after 1954 and before July 1, 1956, or (if later) before the quarter in which he attains retirement age or dies, are quarters of coverage. The Senate amendment makes it clear that there must be at least six of such quarters so elapsing. The House recedes.

Amendment No. 164: Section 109 (b) of the House bill amended section 213 (a) (2) (B) of the Social Security Act so as to provide a method for crediting quarters of coverage on the basis of annual amounts of wages received for agricultural labor. The Senate amendment deleted this provision as being unnecessary when it placed the coverage test for agricultural labor on a quarterly rather than an annual basis. The House recedes with an amendment which in effect restores the House language with an appropriate modification to conform with the action taken by the conferees on amendments Nos. 1-3 (relating to coverage for agricultural labor).

Amendment No. 167: The House bill provided that any individual who died prior to September 1, 1950, having at least six quarters of coverage but not being fully insured under the law in effect at that time, shall be deemed to have died a fully insured individual (except for purposes of determining entitlement of a former wife divorced). Such individual's primary insurance amount would be computed under the provisions of section 215 (d) (4) of the present Social Security Act, except that his closing date would be the first day of the quarter in which he died. The Senate amendment provided that if the individual was currently insured when he died, and some other person was

entitled to a benefit on the basis of his wages, his primary insurance benefit would be computed under the act as in effect prior to September 1950; in all other cases the computation would be as provided in the House bill. The House recedes.

Amendment No. 187: This amendment adds to the bill a new section providing that service which is performed after 1954 in the employ of the Federal Government, and which constitutes "employment" under section 210 (a) of the Social Security Act, shall not be credited toward benefits under any Federally-established retirement system other than the old-age and survivors insurance system and the railroad retirement system. The House recedes with an amendment limiting the application of the section to Federal service newly covered by the bill.

Amendment No. 189: This amendment would delete section 201 (a) of the House bill, which made the necessary changes in the provisions of the Internal Revenue Code relating to the exclusion of farm income from "net earnings from self-employment" for purposes of the Self-Employment Contributions Act to correspond with the changes made in section 211 (a) of the Social Security Act (relating to coverage of self-employed farm operators for old-age and survivors insurance purposes). To conform with the action taken by the conferees with respect to the coverage of these farm operators, the Senate recedes.

Amendment No. 200: This amendment would delete section 201 (c) of the House bill, which made the necessary changes in the provisions of the Internal Revenue Code relating to the exclusion of professional services from the definition of "trade or business" for purposes of the Self-Employment Contributions Act to correspond with the changes made by the House bill in section 211 (c) of the Social Security Act (relating to the exclusion from coverage of professional self-employed individuals for old-age and survivors insurance purposes).

In addition, this amendment would add new provisions to section 1402 of the Internal Revenue Code of 1954 to replace the provisions stricken out by amendments Nos. 8 and 274, and to conform with the new provisions added by amendment No. 8 (as well as those added by amendment No. 45, relating to coverage of funeral directors). Section 1402 (e), as added by this amendment, would permit any employed or self-employed minister or member of a religious order (other than one who has taken a vow of poverty), and any Christian Science practitioner, to file a certificate certifying that he elects to be covered by the old-age and survivors insurance system established by title II of the Social Security Act. Any such individual would be covered as a self-employed individual (and subject to the self-employment tax) for the taxable year with respect to which the certificate is filed and all succeeding taxable years, but he would be required to file such certificate on or before the due date of the return for his second taxable year ending after 1954 for which he has net earnings from self-employment (some part of which was derived from service as such minister, member, or practitioner) of \$400 or more.

The House recedes with amendments (1) conforming with the action taken by the conferees on amendment No. 11 (relating to the coverage of self-employed professional individuals), and (2) making certain clerical, clarifying, and conforming changes.

Amendment No. 228: This amendment would delete section 203 of the House bill, which made the necessary changes in the Internal Revenue Code to correspond with the changes made by the House bill in section 205 (p) (3) of the Social Security Act (relating to the application of certain special rules to civilian employees of Coast Guard exchanges). To conform with the action taken by the conferees with respect to the

coverage of Federal employees, the Senate recedes.

Amendments Nos. 254, 255, and 256: These amendments make changes in the provisions of the Internal Revenue Code relating to the exclusion of cash remuneration paid for agricultural labor from "wages" for purposes of the Federal Insurance Contributions Act which correspond with the changes made by the Senate amendments in section 209 (h) of the Social Security Act (relating to coverage of agricultural labor for old-age and survivors insurance purposes). The Senate recedes from amendments Nos. 254 and 255, and the House recedes from its disagreement to amendment No. 256 with an amendment to conform with the action taken by the conferees on amendments Nos. 1-3 (relating to coverage of agricultural labor).

Amendment No. 260: This amendment makes changes in the provisions of the Internal Revenue Code relating to the exclusion of certain forms of agricultural labor from "employment" for purposes of the Federal Insurance Contributions Act which correspond with the changes made by Senate amendments Nos. 4 and 6 in section 210 (a) (1) of the Social Security Act (relating to the exclusion from coverage for old-age and survivors insurance purposes of services performed as crude gum workers and as West Indian agricultural workers lawfully admitted to the United States on a temporary basis). To conform with the action taken by the conferees with respect to the coverage of such services, the House recedes.

Amendment No. 265: This amendment would delete section 205 (d) of the House bill, which made the necessary changes in the provisions of the Internal Revenue Code relating to the exclusion of Federal service from "employment" for purposes of the Federal Insurance Contributions Act to correspond with the changes made by the House bill in section 210 (a) of the Social Security Act (relating to the exclusion of Federal service from "employment" for old-age and survivors insurance purposes).

This amendment would also delete section 205 (e) of the House bill, which made the necessary changes in the provisions of the Internal Revenue Code relating to the exclusion from "employment" of services performed in the employ of nonprofit tax-exempt organizations for purposes of the Federal Insurance Contributions Act to correspond with the changes made by the House bill in section 210 (a) of the Social Security Act (relating to the exclusion from coverage for old-age and survivors insurance purposes of services performed in the employ of such organizations).

The House recedes with an amendment to conform with the action taken by the conferees on amendment No. 7 (which in effect restored the House language relating to coverage of Federal employees but continued the exclusion from coverage of Federal home loan bank employees and TVA employees) and amendment No. 8 (which provided for the coverage of ministers on an individual voluntary basis).

Amendment No. 271: The Senate amendment added to the House bill a new section making it clear that an employer may deduct, from the remuneration paid by him to an employee for domestic service, for service not in the course of his trade or business, for agricultural labor, or for industrial homework, an amount equivalent to the employee tax imposed by section 3101 of the Internal Revenue Code of 1954, even though at the time of payment he cannot be certain that the test for liability to the tax will be met. The House recedes with an amendment designed to conform with the action taken by the conferees in placing the coverage and taxability tests for agricultural labor on an annual basis.

Amendment No. 274: This amendment deletes the provisions of the House bill which

established procedures for the filing of certificates by nonprofit organizations, waiving their tax exemption with respect to ministers and members of religious orders in their employ, in order to enable such ministers and members of religious orders to obtain coverage under the old-age and survivors insurance system. To conform with the action taken by the conferees on amendments Nos. 8 and 200, the House recedes, with an amendment providing that the list accompanying any certificate filed by a nonprofit organization with respect to its lay employees may be amended (by filing a supplemental list, as provided in existing law) only within a period of 2 years after the certificate takes effect.

Amendment No. 319: The House bill provided that whenever a domestic corporation enters into an agreement to have the employees of one or more of its foreign subsidiaries covered under old-age and survivors insurance, and such agreement is terminated in its entirety, the domestic corporation may not again enter into such an agreement. Under the Senate amendment, the prohibition against entering into a later agreement would exist only if the former agreement was terminated by a notice of termination filed by the domestic corporation or by the Secretary or his delegate. The House recedes.

Amendment No. 322: The House bill provided that all amounts received by the Secretary from a domestic corporation pursuant to an agreement for the coverage of the employees of a foreign subsidiary of such corporation should be regarded for purposes of section 201 of the Social Security Act (relating to the Federal Old-Age and Survivors Insurance Trust Fund) as taxes collected under the Federal Insurance Contributions Act. The Senate amendment provided that, for purposes of section 201, remuneration (paid for services covered by the agreement) which would constitute wages if the services constituted employment, and which is reported to the Secretary or his delegate pursuant to the agreement or appropriate regulations, shall be considered wages subject to employment taxes. The House recedes.

Amendment No. 329: This amendment added to the House bill a new provision requiring that each domestic corporation which enters into an agreement for the coverage of the employees of one or more foreign subsidiaries shall be considered an employer in its capacity as a party to such agreement, separate and distinct from its identity as an employer of individuals on its own account. The House recedes.

Amendment No. 334: Section 301 of the House bill extended for 1 additional year (to September 30, 1955) the provision of the 1952 amendments to the Social Security Act which increased the proportion of State public assistance expenditures to be borne from Federal funds. The Senate amendment extended that provision for 2 additional years (to September 30, 1956). The House recedes.

Amendment No. 338: This amendment lowers from 75 to 72 the age above which deductions from railroad retirement survivor benefits on account of outside earnings will not be imposed under the Railroad Retirement Act of 1937. In order to conform with the action taken by the conferees in dealing with the corresponding age requirement for the retirement test in section 203 of the Social Security Act, the House recedes.

Amendment No. 341: This amendment would add to the House bill a new section 403, relating to service performed in the employ of certain tax-exempt organizations after 1950 and prior to 1955. Under this amendment, if an individual was employed during such period by a tax-exempt organization which failed to file a waiver certificate under section 1426 (1) (1) of the Internal Revenue Code of 1939, and his service would have constituted employment if the organization had filed such certificate,

the individual will be deemed to have received remuneration for employment (as defined in section 210 of the Social Security Act and section 1426 (b) of the Internal Revenue Code of 1939) to the extent that employment taxes (not refunded) have been paid with respect thereto. Taxes paid prior to the enactment of the bill must have been paid in good faith and upon the assumption that the certificate was filed. Similarly, if the organization filed the certificate but the individual's signature did not appear on the list of concurring employees, his remuneration may be deemed to constitute remuneration for employment to the extent that employment taxes (not refunded) were paid with respect thereto. The House recedes with an amendment making it clear that in either case a part of the employment taxes must have been paid before the enactment of the bill, and providing that the individual concerned (where the certificate was filed but his signature did not appear on the list) must file his request to have such remuneration treated as remuneration for employment within 2 years after the enactment of the bill.

Amendment No. 342: This amendment added to the House bill a new section 404, which would direct the Secretary to conduct a full and complete study of the feasibility of providing increased minimum benefits (\$55, \$60, or \$75 a month) under title II of the Social Security Act. The study would include estimates of the increased costs involved, the impact on the Trust Fund, and the reductions in public assistance grants which might result from such increased benefits. The House recedes with an amendment to make it clear that the "Secretary" is the Secretary of Health, Education, and Welfare.

DANIEL A. REED,
THOMAS A. JENKINS,
RICHARD M. SIMPSON,
JERE COOPER,
JOHN D. DINGELL,

Managers on the Part of the House.

Mr. REED of New York. Mr. Speaker, I call up the conference report on the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see record set out above.)

Mr. REED of New York. Mr. Speaker, the conference report on H. R. 9366, now before us represents a magnificent victory for this House.

The other body struck out of the bill our provisions extending social-security protection to farm operators and self-employed professionals. I am gratified to report that, under the conference agreement, the American farmer and his family will be entitled to the social-security coverage provided in the House bill. This means that about 3.6 million farmers, their wives, and their children, will now have this essential basic retirement

and survivors protection. I estimate that these individuals ultimately will become entitled to about \$40 billion in benefits.

We also succeeded in extending social-security protection to about 100,000 professionals—namely, accountants, engineers, architects, and undertakers.

The House bill would have added about 1.3 million farm workers to the system. The Senate bill added about 2.3 million. Under the conference agreement, about 2 million of these workers and their families will now become entitled to this protection for the first time.

In all, the bill as agreed to in conference will add more than 10 million persons to the social-security system. Thus, substantially all of the employed and self-employed people of this country will now be entitled to this protection. In practical effect, we have finally achieved the goal of universal coverage.

Insofar as benefits are concerned, both bills were in complete agreement and no changes have been made. Thus, those now receiving benefits will start drawing their increased payments about October 1.

The conferees accepted the liberalized retirement test contained in the Senate bill. Once an individual reaches age 72, he will be able to draw full benefits irrespective of any outside earnings. Under present law, he is unable to do this until he reaches 75. We also agreed that an individual could earn up to \$1,200 a year—instead of \$1,000 as in the House bill—without loss of benefits. Finally, the conferees agreed to the House provision which requires that all earnings, and not just covered earnings, be counted in determining whether an individual has in fact retired.

I think that this bill represents a splendid victory for the American farmer and his family. The bill as a whole is one of the truly magnificent achievements of this Congress and of this administration.

Mr. Speaker, I would like to enumerate briefly the action of the conferees with respect to the substantive differences between the House passed version and the Senate passed version. In this discussion I will use as a reference the numbers of the respective Senate amendments.

Amendments 1, 2 and 3 amend section 101 (a) of the bill. The House bill covered farm workers who are paid at least \$200 in cash wages by any one employer in a calendar year. The Senate bill covered farm workers who are paid at least \$50 in cash wages by any one employer in a calendar quarter. The Senate receded and concurred in the House version with an amendment providing that coverage would be extended to farm workers who are paid at least \$100 in cash wages by any one employer in a calendar year. It is estimated that this change in present law will result in extending coverage to an additional 2.1 million agricultural workers.

Amendment No. 4 also amends section 101 (a) of the House bill. The House bill would have covered individuals performing services in connection with production or harvesting of gum naval stores. The Senate bill would continue the present exclusion of this group of in-

dividuals. The House receded and concurred in the Senate amendment.

Amendment No. 6: This amendment also pertains to Section 101 (a). The Senate bill excluded from coverage temporary agricultural workers who have been lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies. There was no comparable provision in the House bill. However, this exclusion of temporary agricultural workers from the British West Indies will be somewhat similar to the present exclusion of agricultural workers from Mexico.

Amendment No. 7. This amendment amends section 101 (b) of the bill and relates to extension of coverage to certain Federal employees. The House bill covered most Federal employees not previously covered by old-age and survivors insurance and not covered by Federal staff retirement systems including temporary employees in the field services of the Post Office Department, census-taking employees of the Bureau of the Census, civilian employees of the Coast Guard Post Exchanges, employees paid on a contract or fee basis, employees whose compensation is nominal, employees of the district Federal home loan banks and of the Tennessee Valley Authority who already have existing retirement systems, and so forth. The conferees accepted the extended coverage as provided in the House bill with the exception that the district Federal home loan bank employees and the Tennessee Valley Authority employees will not be brought in under the OASI system. The conferees in taking this action instructed the committee staffs and the staff of the Department of Health, Education, and Welfare to make a study of dual coverage under the OASI program and Federal retirement systems.

Closely related to the extension of coverage to certain Federal employees is amendment No. 187 which adds section 114 to the bill. As adopted by the Senate, this amendment would have provided that Federal service credited under the old-age and survivors insurance program for benefit purposes could not be used to establish retirement credit under any other Federal retirement system. The conferees modified this provision to provide that its limiting effect would be applicable to only those groups newly brought into the old-age and survivors insurance program by H. R. 9366.

The action of the conferees with respect to extending coverage to Federal civilian employees will extend coverage to approximately 150,000 persons not presently participating in the system.

Amendment No. 8: This amendment applies to section 101 (d) of the bill and relates to the extension of coverage to ministers. The House bill would cover ministers and members of religious orders employed by nonprofit organizations other than employees of religious orders who have taken a vow of poverty, on the same voluntary group basis as lay employees of such organizations are covered under present law. Self-employed ministers under the House bill would be covered compulsorily. Under the House bill, Christian Science practitioners are treated as professional self-

employed and are covered on a compulsory basis. The Senate bill would permit ministers, Christian Science practitioners, and members of religious orders who have not taken a vow of poverty, whether employees or self-employed, to secure coverage as self-employed persons but on an individual voluntary basis.

Ministers, Christian Science practitioners, and members of religious orders who are citizens of the United States employed outside the United States by an American employer would be covered on the same voluntary basis. They would not be covered if employed by a foreign employer outside the United States. Self-employed ministers outside the United States would be treated like other self-employed citizens of the United States who are in a foreign country. Related to this amendment, amendment No. 200 provides the procedure to be followed for voluntary coverage under which the individual must elect coverage within 2 years. A certificate must be filed by the individual on or before the due date of his tax return for the second taxable year ending after 1954 for which he has net earnings of \$400 or more. In determining the period during which a certificate may be filed there shall not be included any taxable year for which the individual has no income from the performance of service as a minister or Christian Science practitioner. Likewise, in determining such period there is not counted any year in which his total self-employment income from whatever sources totals less than \$400. This provision would extend coverage to about 250,000 individuals.

Amendment No. 11: This amendment applies to section 101 (g) of the bill and relates to the coverage of farm operators and professional self-employed individuals. The House bill would cover self-employed farm operators whose net earnings from farm self-employment totaled \$400 or more in a year. The Senate bill deleted the House provision, thus continuing the exclusion of farmers from coverage. The conferees have agreed to extend coverage to farm operators under the terms of the House bill. It is pointed out that this coverage of farmers will be effective January 1, 1955, with the payment of contributions due in April 1956 in virtually all cases. This will extend coverage to approximately 3.6 million farmers.

The House bill would also have extended coverage to all professional self-employed persons except physicians. The Senate bill continued the present law exclusion of these professionals except for Christian Science practitioners and for self-employed funeral directors. In addition to the exclusion of physicians, the conferees agreed to exclude the following categories of professional self-employed persons: lawyers, dentists, and other medical practitioners. They have brought in to the old-age and survivors insurance system self-employed professional architects, accountants, and engineers. This action of the conferees will extend coverage to approximately 100,000 persons not heretofore covered.

Amendments 22 and 24: These amendments apply to section 101 (g) of the

bill and relate to the referendum procedure for the coverage of State and local employees. The House bill would require that in order for State and local retirement system members to be covered under OASI (a) a majority of the members eligible to vote in the referendum would so vote and (b) two-thirds or more of those voting voted in favor of coverage. The Senate bill would require that a majority of the employees eligible to vote in the referendum would have to vote in favor of coverage. The House receded and concurred in the Senate amendments.

Amendments 26, 27, 31, 33, 34, and 36: These amendments all relate to the extension of coverage to State and local employees and make minor changes in the provisions of the House-passed bill relating thereto. The House concurred in the Senate amendments.

Amendment 61: This amendment pertains to the effective date for benefit changes. It is technical in nature and is occasioned by the lengthy consideration given to this important legislation by the Congress. As was intended at the time of House action on H. R. 9366, the benefit changes will be effective with respect to the month of September 1954 and will be reflected in the checks received in the early part of October.

Amendment 125 pertains to section 102 (i) relating to maximum lump-sum death payments. The House bill would have limited this maximum to \$255. The effect of the Senate amendment was to make the maximum \$325.50. The Senate agreed to the House version providing for a maximum lump-sum death payment of \$255.

Amendment 126: This amendment applies to section 103 (a) of the bill and relates to the age at which the retirement test no longer applies. The House-passed version of H. R. 9366 retained the present law provision making the retirement test applicable to all persons who have not attained age 75. The Senate bill reduced this age to age 72 for retirement test purposes. The House receded and concurred in the Senate amendments.

Amendments 130, 137, 138, 139, 140, and 141: These amendments also apply to section 103 and relate to the amount of earnings permitted to beneficiaries without loss of benefits. Under the House bill the exempt amount permitted without loss was \$1,000 a year. The Senate bill raised this exempt amount to \$1,200 per year and the conferees adopted the Senate version. In determining the amount of earned income which a beneficiary has received, the House bill would have counted earnings from covered and non-covered employment. The Senate bill would have counted earnings only from covered employment. The conferees adopted the House-passed version.

Amendment No. 151: The House bill would have provided for the denial of benefits to dependents and survivors of an insured worker under certain circumstances when such person reside outside the United States. The Senate deleted this provision and the House concurred in the Senate amendment, thus continuing present law in this respect.

Amendment No. 160: This amendment relates to the House provisions denying benefit payments and disallowing wage credits in the case of persons during a period of unlawful residence and upon deportation. The Senate had acted to delete these provisions from the bill. Because of administrative problems which existed in regard to the House version, the conferees agreed to retain the House version but to limit its applicability to cases where there was actual deportation and have it affect only the primary insured individual.

Amendment No. 334: This amendment applies to section 301 of the bill and relates to public assistance. The House bill would have continued the present matching formulas for old-age assistance, aid to the blind, aid to the permanently and totally disabled, and aid to dependent children until September 30, 1955. The Senate bill extended the provision until September 30, 1956, and the conferees adopted the Senate amendment.

Amendment No. 342: This amendment applies to section 404 and relates to increasing minimum old-age insurance benefits. The Senate bill added a provision directing the Secretary of Health, Education, and Welfare to conduct a study with a view to determining the feasibility of increasing the minimum old-age insurance benefit to \$55, \$60, and \$75. The study is to include an analysis of the increased cost offset by the saving to the Federal Government in grants to the States for public assistance. The House conferees agreed to the Senate amendment.

The amendments to which I have not specifically referred in the foregoing numeration are considered to be technical, conforming or clerical in nature and were approved by the conferees.

Mr. JAVITS. Mr. Speaker, will the gentleman yield?

Mr. REED of New York. I yield.

Mr. JAVITS. May I ask the gentleman, are ministers covered by the conference agreements?

Mr. REED of New York. Yes.

Mr. JAVITS. They are covered on a voluntary basis?

Mr. REED of New York. Yes.

Mr. JAVITS. I wish to congratulate the gentleman and his colleagues on a great job. I wish lawyers and doctors had been included, but I think the gentleman and his colleagues have done a great job for the country.

Mr. REED of New York. I thank the gentleman.

Mr. Speaker, I yield such time as he may desire to the gentleman from New Jersey [Mr. KEAN].

Mr. KEAN. Mr. Speaker, I am most happy to support this conference report. We have won a tremendous victory for the good of the American people. Now we will have what I have worked for for years: practically universal coverage.

It is unfortunate that the Senate conferees would not agree to include lawyers. It is unfortunate that doctors still will have no protection. But these are comparatively small groups.

Nearly every American worker will now have protection for his old age; protection for his widow and children in case of his premature death.

We must, of course, continue to work to strengthen the old-age and survivors insurance system. Improvements can still be made. Inequities will continue to show up in the future. But this bill is a far-reaching step in the right direction.

Enormous credit is due to the gentleman from New York [Mr. REED], who so valiantly piloted this bill and who fought in conference for the House position as to coverage. The American worker owes him a real debt of gratitude.

Mr. REED of New York. Mr. Speaker, I yield such time as he may desire to the gentleman from New York [Mr. DEROUNIAN].

Mr. DEROUNIAN. Mr. Speaker, I should like to take this occasion to express my very keen gratification and also thanks to the conferees of the House on the social-security bill with reference to a provision in which we have concurred. A very serious problem had presented itself with reference to certain charitable institutions—nonprofit organizations—which because of routine administrative omission or inadvertence found themselves barred from extending the benefits of social security to their employees. The North Shore Hospital in my congressional district is such a nonprofit group that was affected. The Senate amendment in which we have concurred gives authority for the retroactive filing of certain certificates required by the Bureau of Internal Revenue. Without this authority we would have had a very unjust situation and the chief sufferers would have been the employees affected.

It is definitely indicated—and I do it with great emphasis—that I express my thanks particularly to the gentleman from New York, our great chairman of the Ways and Means Committee, and to the members of his group and to the members of our conference committee, on both sides, who joined in making correction of this situation possible.

Mr. REED of New York. Mr. Speaker, I yield 10 minutes to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER. Mr. Speaker, as is usually the case of a conference on major legislation, there are conference agreements in this conference report with which I was entirely in accord and there are others about which I have questions. However, in order to get a bill enacted into law, it was necessary that certain compromises be made.

I will summarize the major conference agreements and point out the difference between the House and Senate bills.

FARM OPERATORS AND SELF-EMPLOYED PROFESSIONAL GROUPS—FARM OPERATORS

The House bill provided for coverage of self-employed farm operators who have net earnings from their farming operations of \$400 or more in a year. The Senate deleted this provision from the House bill, having the effect of excluding farmers from social-security coverage.

The conference agreement would extend coverage to self-employed farm operators as provided for in the House bill. I personally question whether or not the majority of farm operators desire social-security coverage. It has always been my position that self-employed groups

who desired coverage should have it extended to them. At the same time, I have felt that those groups who have not indicated pretty clearly that they want coverage should not be covered. The Senate was not convinced that the majority of individual farmers did want coverage, and therefore excluded them from coverage. It is my feeling that the Congress should have waited until individual farmers more clearly indicated a desire for coverage before it should have been extended to them.

As in the case of most of the other newly covered groups in this bill, the coverage would be effective on January 1, 1955. The conferees felt that if farmers do not desire to be covered, and manifest that position to the Congress, it would be possible to conform to their wishes by repealing this extension of coverage to them, since like other self-employed persons, they do not file and pay their social-security tax until after the close of their taxable year, which in the case of most farmers would be by April 15, 1956.

About 3½ million self-employed farm operators would be covered under this provision.

SELF-EMPLOYED PROFESSIONAL GROUPS

The House bill extended compulsory coverage to all self-employed professional groups except physicians. The Senate excluded all these groups except Christian Science practitioners, on a voluntary basis, and funeral directors.

In addition to the coverage of Christian Science practitioners and funeral directors, the conference agreement would extend coverage to architects, engineers, and public accountants. The other professional groups now excluded would continue to be excluded, namely: lawyers, physicians, dentists, osteopaths, veterinarians, chiropractors, naturopaths, and optometrists. Many lawyers in my district have indicated a desire for social-security coverage. I regret that lawyers were not covered.

RETIREMENT TEST

The House bill provided that a beneficiary could earn \$1,000 a year in covered or noncovered employment and self-employment without loss of benefits. The Senate raised this amount to \$1,200 a year. The Senate bill also reduced from age 75 to age 72 the age above which a beneficiary can earn any amount of money without loss of benefits. The House conferees accepted these two Senate amendments.

The House bill provided that earnings in both covered and noncovered employment and self-employment would be counted in determining whether or not a beneficiary exceeds the work-clause amount. The Senate provided that only earnings in covered employment and self-employment would be counted in making this determination. The Senate accepted the House amendment, which would also take into account earnings from noncovered employment and self-employment.

FEDERAL EMPLOYEES

The House bill extended coverage to most Federal employees not covered by Federal staff retirement systems, including temporary employees in the field

service of the Post Office Department, census-taking employees of the Bureau of the Census, civilian employees of Coast Guard post exchanges, employees paid on a contract or fee basis, employees whose compensation is nominal, and so on. In addition, the House bill extended coverage to employees of district Federal home loan banks and the Tennessee Valley Authority, who already have retirement systems. The Senate bill deleted the House provisions, and also provided that services performed after 1954 for the Federal Government which were covered by the old-age and survivors insurance program shall not be credited toward benefits—other than OASI or railroad retirement benefits—under any retirement system established by the United States or a Federal instrumentality.

The conference agreement extended coverage to the same persons as the House bill did, except employees of the district Federal home loan banks and the Tennessee Valley Authority who already have retirement systems. I was very disappointed that coverage was not extended to these two groups, since employees of the Federal Reserve banks and certain other agencies who already have retirement systems of their own are now under social security coverage.

The conferees did direct that a study be made of the duplication and overlapping of benefits for the same Federal service. The conference agreement also would prohibit duplicate credits for the same Federal service in the case of the Federal employees who are being covered for the first time.

MINISTERS

The House bill extended coverage to ministers and members of religious orders employed by nonprofit organizations other than employees of religious orders who have taken a vow of poverty on the same voluntary group basis as lay employees of such organizations are now covered under present law. Self-employed ministers under the House bill would have been covered on a compulsory basis. Christian Science practitioners under the House bill were treated as professional self-employed persons, and would have been covered on a compulsory basis.

The Senate bill would have permitted ministers, Christian Science practitioners, and members of religious orders who have not taken a vow of poverty, whether employees or self-employed, to secure coverage as self-employed persons on an individual voluntary basis. In the case of ministers, Christian Science practitioners, and members of religious orders who are citizens of the United States but employed outside the United States by an American employer, coverage under the Senate bill would have been granted on the same voluntary basis. Under the Senate bill these groups would be required to elect coverage within 2 years. The filing of a certificate would be required by the individual on or before the due date of his tax return for the second taxable year ending after 1954 for which he has net earnings of \$400 or more. In determining the period during which a certificate may be filed, the Senate bill would have excluded any taxable year

for which the individual has no income from the performance of service as a minister or Christian Science practitioner. Also, in determining such period a year in which his total self-employment income from whatever source totals less than \$400 would not be counted.

The House conferees accepted the Senate amendments.

FARM WORKERS

The House bill covered farm workers who are paid at least \$200 in cash wages by any one employer in a calendar year. The Senate bill would cover farm workers who are paid at least \$50 in cash wages by any one employer in a calendar quarter.

The conference agreement would cover farm workers who are paid at least \$100 in cash wages by one employer in a calendar year. This would extend coverage to about 2.1-million farm workers.

EMPLOYEES CONNECTED WITH THE PRODUCTION OF GUM NAVAL STORES

The House bill would have covered individuals performing services in connection with production or harvesting of gum naval stores. The Senate bill would retain the provision of present law and thus continue to exclude from coverage individuals performing such services. The House conferees accepted the Senate amendment.

FOREIGN AGRICULTURAL LABORERS

The Senate bill would exclude from coverage temporary agricultural workers who have been lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies. The House conferees accepted the Senate amendment.

ELECTION OF COVERAGE BY STATE AND LOCAL EMPLOYEES WHO ALREADY HAVE RETIREMENT SYSTEMS

The House bill would require that in order for State and local retirement system members to be covered under OASI (a) a majority of the members eligible to vote in the referendum would so vote and (b) two-thirds or more of those voting voted in favor of coverage. The Senate bill would require that a majority of the employees eligible to vote in the referendum would have to vote in favor of coverage. The House conferees accepted the Senate amendment.

The House bill permits the State to treat a statewide retirement system either as a single system or as consisting of a separate system for the employees of the State and each political subdivision concerned. The Senate bill permits the State one additional alternative with respect to a statewide retirement system: Any one political subdivision or any combination of one or more political subdivisions—or of the State and any one or more political subdivisions—could be considered a separate retirement system for purposes of the referendum. The House conferees accepted the Senate amendment.

Under the House bill public colleges and universities would not be able to act independently of public schools when the employees of the public schools and the employees of public colleges and universities are under the same retirement system. The Senate bill provides

that, if a State desires, the employees of each institution of higher learning could be treated as having a separate retirement system for the purpose of the referendum and coverage under OASI. The House conferees accepted the Senate amendment.

INSPECTORS OF AGRICULTURAL PRODUCTS

The Senate bill adds a provision under which persons employed as inspectors of agricultural products pursuant to agreements between a State and the United States Department of Agriculture may be deemed, at the option of the State, to be State employees. Such persons would be considered a separate coverage group for the purposes of the State and local coverage provisions. The House conferees accepted the Senate amendment.

EDUCATIONAL EMPLOYEES OF THE STATE OF UTAH

The Senate bill adds a provision under which certain groups of educational employees of the State of Utah may be deemed to be separate coverage groups. These employees may be covered retroactively to January 1, 1951 if they are covered before January 1, 1955. This provision would make it possible to afford these educational employees of the State the same combination of protection afforded by OASI and the State retirement system that other educational employees in the State of Utah now have. The House conferees accepted the Senate amendment.

MEMBERS OF THE ARIZONA TEACHERS RETIREMENT SYSTEM

The Senate bill adds a provision which would enable the State of Arizona to obtain coverage retroactive to January 1, 1951 for members of the Arizona Teachers Retirement System if a modification of the State agreement is entered into prior to January 1, 1956. The House conferees accepted the Senate amendment.

RECOMPUTATIONS IN THE CASE OF RETROACTIVE COVERAGE UNDER STATE AGREEMENTS

This provision was added in the Senate bill at the request of representatives of the Department of Health, Education, and Welfare to carry out what was believed to be the intent of the House bill.

This section of the bill relates to work recomputations resulting from presumed work deductions in case of individuals covered under retroactive State agreements such as in the State of Virginia. The Senate bill changes the provision of the House bill in the following respects: The Senate amendment enables survivors of persons who died before January 1, 1956, without having filed applications for recomputations to obtain recomputations even though the survivors do not file for such recomputations until subsequent to January 1, 1956. The House bill would have given recomputations only to those survivors who filed before January 1, 1956. The Senate amendment also adds additional points for deeming when the application for the recomputation was filed in order to provide more equitable results in the recomputation of benefit amounts and clarifies the provisions of the House bill with respect to the closing dates to be used in connection with the recomputations. The Senate amendment also specifically

requires the filing of applications in order to receive benefits rather than imposing upon the Department the necessity of determining the individuals to whom the provisions might apply.

The House conferees accepted the Senate amendment.

EFFECTIVE DATE OF BENEFIT INCREASES

The Senate bill specifies the effective date for benefits changes—September 1954. The House bill uses the language "after the last day of the month following the month in which the Social Security Act Amendments of 1954 are enacted." Whenever the House bill uses the quoted provision the Senate bill makes the effective date September 1954 by using the language "after August 1954." The House conferees accepted the Senate amendment.

WITHHOLDING OF SOCIAL-SECURITY TAXES

Under the Senate bill, new provision is added authorizing employers of agricultural workers, causal workers, domestic workers, and home workers to withhold the employees' share of social-security taxes prior to the time the worker meets the \$50 cash wage test for coverage under the program. This provision was added for the purpose of making it clear that the employer would not have to gage the exact time at which \$50 was reached, such as, for apple and berry pickers. The provision was made applicable to all cases where the \$50 cash-wage test is used for uniformity.

Under the conference agreement, agricultural workers would be covered only if they earn \$100 from one employer in a calendar year, and the Senate provision was accepted with an amendment reflecting this change as to agricultural workers.

CONTINUATION OF PRESENT MATCHING FORMULAS FOR PUBLIC-ASSISTANCE PAYMENTS

The House bill would have continued the present matching formulas for old-age assistance, aid to the blind, aid to the permanently and totally disabled, and aid to dependent children until September 30, 1955. The Senate bill extends the provision until September 30, 1956. The House conferees accepted the Senate amendment.

EMPLOYEES OF NONPROFIT INSTITUTIONS

The Senate added two provisions:

First. To provide for coverage prior to the date of enactment of the bill of employees of certain tax-exempt organizations which have failed effectively to waive their tax exemption so as to cover their employees, but which had paid taxes with respect to their employees under the belief that they had effectively filed a waiver. This applies only to the years prior to January 1, 1955. The House conferees accepted this provision.

Second. To provide retroactive coverage in the case of an individual who was, prior to the date of enactment of the bill, an employee of a tax-exempt organization which had filed a tax waiver so as to provide social-security coverage for its employees, but such waiver was not effective in the case of such individual because he failed to append his signature to the list required to accompany such waiver. The provision

would be applicable only in the case of an individual with respect to whom taxes were withheld and paid by the employer. This provision is effective only with respect to service performed prior to enactment of the bill. The House conferees accepted this provision with an amendment requiring that proper action must be taken within 2 years.

The House bill contained a provision which permitted an individual who failed to sign the list required to accompany a waiver to sign a supplemental list at a subsequent time thus permitting the waiver to become effective with respect to such individual as of the time he signs the supplemental list. The Senate struck this provision. The Senate conferees receded with an amendment putting a 2-year limitation on the time within which action must be taken.

RECOMPUTATION OF BENEFITS

Under the House bill, once a worker on the rolls earns \$1,000 in a year after 1953 he establishes eligibility for a work recomputation but through an oversight in drafting he is not required to earn \$1,000 in another year before he can get another recomputation. The Senate bill raises the qualifying requirement from \$1,000 of earnings in a year to more than \$1,200 to make it comparable to the exempt amount in the retirement test contained in the Senate bill. The Senate bill also corrects the drafting error, thus avoiding the administrative problem of having a large number of individuals applying for recomputations when there would be little change in their benefit amounts resulting from such recomputations. The House conferees accepted the Senate amendment.

BENEFITS OF DEPENDENTS AND SURVIVORS RESIDING ABROAD

The House bill would have provided for the denial of benefits to dependents and survivors of an insured worker when such dependents and survivors reside outside the United States unless they could show a residence in the United States for 3 out of the last 5 years, or unless it could be shown in the case of a child less than 3 years old that he was born in the United States, or unless the wages of the insured worker gave him a currently insured status on the basis of military service or covered earnings accrued from work outside the United States. The Senate bill deletes this provision and continues present law. The House conferees accepted the Senate amendment.

WAGE RECORD AND BENEFITS OF PERSONS ILLEGALLY IN THE UNITED STATES OR WHO ARE DEPORTED FROM THE UNITED STATES

The House bill provided for the deletion from the wage record, both for purposes of determining insured status and computing benefits, the earnings of an individual during any period in which he may have been in this country illegally. The House bill also would have terminated all benefits payable on an individual's wage record upon notification by the Attorney General that the person has been deported from the United States because of unlawful entry, conviction of a crime, subversive activity,

and so on as set forth as grounds for deportation in the Immigration and Nationality Act. The Senate deleted these provisions from the House bill.

The conference agreement would deny benefits to persons who are deported, while still paying benefits to the dependents and survivors of such persons unless they are outside of the United States and are not citizens of the United States.

LUMP-SUM DEATH PAYMENTS

The House bill would have limited the maximum lump-sum death payment to \$255. The Senate deleted this limitation, and this had the effect of permitting a maximum lump-sum death payment of three times the amount of the primary beneficiary's benefit. The conferees agreed to the House limitation of \$255.

STUDY OF MINIMUM BENEFITS

The Senate added an amendment directing the Secretary of Health, Education and Welfare to conduct a study with a view to determining the feasibility of increasing the minimum Old-Age and Survivors Insurance benefit to \$55, \$60, and \$75. The study is to include an analysis of the increased cost offset by the saving to the Federal Government in grants to the States for public assistance. The House conferees accepted this amendment.

Mr. REED of New York. Mr. Speaker, I yield such time as he may desire to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS. Mr. Speaker, today the House is called upon to accept the conference report on another major piece of legislation which has been presented to the Congress by the Committee on Ways and Means. The legislation before us today is the Social Security Amendments of 1954, H. R. 9366. By approving the conference report relating thereto, we will have sent to the Senate and, I am confident, to the President for approval, a bill that will mean security and well-being to virtually every American during the period of his retirement. It will also mean security and well-being to every American family in the event that the wage earner meets an untimely death.

It was my privilege as a ranking Republican member of the Ways and Means Committee to serve as a conferee on the conference committee. The House conferees have met with the Senate conferees for several days, and we have emerged from that conference with the finest social-security legislation that has ever been written.

This social-security bill was a long time in the preparation. It is a major part of the President's legislative program. The Committee on Ways and Means has held lengthy public hearings and equally lengthy executive sessions in preparing this bill for the consideration of Congress. Similarly, the Senate Finance Committee has given it careful consideration. It was passed by an overwhelming vote in both Chambers of the Congress. The conferees have perfected it in the final form in which it is now presented to this distinguished body.

As approved by the conferees, the security and protection afforded under the old-age and survivors insurance program are extended to 10,200,000 workers

who were previously excluded from participation in the system. I would like at this time to enumerate these major categories which are newly covered and indicate the number of individuals coming within each group:

Farm operators.....	3,600,000
Farm workers.....	2,100,000
Domestic workers.....	200,000
State and local employees.....	3,500,000
Ministers.....	250,000
Home workers.....	100,000
Fishermen.....	50,000
Employees of foreign subsidiaries.....	100,000
Employment not in course of trade or business.....	50,000
Professional self-employed.....	100,000
Federal employees.....	150,000
Total.....	10,200,000

Thus, under the Social Security Amendments of 1954, we have achieved virtually universal coverage of the American public.

With respect to coverage, we have excluded certain professional self-employed persons, such as doctors, dentists, other related medical professions, and lawyers. It is my hope that these groups who have been excluded will undertake to make their desires known to the Congress in future years as to whether or not they wish to come under this system. Doctors were originally included in the program during the work by the Committee on Ways and Means on the social security amendments. However, knowing the wishes of the doctors of Ohio as I do, I made a successful motion to have them excluded from coverage. Our Ohio doctors, as well as the medical profession throughout the Nation, work endlessly in behalf of their fellowmen.

I am also pleased that we were able to extend coverage to ministers, Christian Science practitioners, and members of religious orders on an individual voluntary basis as self-employed individuals. It is appropriate that members of the clergy should be permitted to decide for themselves as to whether or not they will participate in the old-age and survivors insurance program.

The bill, as approved by the conferees, gives greater protection and increased opportunity for self-determination as to coverage to teachers and other State and local employees who are covered under State and local retirement systems. As approved by the conferees, H. R. 9366 has greater safeguards to protect State and local employees from being forced involuntarily into this system. I have worked particularly hard to see that our outstanding State and local employees are not compelled to accept OASI coverage in opposition to their own desires. I am sure this bill successfully meets this problem. I have worked tirelessly to entirely exclude policemen and firemen from the OASI system. I have also worked successfully to make certain that before OASI coverage would apply to other State and local employees, that a majority of eligible voters in an employment group would have to vote affirmatively in favor of coverage. This safeguard will apply for the protection of teachers and other public employees.

Farm operators will be given coverage effective January 1, 1955, but they will not be called upon to make contributions to the system until April 1956. This time sequence will permit the American farmer to make his views known to Congress as to whether or not he desires to remain in the system. Certainly, the Congress was advised by the majority of the national farm organizations that farmers did desire old-age and survivors insurance coverage.

Another feature of H. R. 9366 which particularly pleases me is the liberalization of the retirement test. The conferees approved a provision permitting a retired individual to earn up to \$1,200 a year without loss of benefits. Present law permits employed individuals to earn only \$75 per month without loss of earnings. A self-employed individual can earn \$900 per year under present law. By putting both the employed and self-employed on an annual basis and by increasing the limitation to \$1,200, a beneficiary will have greater flexibility in arranging periods of employment for himself to supplement his annuity. We have also reduced from age 75 to age 72 the age at which the work clause becomes inapplicable. Thus, persons who have attained age 72 will be permitted to continue working and draw benefits without regard to the \$1,200 limitation.

We have also continued until September 30, 1956, the present matching formulas for old-age assistance, aid to the blind, aid to the permanently and totally disabled, and aid to dependent children. Without this action such public-assistance payments would have been reduced effective September 30, 1954.

The bill when it becomes public law will mean that the over 6 million beneficiaries now on the OASI rolls will receive increased annuities ranging from \$5 to \$13.50 per month. These increases will be effective with respect to the month of September and will be reflected in the checks which will be received on approximately October 1 of this year.

For those persons retiring in the future, further liberalization is made in the benefit amounts. The present range of benefits from \$25 to \$85 per month for a primary insured individual will be increased to a range of from \$30 per month to \$108.50. H. R. 9366 increases maximum family benefits from \$168.75 per month to \$200 per month. A worker and his wife retiring in the future after attaining age 65 will be able to receive a maximum benefit of \$168.75 per month instead of \$127.50 per month as under present law.

Thus, I have summarized the highlights of the many beneficial changes that have been made in our social security law by the Social Security Amendments of 1954, H. R. 9366. By extending coverage to over 10 million American workers, by substantially increasing benefits and by greatly liberalizing the retirement test, we have succeeded in removing many of the inequities that have heretofore been present in the law. We have provided a realistic floor of protection for our senior citizens. We have made substantial progress in providing an old-age and survivors insurance pro-

gram that properly meets the needs of the American people.

Mr. REED of New York. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Speaker, the substance of what I have to say is likely something that I have said on this floor time and again. I just want to tell my Democratic friends that they have nothing for which they need make any apologies if and when they go home to their constituents. You can be proud of the fact that throughout the 20 years of the Social Security System you have had spokesmen—and I am proud to say that I have perhaps been in the vanguard among those—who have advocated more or less, mostly more than anything that exists in this bill; and had the Republicans voted with us while they were in the minority, as we are going to vote with them today as the minority group, most of the provisions of this bill would long ago have been law and would have been enjoyed by the people of this United States.

As I say, this is another part of the Eisenhower program that stems from the hearts and philosophy of the Democrats. It is not a question of saying who deserves the credit. It has been a great job, and I will say to my friends on both sides of the aisle, I am most happy that at long last our Republican friends have recognized the real value of the social-security system. When we get hospitalization and disability provisions in the law, which I have also advocated and pioneered in the proposal for years, then and only then will we have a rounded out system. I say to you now, as I have said in the past, that the day is coming when hospitalization and disability benefits will be provided. I know my good friends on the committee, the Republicans, are going to see through that, and despite any conservative tendencies they are going to admit that it is essential to the welfare of the people.

The social-security system has put out of business—paralyzed and put out of business the old poorhouses. They are going out of business. There is no use for them. Ma and Pa are living together at home, either with a son or a daughter; or they have a little piece of mud, with a cow or a goat, and they raise a little fruit and a few vegetables and they have their own milk and they live happily together instead of being separated in two different poorhouses and dying of broken hearts.

I am happy to have lived to see the day when I find such wonderful cooperation between the members of the Democratic Party and the Republican Party working together for the social betterment and the welfare of our people.

Mr. Speaker, this is indeed a very happy occasion for me. For many years I have introduced legislation which would make coverage under social security liberal and practically universal. When H. R. 9366 passed the House coverage was extended to practically everyone who is not now covered under the old-age insurance program. The only exception as far as any large group is concerned was physicians. The conference agreement as contained in the con-

ference report while excluding in addition to physicians, lawyers, dentists, osteopaths, veterinarians, chiropractors, naturopaths, and optometrists, extends coverage to most of the persons which the House bill covered. I regret that coverage was not made all-inclusive. Be assured exclusion was not my idea.

I stated regret on the floor of the House when H. R. 9366 was being considered that more realistic benefits are not being provided for retired persons, their dependents, and survivors. We are increasing benefits to some extent but they are still deficient and not what I believe they should be.

I am particularly disappointed that my efforts to have disability insurance payments included in this legislation were unsuccessful. This is, in my opinion, one of the two great shortcomings of our present social-security system. As long as I have strength I shall continue my fight to provide disability insurance payments to disabled workers and their dependents. In most cases these persons are as worthy and much more in need of benefit payments than those who are now eligible for them because the breadwinner in a family may become disabled when his financial obligations to his family and on his home are the greatest, and he may also be faced with heavy medical expenses.

The other major shortcoming is the lack of a provision for hospitalization benefits for social-security beneficiaries. Here again I have long fought to formally provide such benefits and I shall continue to do so until they are enacted.

On the whole, with the exceptions I have pointed out above, the pending conference report is a big step forward in liberalizing our social-security system. No one man can take an undue share of credit for the advancements contained in the pending legislation. However, in all modesty, I state without fear of contradiction that major improvements and liberalizations in the system have been one of my major aims and accomplishments ever since social security was first proposed and enacted into law. I will not take the time of the Members to enumerate the provisions in the conference report which were contained in legislation which I have previously introduced in each and every Congress from the very beginning of the system. The gentleman from Tennessee has given an excellent statement on the provisions as agreed to in conference. It is a matter of record that most, if not all, of these are contained in legislation which I first introduced years ago.

There is another reason why this is somewhat of an occasion as far as I am concerned. Our friends, the Republicans, on the other side of the aisle, for years fought the efforts of those of us on this side to improve the social-security system. They have finally seen the light and I welcome their arrival in our camp, belated as it may be. Had the Republicans while they were in the minority voted with us Democrats then in the majority all these improvements, and many more, would long ago have been enacted into law and the benefits enjoyed by many who are to receive them at this late date.

In my opinion no piece of legislation has ever been enacted by the Congress which is as humane and practical as our social-security laws. It is my hope that in the next session of Congress we will provide disability-insurance benefits and hospitalization benefits as well as adequate payments to retired workers, their dependents, and the survivors of deceased workers. My efforts will not cease until this is accomplished.

Mr. REED of New York. Mr. Speaker, I yield to the gentleman from Pennsylvania [Mr. EBERHARTER] 1 minute.

Mr. EBERHARTER. Mr. Speaker, I am very much pleased that this conference report comes in as it is. I certainly will support it wholeheartedly.

My only regret, Mr. Speaker, is that we do not have a little more coverage. I think lawyers should be covered; I think physicians and dentists should have been covered; but most of all I am sorry that we did not insert in this measure a provision which would take care of those who become permanently and totally disabled and who are eligible by reason of payments into the social-security system.

The way the bill is now, if a man works for 25 years and by that time is 45 years of age and becomes permanently and totally disabled, he cannot draw a cent of benefits for 20 more years, until he is aged 65. I say that is something that will certainly have to be taken care of in the very near future, because if a person is permanently and totally disabled at 50 years of age he would still have to wait 15 years before he could draw any benefits. That ought to be corrected.

Mr. REED of New York. Mr. Speaker, I ask unanimous consent that all Members of the House may be permitted to extend their remarks at this point in the RECORD on the pending conference report.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. MARSHALL. Mr. Speaker, I am disappointed that the Senate did not see fit to include dentists under social security. I realize the problem in the closing days of a session for conferees to agree on all features of the bill in conference.

Dentists rely largely on their hands in doing dentist work. Anything that affects their hands handicaps them in doing their work. Age, disease, and accidents may render them without means of livelihood. It is regrettable that they were not included; as a group they are most worthy.

Dr. Earl H. McGonagle, D. D. S., of Royalton, Minn., has worked hard in behalf of dentists. He appeared before the committee as an individual urging consideration for them. He understands the feeling of local dentists and took a survey which indicates the feeling of dentists in three typical States:

	Yes	No
Massachusetts -----	1,164	51
Minnesota -----	927	325
Oregon -----	327	140

Showing a predominance for inclusion.

Dr. McGonagle was aware of some of the groups in opposition and their attitude. I know that the work and expense

he put forth is not lost and I predict, that in the near future, dentists will be covered.

Mr. DONOHUE. Mr. Speaker, as one who has consistently supported the continuing expansion and benefits liberalization of our social-security laws, I am happy to vote in favor of this conference report. Although it still excludes many segments of our society that, in my judgment, should be covered and who want to be included, it is nevertheless another forward step and argues well for further improvement and coverage in the near future.

The acceptance of this conference report will add more than 10 million persons to the social-security system and a majority of all the employed and self-employed people of this country will now be entitled to protection.

One outstanding modern improvement contained in this report is, in my opinion, the extending of coverage to approximately 100,000 professional people; namely, accountants, engineers, architects, and undertakers. Also more than 3 million farm operators with their wives and children will now have this essential basic retirement and survivors' protection.

The report constitutes a measure of substantial merit basically designed to promote the general welfare of the people of the United States and I urge its unanimous passage.

Mr. REED of New York. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The conference report was agreed to, and a motion to reconsider was laid on the table.

Republican Social Security Program

EXTENSION OF REMARKS OF

HON. DANIEL A. REED

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Friday, August 20, 1954

Mr. REED of New York. Mr. Speaker, enactment of my bill H. R. 9366, to extend and improve the social-security system, represents one of the most outstanding achievements of this Republican Congress. It extends vital retirement and survivorship protection to over 10 million Americans for the first time. Moreover, the bill provides substantial increases in benefits both for those who are already drawing benefits and for those who will become entitled to benefits in the future. The following are the highlights of this new social security legislation:

I. EXTENSION OF COVERAGE

First. Farmers: The bill extends social security coverage for the first time to self-employed farm owners and operators. This means that old-age and survivors insurance protection will be extended to about 3.6 million farmers, their wives, and their children.

Second. Farm workers: The bill also extends coverage to about 2 million farm workers who are not covered today. In general, farm workers who are employed regularly by one farmer are covered at the present time. The bill extends this same protection to those farm workers who earn \$100 or more in the course of a year from one employer.

Third. Professional groups: The bill extends social security coverage to accountants, architects, engineers, and morticians. As a result, the only professional groups which will not be covered by social security in the future are lawyers, doctors, dentists, and other medically related professions.

Fourth. Ministers: The bill covers ministers and members of religious orders, whether self-employed or employees, if they elect individually for coverage on the same basis as self-employed individuals. It is estimated that this amendment will extend coverage to about 260,000 persons.

Fifth. State and local employees: The bill extends coverage to the employees of State and local governments who are covered by State and local retirement systems—other than policemen and firemen—under voluntary agreements between the States and Federal Government, if a majority of the members of the system vote in a referendum in favor of coverage. There are about 3.5 million persons in this group.

Sixth. Domestic workers: The bill extends coverage to domestic workers in private homes—and others who perform work not in the course of the employer's

place of business—who are paid \$50 in cash wages by an employer in a calendar quarter, regardless of the 24-day test required in the present law. This provision will extend coverage to about 250,000 persons.

Seventh. Miscellaneous: The bill also extends social security coverage to the following groups for the first time:

(a) American citizens employed outside the United States by foreign subsidiaries of American companies, under voluntary agreements between the Federal Government and the parent American company—about 100,000.

(b) Home workers who are now excluded from coverage as employees—whether or not they are now covered as self-employed persons—because their services are not subject to State licensing laws—about 100,000.

(c) Employees engaged in fishing and related activities, on vessels of 10 net tons or less or on shore—about 50,000.

(d) American citizens employed by American employers on vessels and aircraft of foreign registry.

(e) Cotton-gin workers: The following is a breakdown of the additional coverage: 3,600,000 farmer operators, 2,100,000 farm workers, 200,000 domestic workers, 3,500,000 State and local employees, 250,000 ministers, 100,000 home workers, 50,000 fishermen, 100,000 employees of foreign subsidiaries, 50,000 in employment not in course of trade or business, 100,000 professional self-employed, and 150,000 Federal employees; totaling 10,200,000.

II. INCREASE IN BENEFITS

First. More than 6.5 million persons now on the benefit rolls will have their benefits increased as of September 1, 1954. The average increase for retired workers will be about \$6 a month, with proportionate increases for dependents and survivors. The range in primary insurance amounts for those now on the rolls would be \$30 to \$98.50, as compared to \$25 to \$85 under present law.

Second. Persons who retire or die in the future would, in general, have their benefits computed by the following new formula: 55 percent of the first \$110 of average monthly wage—rather than \$100 as in present law—plus 20 percent of the next \$240—rather than 15 percent of the next \$200. Thus, an individual's retirement benefit will be as high as \$108.50 a month, and he and his wife together could receive as much as \$162.75 in retirement benefits.

Third. The minimum monthly benefit amount for a retired worker would be \$30, and the minimum amount payable where only one survivor is entitled to benefits on the deceased insured person's earnings, would be \$30.

Fourth. The maximum monthly family benefit of \$168.75 would be increased to \$200; the provision of existing law that total family benefits cannot exceed 80 percent of the worker's average monthly wage would not reduce total family benefits below 1½ times the insured worker's primary insurance amount, or \$50, whichever is the greater.

III. EARNINGS BASE

The total annual earnings on which benefits will be computed and contributions paid is raised from \$3,600 to \$4,200.

IV. COMPUTATION OF BENEFITS

The individual will be entitled to drop out from the computation of his average monthly wage for benefit purposes up to 5 years of his lowest earnings.

V. RETIREMENT TEST

The earnings limitation would be removed entirely at age 72—instead of at 75, as under present law. For beneficiaries under age 72, the earnings limitation would be made the same for wage earners and self-employed persons. A beneficiary could earn as much as \$1,200 in a year from covered work without loss of benefits. He would lose a month's benefit for each unit of \$80—or fraction thereof—of covered earnings in excess of \$1,200, but in no case would he lose benefits for months in which he neither earned more than \$80 in wages nor rendered substantial services in self-employment. Beneficiaries engaged in noncovered work outside the United States would have their benefits withheld for any month in which they worked on 7 or more days.

VI. ELIGIBILITY FOR BENEFITS

(a) As an alternative to the present requirements for fully insured status, an individual would be fully insured if all the quarters elapsing after 1954 and up to the quarter of his death or attainment of age 65 were quarters of coverage, provided he had at least 6 quarters of coverage after 1954.

(b) Benefits would be paid to the surviving aged widow, widowed mother, and children, or parents of any individual who died after 1939 and prior to September 1, 1950, and had at least 6 quarters of coverage.

VII. PRESERVATION OF BENEFIT RIGHTS FOR DISABLED

The period during which an individual was under an extended total disability would be excluded in determining his insured status and the amount of benefits payable to him upon retirement or to his survivors in the event of his death. Only disabilities lasting more than 6 months would be taken into account. Determinations of disabilities generally would be made by State vocational rehabilitation agencies or other appropriate State agencies pursuant to agreements with the Secretary of Health, Education, and Welfare.

VIII. RECOMPUTATION OF BENEFITS FOR WORK AFTER ENTITLEMENT

An individual may have his benefit recomputed to take into account additional earnings after entitlement if he has covered earnings of more than \$1,200 in a calendar year after 1953 and after the year in which his benefit was last computed.

IX. CONTRIBUTION RATES

Employers and employees will continue to share equally, with the rates on each being as follows:

Calendar year:	Rate (percent)
1954-59.....	2
1960-64.....	2½
1965-69.....	3
1970-74.....	3½
1975 and after.....	4

The self-employed would pay 1½ times the above rates.

PUBLIC ASSISTANCE

First. The provisions of the 1952 amendments, presently scheduled to expire on September 30, 1954, with respect to temporary increases in Federal payments to State for old-age assistance, aid to dependent children, aid to the blind, and aid to the permanently and totally disabled are extended through September 30, 1956.

Second. The provisions of the 1950 amendments for approval of certain State plans for aid to the blind which did not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act are extended from June 30, 1955, to June 30, 1957.

Social-Security Amendments Improve Social-Security Benefits

EXTENSION OF REMARKS OF

HON. CHARLES A. WOLVERTON

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Friday, August 20, 1954

Mr. WOLVERTON. Mr. Speaker, it is gratifying to realize that after months of hearings and consideration the bill providing improvements in benefits and coverage under social security has at last come to Congress for final action.

While I would have liked to see additional improvements made, yet, I realize that the amendments as adopted do provide a considerable increase in benefits to those now under social security and those who will come under its provisions in the future. It is likewise commendable in the increased number of individuals who have been brought within social-security provisions and who previously did not have its benefits.

In all, the bill will add more than 10 million persons to the social-security system. When this additional number is added to the individuals already under the bill it will mean that a very large percentage of all our workers will have been provided for under our social-security program.

Included in this number of new additions there will be approximately 2,100,000 agricultural workers; 150,000 Federal civilian employees not presently participating in the system; 250,000 of certain individuals classed as ministers and members of religious orders, with certain restrictions and limitations; 3,600,000 of farm operators and professional self-employed individuals. In my opinion it is unfortunate that physicians, lawyers, dentists, and other medical practitioners are not included in the bill as self-employed persons. The bill does include self-employed professional architects, accountants, and engineers. This will extend coverage to approximately 100,000 persons not heretofore covered. I see no valid reason why any professionally employed person, regardless of the type of his or her employment, should have been excluded. I am of the opinion that this exclusion will be remedied in the next session of Congress. I certainly hope so.

Under the terms of this bill State and local employees would be entitled to come under the social-security system if a majority of the employees of the particular organization so applying should vote in favor of coverage. Under this provision there can be several million more new additions. It depends upon the result of referendums that may be held.

There are many other changes contained in this new law, all of which are designed to broaden and improve the provisions of the present act. For instance, the age at which the retirement test no longer applies with respect to limitation of earnings of those under social security has been reduced from age

75 to age 72 and the limitation of earnings to those under 72 has been raised to \$1,200 per year. Thus, the reduction of the age to 72 and the increase of allowable earnings to \$1,200 is a decided improvement with respect to our aged persons.

In conclusion, it is particularly gratifying that in addition to the improvements already mentioned there have been substantial increases to be paid present beneficiaries under the social-security system. The increases under the present bill range from the present \$25 to \$85, to \$30 to \$98.50. But individuals who retire in the future will get higher benefits, up to a maximum of \$108.50 instead of \$98.50 for those already retired. Since a wife who is 65 gets half of the husband's benefit, a couple both over 65 could draw \$162.50 a month.

There may be many changes that experience under the new law will show to be necessary, yet it is a great victory to have attained what has been accomplished under the bill now before us. It has my support, with the hope that any further improvements found necessary can be given further consideration at the next session.

Social-Security Law Is Greatly Improved

EXTENSION OF REMARKS OF

HON. RUSSELL V. MACK

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Friday, August 20, 1954

Mr. MACK of Washington. Mr. Speaker, the present Republican Congress did more to broaden, improve, and better the social-security law than any Congress ever has done since social security was first started in 1937.

The new Social Security Act, passed in August by Congress, gives the protection and benefits of social security to 10,200,000 new and additional Americans. It gives coverage to 3,500,000 farm owners, to 2,500,000 farmworkers, to 50,000 commercial fishermen, and to 250,000 ministers, none of whom have had the protection of this law heretofore.

About the only groups now left uncovered by social security are lawyers, physicians, dentists, osteopaths, chiropractors, and veterinarians. Any of these will be covered by social-security protection if and when members of the group convince Congress that they want this protection.

BENEFITS INCREASED

The new social-security law increases the benefits of the 6 million people now drawing social-security pensions by \$5 to \$13.50 a month for single persons. It increases the benefits by \$7.50 to \$20.75 for married couples where the man and wife both are 65 years of age or older.

In some cases the increased benefits are larger due to changes in the formula on which the amount of an elder citizen's pension is based.

WORKER CAN EARN MORE

When I first came to Congress, 8 years ago, if a retired social-security worker earned more than \$14.99 in any calendar month his pension was taken away from him for that month.

This I thought cruel and a great injustice. My first work in trying to reform the social-security law was in trying to get this measly limit of \$14.99 a month on earnings increased.

Personally, I felt there should be no limit on earnings. I regarded social security as a form of insurance. The worker had paid for his policy through monthly withholding taxes. I thought he should get his pension check regardless of what his monthly earnings were. Also, I regard it as not only wrong but uneconomic to discourage a person, who wants to work, from working. The more goods produced the more goods there are to divide up among our people and the higher the general average of prosperity is. Men should not be penalized for working.

But I could not get my way with Congress that year. We could not get the limit on a pensioner's earnings eliminated entirely.

A number of us moved to have the limit raised from \$14.99 a month to \$50 and introduced bills to accomplish that purpose. Our proposal for raising the limit from \$14.99 to \$50 prevailed.

Next year, I put in a bill to raise the limit on earnings to \$100 a month. The committee and Congress that year raised the limit on earnings to \$75. While this was not as much as I had asked and thought it should be, it helped. It is always wise, I think, to take a half a loaf if you cannot get a whole one.

The 83d Congress, which just adjourned, raised the limit on earnings. It raised it to \$1,200 a year.

Under this provision, a worker can earn \$200 a month for 6 months and still draw his pension for all 12 months provided his annual earnings do not exceed \$1,200. If his annual earnings do exceed \$1,200 for the calendar year, the pensioner must forfeit 1 month of his pension for each \$80 of earnings he has above \$1,200.

By "earnings" is meant the money you receive in wages or salary on profits from your business. If you have income from rents, dividends, or interest these do not count in making up the \$1,200 limit on earnings.

HERE IS WHAT YOU GET

Here is how social-security benefits are figured:

Upon retirement at age 65 you are entitled to a pension equal to 55 percent of the first \$110 of your average monthly earnings plus 20 percent of that part of

your average monthly earnings that are above \$110 a month.

Example: If your average monthly earnings were \$200, you get \$60.50—which is 55 percent of the first \$110—plus \$18, which is 20 percent of the remaining \$90. Thus, on \$200-a-month earnings, you receive \$78.50 a month.

If your average earnings were \$300, you receive \$60.50 on the first \$110 plus \$38—which is 20 percent of the remaining \$190—or a total pension of \$98.50.

If and when your wife becomes 65, she is entitled to half of what you get. If you receive a pension of \$78.50 she will be paid an additional \$39.25. If you receive \$98.50, she will receive \$49.25, the two of you receiving a total monthly pension of \$147.75.

When an insured person dies, his widow is entitled to receive, starting at age 65, three-quarters of the pension the insured received. If he received \$100 a month, she will get for the rest of her life or until she remarries, a pension of \$75 a month.

The system also provides a small amount of death benefits of \$90 to \$255 to cover funeral expenses. This must be applied for by the heirs in order to obtain it.

WHAT FARMERS MUST PAY

The new law treats farmers as self-employed people, not employees. When an employee is covered by social security, his withholding tax is 4 percent of his income. Half of this tax is paid by the employee and half by the employer.

In the case of farmers and all self-employed persons the tax rate is 3 percent instead of 4 percent and the full 3 percent is paid by the self-employed person.

Thus, if your annual income as a farmer is \$2,000, your 3-percent withholding tax for that year will be \$60; if your income is \$3,000 your tax will be \$90, and if your income is \$4,200 your tax will be \$124 a year.

A farmer's social-security tax does not become due until he pays his income tax. In short, his first withholding tax for social security will not be due and payable until April 1, 1956. This tax will be on your income for the year 1955.

FARMER PROTECTION

Two years ago when a social-security bill was under consideration the Democrats refused to provide social-security coverage and protection. Mr. Doughton, the chairman of the committee, said there was no indication that farmers wanted coverage.

I rather felt farmers did want social-security coverage. I prepared a poll of public opinion and sent it to the 99 granges in my district. I asked the grange officers to discuss the matter with their farmers and report back to me how their farmers felt about social-security coverage. More than 90 percent of the answers received from farm groups were in favor of social-security coverage for the farmer.

Some of us Congressmen kept working for farmer's social-security coverage. Now the farmer has it.

MINISTERS AND FISHERMEN

The Republican 80th Congress and the Democratic 81st and 82d Congresses re-

fused to provide social-security protection for ministers and for fishermen and shellfish bed workers. Members of these former Congresses felt ministers and fishermen did not want this protection.

I talked to many fishermen in my area. I talked to ministers about social security. Most of them said they wanted it.

I sent a poll to ministers and asked their opinion. In almost 150 replies from ministers all but 6 said they thought ministers should be covered by social security. I was happy to work to have the ministers obtain the protection of this law.

LIKE INSURANCE

Social security is something like insurance, during the earning years of your youth you pay something into an insurance fund every payday. Then, when you are 65, you are entitled to draw monthly pension benefits, that is social security.

This is not charity. You pay for your own old-age protection. You get your pension as a matter of right as something you bought and paid for.

Much of the credit for the development of a sound Federal social security law belongs not to us politicians but to the members of the Fraternal Order of Eagles, and sisters of their auxiliaries. It was the Eagles who sponsored the first old-age pension laws. Colorado, in 1933, was the first State to adopt an old-age system and Washington, also in 1933, the second State to adopt such a law. I am proud that my own aerie in Hoquiam, Wash., and my neighboring aerie in Aberdeen, supplied the leaders in this fight for the first old-age pension laws in our State.

I have been happy during my 8 years in Congress to work for a sound and enduring system of social security. I am glad that the 83d Republican Congress has enacted the best social-security law ever enacted.

This does not mean that the new law is perfect. It is not. It still needs improvements to eliminate remaining injustices and inequalities. These, in time, will come.

The new law, however, is a very good one. Most Americans, I think, will be happy with it.

**Highlights of New Social Security
Legislation**

**EXTENSION OF REMARKS
OF**

HON. JOHN E. FOGARTY

OF RHODE ISLAND

IN THE HOUSE OF REPRESENTATIVES

Friday, August 20, 1954

Mr. FOGARTY. Mr. Speaker, under leave to extend my remarks, I wish to insert at this point a brief summary of what I believe are the highlights of the new social security legislation which the Congress has approved. It is my feeling that many people would like to have a concise résumé of the principal features of this important milestone in the field of social legislation.

EXTENSION OF COVERAGE

Farmers: The bill extends social-security coverage for the first time to self-employed farm owners and operators. This means that old-age and survivors' insurance protection will be extended to about 3.6 million farmers, their wives, and their children.

Farm workers: The bill also extends coverage to about 2 million farm workers who are not covered today. In general, farm workers who are employed regularly by one farmer are covered at the present time. The bill extends this same protection to those farm workers who earn \$100 or more in the course of a year from 1 employer.

Professional groups: The bill extends social-security coverage to accountants, architects, engineers, and morticians.

As a result, the only professional groups which will not be covered by social security in the future are lawyers, doctors, dentists, and other medically related professions.

Ministers: The bill covers ministers and members of religious orders—except those who have taken the vow of poverty—whether self-employed or employees, if they elect individually for coverage on the same basis as self-employed individuals. It is estimated that this amendment will extend coverage to about 260,000 persons.

State and local employees: The bill extends coverage to the employees of State and local governments who are covered by State and local retirement systems—other than policemen and firemen—under voluntary agreements between the States and Federal Government, if a majority of the members of the system vote in a referendum in favor of coverage. There are about 3.5 million persons in this group.

Domestic workers: The bill extends coverage to domestic workers in private homes—and others who perform work not in the course of the employer's place of business—who are paid \$50 in cash wages by an employer in a calendar quarter, regardless of the 24-day test required in the present law. This provision will extend coverage to about 250,000 persons.

The bill also extends social-security coverage to the following groups for the first time:

First. American citizens employed outside the United States by foreign subsidiaries of American companies under voluntary agreements between the Federal Government and the parent American company—about 100,000.

Second. Home workers who are now excluded from coverage as employees—whether or not they are now covered as self-employed persons—because their services are not subject to State licensing laws—about 100,000.

Third. Employees engaged in fishing and related activities, on vessels of 10 net tons or less or on shore—about 50,000.

Fourth. American citizens employed by American employers on vessels and aircraft of foreign registry.

Fifth. Cotton-gin workers: The following is a breakdown for the additional coverage—3,600,000 farmer operators, 2,100,000 farmworkers, 200,000 domestic workers, 3,500,000 State and local employees, 250,000 ministers, 100,000 home-workers, 50,000 fishermen, 100,000 employees of foreign subsidiaries, 50,000 in employment not in course of trade or business, 100,000 professional self-employed, and 150,000 Federal employees; totaling 10,200,000.

INCREASE IN BENEFITS

More than 6.5 million persons now on the benefit rolls will have their benefits increased as of September 1, 1954. The average increase for retired workers will be about \$6 a month, with proportionate increases for dependents and survivors. The range in primary insurance amounts for those now on the rolls would be \$30 to \$98.50, as compared to \$25 to \$85 under present law.

Persons who retire or die in the future would, in general, have their benefits computed by the following new formula: 55 percent of the first \$110 of average monthly wage—rather than \$100 as in present law—plus 20 percent of the next \$240—rather than 15 percent of the next \$200. Thus, an individual's retirement benefit will be as high as \$108.50 a month, and he and his wife together could receive as much as \$162.75 in retirement benefits.

The minimum monthly benefit amount for a retired worker would be \$30, and the minimum amount payable where only one survivor is entitled to benefits on the deceased insured person's earnings, would be \$30.

The maximum monthly family benefit of \$168.75 would be increased to \$200; the provision of existing law that total family benefits cannot exceed 80 percent of the worker's average monthly wage would not reduce total family benefits below 1½ times the insured worker's primary insurance amount, or \$50, whichever is the greater.

EARNINGS BASE

The total annual earnings on which benefits will be computed and contributions paid is raised from \$3,600 to \$4,200.

COMPUTATION OF BENEFITS

The individual will be entitled to drop out from the computation of his average monthly wage for benefit purposes up to 5 years of his lowest earnings.

RETIREMENT TEST

The earnings limitation would be removed entirely at age 72—instead of at 75, as under present law. For beneficiaries under age 72, the earnings limitation would be made the same for wage earners and self-employed persons. A beneficiary could earn as much as \$1,200 in a year from covered work without loss of benefits. He would lose a month's benefit for each unit of \$80—or fraction thereof—of covered earnings in excess of \$1,200, but in no case would he lose benefits for months in which he neither earned more than \$80 in wages nor rendered substantial services in self-employment. Beneficiaries engaged in noncovered work outside the United States would have their benefits withheld for any month in which they worked on 7 or more days.

ELIGIBILITY FOR BENEFITS

As an alternative to the present requirements for fully insured status, an individual would be fully insured if all the quarters elapsing after 1954 and up to the quarter of his death or attainment of age 65 were quarters of coverage, provided he had at least 6 quarters of coverage after 1954.

Benefits would be paid to the surviving aged widow, widowed mother, and children, or parents of any individual who died after 1939 and prior to September 1, 1950, and had at least 6 quarters of coverage.

PRESERVATION OF BENEFIT RIGHTS FOR DISABLED

The period during which an individual was under an extended total disability would be excluded in determining his insured status and the amount of benefits payable to him upon retirement or

to his survivors in the event of his death. Only disabilities lasting more than 6 months would be taken into account. Determinations of disabilities generally would be made by State vocational rehabilitation agencies or other appropriate State agencies pursuant to agreements with the Secretary of Health, Education, and Welfare.

RECOMPUTATION OF BENEFITS FOR WORK AFTER ENTITLEMENT

An individual may have his benefit recomputed to take into account additional earnings after entitlement if he has covered earnings of more than \$1,200 in a calendar year after 1953 and after the year in which his benefit was last computed.

CONTRIBUTION RATES

Employers and employees will continue to share equally, with the rates on each being as follows:

Calendar year:	Rate (percent)
1954-59	2
1960-64	2½
1965-69	3
1970-74	3½
1975 and after	4

The self-employed would pay 1½ times the above rates.

PUBLIC ASSISTANCE

The provisions of the 1952 amendments, presently scheduled to expire on September 30, 1954, with respect to temporary increases in Federal payments to State for old-age assistance, aid to dependent children, aid to the blind, and aid to the permanently and totally disabled are extended through September 30, 1956.

The provisions of the 1950 amendments for approval of certain State plans for aid to the blind which did not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act are extended from June 30, 1955, to June 30, 1957.

It is to supplement those financial safeguards. It is to provide a base upon which can be built other forms of protection.

In the year of 1954, social security takes on an increased meaning to those who are now and are to be covered in the future by its provisions. Rising costs of living have made the dollar diminish in buying power, below, in comparative worth, what had been anticipated when the program was first passed by Congress.

Our older citizens are continually faced with greater expenses of living, and in many cases they lack the wherewithal to obtain even a modest percentage of the basic necessities of human life.

On April 6 of this year, shortly after hearings were begun by the Ways and Means Committee of the House on the Social Security Amendments of 1954, I made seven recommendations, the carrying through of which I felt to be imperative, in the light of present cost-of-living and economic conditions.

Since that time, the Congress has wisely acted to extend protection and coverage on 6 of the 7 points and on the seventh it took partial action. The provisions to which I addressed my remarks in that earlier speech follow:

First. The present bill extends old-age and survivors coverage to approximately 10 million more people.

Second. The Federal Government has agreed to continue contributions to the State for public and old-age assistance to those who are not included within the insurance system.

Third. It was agreed that the \$75 limitations on monthly earnings should be increased to \$100, computed on a yearly basis. This would mean that \$1,200 could be earned in any given year, or in any segment of that year before benefits would be lost.

Fourth. Provision has been made for those workers who become permanently and totally disabled. They will be eligible for benefits, to be computed on periods of time other than their disability interval.

Fifth. Monthly benefits have been increased.

Sixth. The 2-percent contribution remains in effect as is.

Seventh. The earnings base on which benefits will be computed and contributions paid is increased from \$3,600 to \$4,200. I had asked that it be raised to \$4,800.

The great majority of those things which I recommended have been carried into being by the 1954 social-security bill. This measure is part of a continuing effort, begun under a Democratic administration and effectuated by subsequent Congresses, to perfect the social-security system.

The present bill makes coverage available to approximately 3.6 million farmers and to certain professional people, including accountants, architects, engineers, and morticians. It also covers, on a voluntary basis, ministers, and members of religious orders.

The individual, for purposes of computation of benefits, will be able now to drop out from the computation of his

average monthly wage for benefit purposes up to 5 years of his lowest earnings.

For disabled persons, certain provisions are made. By freezing old-age and survivors insurance status during extended total disability, these periods of non-wage-earning time are excluded from any computation of retirement or survivors benefits. In addition, there is available to the disabled individual the 4- or 5-year dropout mentioned above.

Many persons will be interested to know that the earnings limitation will now be removed entirely at age 72. Previously, it has been age 75.

In the matter of increase of benefits, the range in primary insurance amounts for those now on the rolls would be \$30 to \$98.50, compared to previous highs of \$25 to \$85.

The following chart will show how these raises will affect the many classes of persons covered by social security:

Retired worker (65 or over)

Old monthly payment:	New monthly payment
\$25.....	\$30.00
\$40.....	45.00
\$55.....	60.00
\$70.....	78.50
\$85.....	98.50

Worker and wife (65 or over)

Old monthly payment:	New monthly payment
\$37.50.....	\$45.00
\$58.40.....	67.50
\$80.....	90.00
\$105.....	117.80
\$127.50.....	147.80

Widow, widower, parent, or child

Old monthly payment:	New monthly payment
\$18.80.....	\$30.00
\$30.....	33.80
\$41.30.....	45.00
\$52.50.....	58.90
\$63.80.....	73.90

Widow and 1 child

Old monthly payment:	New monthly payment
\$37.60.....	\$45.00
\$58.40.....	67.60
\$80.....	90.00
\$105.....	117.80
\$127.60.....	147.80

Widow and 2 children

Old monthly payment:	New monthly payment
\$45.10.....	\$50.20
\$58.50.....	67.60
\$80.....	90.20
\$140.10.....	157.10
\$168.90.....	197.10

It has been a gratifying thing to observe, Mr. Speaker, as one of those who at its beginning, and through the years, has worked to make social security a reality, to note the beneficial extent to which the program has come. It is my sincerest hope that social security will continue to expand to meet the needs of all Americans, and that in line with sound fiscal requirements its provisions will be examined constantly by our Congress to assure the most equitable and substantial benefits and protection to our elder citizens, through whose efforts our Nation has become great, and to their dependents who, one day, will follow in their footsteps.

Social Security—A Story of Progress in an Uncertain World

EXTENSION OF REMARKS

OF

HON. LOUIS C. RABAUT

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Friday, August 20, 1954

Mr. RABAUT. Mr. Speaker, one of the most fundamental yearnings of every man, aside from a natural desire to derive a full measure of enjoyment from the fruits of his own labor, is to be able to live out the last years of his life peacefully and without dependence upon others, secure in the knowledge that, should he pass away, either during his working days or retirement, his wife and minor children will be provided for.

It was in the middle thirties that a program was inaugurated, the intent of which was to make available to our elder citizens some of the means with which they might live out their lives, beyond their years of active productivity, and look to the care of their loved ones, with dignity and self-respect. This program is social security.

It was never intended, nor do its sponsors, of which I have been one of the most articulate since its inception, mean that social security is to take the place of private savings, insurance or pension.

What the Changes in the Social Security Law Mean To You

**EXTENSION OF REMARKS
OF**

HON. EDWARD A. GARMATZ
OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Friday, August 20, 1954

Mr. GARMATZ. Mr. Speaker, in my contacts with the people in my district, I have discovered that there is one subject, above all others, in which there is a great amount of interest. As a very large percentage of my constituents will now be covered by the Social Security Act, I have been asked repeatedly by individuals, what the amendments just made by Congress, will mean to them.

The past 2 years have seen a number of changes in my district. Many houses have been torn down to make room for expanded businesses, parking lots, low-rent housing projects, and so forth. This has resulted in the removal of many of my constituents and therefore, to attempt to reach them individually by mail, in the usual manner, is difficult, if not impossible. Under the circumstances, I am taking this means of conveying to them the information on the Social Security Act changes, in which they are interested.

Briefly, they are as follows:

The amended act extends coverage to employees of State and local governments who are covered by State and local retirement systems, under voluntary State-Federal agreements on condition that a majority of the system members vote for coverage in a referendum.

To farmworkers who receive at least \$100 in cash wages in a calendar year by a given employer,

To domestic workers and casual workers receiving \$50 in cash wages in a calendar quarter by a given employer,

To ministers and members of religious orders on a voluntary self-employed basis,

To American citizens employed outside the United States by foreign subsidiaries of American companies, if parent company agrees.

To homeworkers now excluded because their services are not subject to State licensing laws.

To employees in fishing and related activities on vessels of 10 net tons or less or on shore thereby covering all fishermen, and American citizens in the employ of American employers on vessels and aircraft of foreign registry.

To self-employed farm operators and self-employed members of the following groups: architects, engineers, funeral directors, and public accountants.

The amended law increases from \$3,600 to \$4,200 the total creditable and taxable earnings upon which benefits would be computed.

It removes earning limitation of beneficiaries at age 72—now 75. It allows beneficiaries under such age to earn up to \$1,200 per year—now up to \$75 per month—without deduction of benefits, and provides for loss of 1 month's benefit for each unit of \$80 or fraction thereof of covered earnings in excess of \$1,200, no loss of monthly benefit, however, for any month in which he neither earned more than \$80, nor rendered substantial services in self-employment. Withholds benefits to beneficiaries engaged in non-covered work outside the United States for any month in which they worked on 7 or more days.

It excludes periods of permanent and total disability in determining insured status and amount of benefits payable on death or retirement. An individual's insured status is frozen at the point of disability.

It allows the recomputation of benefits to take into account additional earnings after entitlement to benefits, if the employee has covered earnings of more than \$1,200 in a calendar year after 1953 and after the year in which his benefit was last computed.

It sets the contribution rates for employers and employees at 2 percent up to \$4,200 through 1959, and one-half percent increase each 5-year period thereafter through 1975; and 4 percent after 1975. The self-employed would pay 1½ times the above rates.

It extends through September 30, 1956—now through September 30, 1954—the public assistance provisions with respect to temporary increases in Federal payments to States for old-age assistance, aid to dependent children, aid to the blind, and aid to the permanently and totally disabled. It extends provisions for approval of certain State plans for aid to the blind which did not meet the requirements of the Social Security Act from June 30, 1955, to June 30, 1957.

The following tables show the increases current beneficiaries of old-age and survivors insurance will receive beginning with the September checks, which will be delivered the early part of October:

Retired worker

Old monthly payment:	New monthly payment
\$25	\$30.00
\$40	45.00
\$55	60.00
\$70	78.50
\$85	98.50

Worker and wife (65 or over)

Old monthly payment:	New monthly payment
\$37.50	\$45.00
\$58.40	67.50
\$80.00	90.00
\$105.00	117.80
\$127.50	147.80

Widow, widower, parent, or child

Old monthly payment:	New monthly payment
\$18.80	\$30.00
\$30.00	33.80
\$41.30	45.00
\$52.50	58.80
\$63.80	73.90

Widow and 1 child

Old monthly payment:	New monthly payment
\$37.60	\$45.00
\$58.40	67.60
\$80.00	90.00
\$105.00	117.80
\$127.60	147.80

Widow and 2 children

Old monthly payment:	New monthly payment
\$45.10	\$50.20
\$58.50	67.60
\$80.00	90.20
\$140.10	157.10
\$168.90	197.10

Republican Social Security Law Benefits
Millions

EXTENSION OF REMARKS

OF

HON. RICHARD M. SIMPSON

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Friday, August 20, 1954

Mr. SIMPSON of Pennsylvania. Mr. Speaker, the Republican 83d Congress accomplished an historic expansion of social security, bringing into the program in one instance millions of the Nation's farm owners and workers as well as providing dependency and survivors benefits to their spouses and dependent children.

As a result of this and other improvements in social security, more than 6.4 million Americans already receiving benefits will get larger benefit checks starting October of this year.

In a short time, also, a total of 10 million more Americans, including farmers who previously were ineligible, will start building credits toward retirement and survivorship benefits in their own social security accounts to help them through their years of retirement, or to ease the burden of their widows and dependent children.

The improvements in social security approved by the Republican Congress are the most extensive in the history of this program. The Congress has substantially expanded the coverage provisions of the law so that we have achieved virtually universal coverage under the OASI program.

Taking cognizance of the rise in living standards in the Nation, the Republican Party designed a social-security program that would provide more adequate benefits.

For instance, maximum monthly benefits for families dependent upon social security as a result of the death of the head of the family, were increased from \$168.75 per month to \$200.

Let us look at what this means in the way of security for the family of a young worker with an average covered earnings of \$300 a month. The family would include 3 children, ages 7, 5, and 2. If this worker should die his widow would receive:

(a) An initial lump-sum payment of \$255.

(b) Two hundred dollars per month for the first 11 years—until the eldest child reaches 18 years of age.

(c) One hundred and ninety-seven dollars per month for the next 2 years.

(d) One hundred and forty-seven dollars per month for the next 3 years.

(e) Seventy-three dollars per month for life, beginning at age 65.

Under the old law the maximum payment for single retired workers was \$85 per month. The maximum payment for a husband and wife, both over 65, was \$127.50. As a result of the Republican revision single workers already retired at the maximum will now receive \$98 a month. A husband and wife will receive \$147 a month. Single workers planning retirement in the future, will receive \$108 per month, provided their average annual earnings are \$4,200 per year. Husband and wife, both age 65 or more, can receive as much as \$162 per month.

In addition, a retired worker can earn outside his social-security payments as much as \$1,200 per year without loss of any benefits; and at age 72, instead of 75, all restrictions on outside earnings are lifted.

Our farmers—long neglected in social-security planning by previous Congresses—now for the first time in our history have full partnership in a program that is designed to ease the burden of their own retirement, or the dependency of those who outlive them.

For the first time, self-employed farm owners and operators—3,600,000 of them—will be covered by old-age and survivors insurance protection—and this means their wives and children as well.

Farm workers, more than 2 million more of them, for the first time will be participants in social security. The Republican improvements in social security extend coverage to all farm workers who earn \$100 or more a year while working for one farm owner.

For all of our agricultural workers included in the expanded social-security program the new benefits accrue quickly.

A farm worker at or near 65 years of age must have 6 quarters of coverage after January 1, 1955, to qualify.

For example, a single farm worker with an average wage of \$150 per month, would draw monthly retirement benefits, at age 65, of \$68 per month. If the worker is married and his wife is 65 he would receive \$102 a month. The maximum benefits for farmers based on an annual earning of \$4,200 per year, would be \$108 for a single retired person or \$162 per month for husband and wife, both age 65.

For a self-employed farm operator, the retirement date is 1956, at age 65. Paying his own social-security tax on annual earnings of \$400 or more, the self-employed farm operator is also eligible for the the maximum monthly benefit of \$108.50, assuming that his earnings for 18 months prior of mid-1956 are at an annual rate of \$4,200. If less, the benefits on retirement will be below the maximum monthly payment of \$108.50.

By increasing coverage for 10 million more Americans, the Republican Congress brought into the program, in addition to our American farmers, 200,000 domestic workers; 250,000 ministers; 100,000 additional homeworkers; 50,000 fishermen; 100,000 employees of foreign subsidiaries; 100,000 accountants, architects, engineers, and morticians; 50,000

miscellaneous employment groups; 150,000 Federal employees not otherwise covered, plus 3,500,000 State and local government employees.

Many other additional equitable refinements to social-security payments were adopted by the Republican 83d Congress.

In the event of total disability, a worker no longer suffers a loss in the accumulation of benefit payments for the period of his disability. Nor are the 5 years of lowest income to be computed in the accumulation of social-security credits for employment.

The law governing Federal payments to States for old-age assistance, aid to dependent children, and aid to the blind and permanently disabled was scheduled to expire on September 30, 1954. This was extended for 2 years to allow the Congress to give the subject further study, and to continue increased benefits to those eligible for aid, who also have to meet the higher cost of living which was the harvest of continued inflation and waste for two decades before the new administration took office.

For those widowed, survivors benefits have been boosted so that, on the basis of the deceased husband's earnings, the payments will be more in line with the higher cost of living. A widow, with 1 child, now drawing \$127.60 per month, will receive monthly payments of \$147.80 hereafter.

For domestic servants, the social-security law has been simplified to provide for eligibility if the earning is at least \$50 in cash wages in any 3-month period.

Previously, social-security benefits for a widowed woman with 2 children, based on the deceased husband's earnings ranged from \$45 a month to \$169.90. This range has been broadened, with an increase to \$50.20 per month at the base, to \$197.10 for a mother with 2 dependent children.

Not a single social-security beneficiary was neglected by the Republican 83d Congress. Each 1 of the 6½ million previously on the rolls is eligible for at least a \$5 a month increase in benefits payments. The range increases up to almost \$20 a month for the single retired person under the new program.

For families, the basic increase ranges from a rockbottom boost in payments of \$6 a month to an increase of more than \$30 per month.

The improvements in social-security legislation were also designed so that those presently on the rolls need do nothing themselves to acquire the increased benefits due them. The administration of the social-security agency will automatically increase the payments for all receiving benefits.

For those approaching retirement age who are presently contributing earnings to the social-security system at the maximum covered wage of \$300 per month, the payment upon retirement is \$98.50 per month.

For the farmers and other self-employed who have been added to social-security rolls by the Republican 83d Congress, the first report on their earnings

for social-security coverage is to be filed in conjunction with income-tax payments in April 1955.

Social-security tax, designed to pay for the increased coverage, is to be paid when a self-employed worker or farmer earns more than \$400 per year.

The total annual earnings on which benefits will be computed in the future were extended from \$3,600 to \$4,200 for eligibility in drawing maximum benefits.

As a result of the efforts of the Republican 83d Congress, most of the inequalities in social-security coverage were eliminated—eliminated in less than 18 months after years of procrastination by previous administrations.

Now our farmers, long desirous of social-security eligibility, our ministers, homeworkers, and others who sought social-security equality with their fellow Americans, have had their pleas answered—answered by sensible, considerate, and equitable improvements in social security, improvements which were designed to benefit more of our citizens at a lower cost to all of us.

ployees not covered by retirement systems, and certain other smaller groups.

The new law amends the method for computing the average monthly wage, on which benefits are based, and works to the advantage of all insured persons. The new law also increases the maximum amount of earnings considered for both tax and benefits purposes from \$3,600 a year to \$4,200 a year, effective January 1, 1955.

The new law makes provisions for newly covered workers, who, if continuously engaged in employment after 1954, die or retire before they can meet the regular requirements for insured status. The law provides that a person is fully insured at the time of his death or the attainment of age 65, if all of the quarters elapsing after 1954 and up to that time are quarters of coverage, provided he has at least 6 quarters of coverage after 1954.

Prior to enactment of the new law workers lost or suffered reduced social-security rights when they experienced periods of total disability before reaching retirement age. Unless the person was fully insured at the time of disablement, he sometimes lost his fully insured status when he reached retirement age because the entire period of his disability was included in the time which is the basis for determining his insured status. The new law provides a freeze of old-age and survivors insurance status during extended total disability.

In social-security provisions you frequently come across references to "quarters of coverage." A calendar quarter is a 3-month period beginning January 1, April 1, July 1, or October 1. Thus the first quarter of any year is comprised of the months of January, February, and March; the second quarter is April, May, and June; the third is July, August, and September; and the final quarter is October, November, and December. A quarter of coverage under the program is a quarter in which you were paid \$50 or more in wages—or in which you were credited with \$100 or more in self-employment income covered by the law.

Some specific provisions under the social-security program are as follows:

Increased benefits: Under the new law all present recipients of retirement benefits will receive increases ranging from \$5 to \$13.50 per month. Benefits for dependents and survivors are increased proportionately. The benefit schedule for future retired workers is increased as much as \$23.50 per month.

Earnings limitations: The past law imposed a loss of benefits on annuitants under age 75 who earn more than \$75 a month in wage employment covered by the social-security-system, or more than \$900 a year from self-employment. The new law changes this limitation to \$1,200 a year for both wage earners and self-employed, thus increasing the amount of allowable earnings and spreading earnings from seasonal employment over the year. For earnings above \$1,200, one or more benefits would be withheld depending on the amount earned and the number of months worked. Earnings from any type of work, whether or not covered by social security, will be figured

in applying the limitation. The age at which benefits are payable without regard to earnings is reduced from 75 to 72.

Dropout: Your social-security benefit is based on your average earnings of past years. The new law permits dropping out up to five of your lowest years, making your average earnings, and consequently your monthly benefit, larger.

Tax rate: The present 2-percent tax rate on employees and employers remains the same under the new law, but the tax base is increased from \$3,600 to \$4,200 annually. That means persons in covered employment will pay 2 percent of their wages each year on the first \$4,200. The law increases the future tax rates—previously scheduled to rise to 3¼ percent in 1970—to 3½ percent in 1970 and to 4 percent for 1975 and thereafter. The self-employed pay 1½ times the employees' rate.

Disability freeze: In the computation of benefits, the new law will waive any period of more than 6 months during which the wage earner is totally disabled, provided he had been working regularly under social security before he became disabled. Otherwise these months of little or no income would reduce the average monthly earnings and consequently the monthly benefit.

Farmers: The self-employed farm operator will report his net income for social-security purposes by transferring the information from his income-tax return to a simple supplementary form. If his net earnings from self-employment do not amount to as much as \$400 or more in a given year, he pays no self-employment tax on such income and receives no credit toward benefits.

The special provisions for low-income farm operators is as follows: A self-employed farm operator with gross income of not more than \$1,800 in a year who reports his income tax on a cash basis could report, for credit toward benefits under old-age and survivors insurance, either his actual net earnings from farm self-employment, as determined on his income-tax return, or 50 percent of his gross income. If he elects to use the latter option, he will be spared the necessity of keeping records of his expenses, computing depreciation, and so forth. Practically all farmers know their gross income and could apply the 50-percent rule.

A farm operator whose gross income from self-employment is more than \$1,800 will have to compute his net earnings. If his actual net earnings as computed are less than \$900, he can, if he wishes, report \$900; otherwise he will have to report his actual net.

Rentals received in the form of crop shares, like other rentals from real estate, are excluded from gross income for social-security purposes.

Farmworkers: Under the new law a farmworker will be covered in his work for any one employer if he receives cash wages of \$100 or more in the year from that employer. This provision brings into the program about 2.1 million workers, while continuing to exclude those farm employees who are normally engaged in other activities and who do

How Social Security Affects You

EXTENSION OF REMARKS

OF

HON. WILLIAM G. BRAY

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Friday, August 20, 1954

Mr. BRAY. Mr. Speaker, every man, woman, and child in the United States is affected by social security. All should be aware of their rights, privileges, and responsibilities under the program.

From my mail and questions asked me personally, I realize that there is gross misinformation and lack of information regarding the social-security program. This is easily understandable, for this legislation has been changed many times in its history of 20 years, and the laws relating to it cover many pages in various volumes of statutes.

On the following pages I am merely attempting to outline the many features of the program, and to highlight the many changes incorporated in the new law which was passed by the 83d Congress and signed by President Eisenhower.

The new law amends and extends social-security benefits in many ways. The old-age and survivors insurance program now covers about 8 out of 10 of the Nation's jobs. During the course of a year about 62 million people work in employment or self-employment that is covered under the program. The new law extends coverage to about 10 million additional people who in the course of a year work in jobs that are not now covered. Coverage has been extended to self-employed farm operators and certain self-employed professional groups, members of State and local government retirement systems—other than policemen and firemen—additional farm workers and domestic workers, ministers and members of religious orders, most Federal em-

farmwork only in the peak-harvest periods.

Farmworkers' earnings will be reported annually. Therefore, provision must be made for converting annual earnings into quarters of coverage. Farmworkers will be given 1 quarter of coverage for annual earnings of more than \$100 but less than \$200; 2 quarters of coverage for earnings amounting to \$200 but less than \$300; 3 quarters for earnings amounting to \$300 but less than \$400; and 4 quarters of coverage for annual earnings amounting to \$400 or more.

Professional people: The new law extends coverage to about 100,000 people who during the course of the year are self-employed in the practice of certain professions—architects, engineers, accountants, and funeral directors. These professional people will report their earnings for social-security purposes annually with their income-tax reports.

Employees of State and local governments: Prior to the new law State and local government employees were covered under voluntary agreements between the individual States and the Federal Government, excluding, however, employees who are in positions covered by a State or local retirement system. There are about 3.7 million employees in positions covered by State and local retirement systems in the course of a year.

Under the new law a State can bring members of a State or local retirement system—except policemen and firemen—under its old-age and survivors insurance agreement provided that a referendum by secret written ballot is held among the members of the system, and that a majority of the members of the system who are eligible to vote in the referendum vote in favor of old-age and survivors insurance coverage.

The law continues the previous exclusion of approximately 200,000 policemen and firemen who are covered by a State or local retirement system. Policemen and firemen, because of the arduous nature of their work, have special provisions in their retirement systems such as lower retirement ages, and feel it would be unwise to attempt to integrate these provisions with old-age and survivors insurance.

In the past, employees whose positions were covered by a retirement system but who were not themselves eligible for membership in the system received the same treatment as employees who were members of the retirement system. The new law provides for covering these employees—other than policemen and firemen—without a referendum.

The new law also provides for covering without a referendum employees who could not be covered when their coverage group was covered because they were under a retirement system, but whose system was later dissolved by action taken prior to enactment of this law.

Teachers: The status of teachers in the State of Indiana regarding the new social-security legislation is somewhat different from that of the employees of

municipal or local government. The teachers retirement system of Indiana is under the jurisdiction of the State government and cannot be changed except by the State legislature.

These courses of action are possible by the Indiana legislature:

First. To authorize by law the taking of a referendum by the Indiana teachers whereby they could come under the social-security system in addition to the present State teachers' retirement system.

Second. Take no action and in this case the Indiana teachers will not come under the social-security system.

Third. Pass legislation whereby the Indiana teachers would have a combination of social security and teachers' retirement.

It is doubtful if the third plan, to wit: That the State teachers' retirement system be coordinated with the social-security system would meet with favor as there is a considerable pride in the workings of the Indiana State teachers' retirement system and past proposals to coordinate this retirement system with the social-security system have never been very popular. Any coordinated system would still be completely independent of the social-security system.

There are, however, teachers who in exceptional cases cannot come under the Indiana teachers' retirement. A plan may be worked out by the State whereby these teachers would be eligible to participate in the social-security system.

Various colleges and universities in Indiana can participate in the social-security program by action of the institution, together with a referendum by the members under the system.

Any additional employment or self-employment under social security while engaged in teaching or after retiring from teaching can make a teacher eligible to receive social-security benefits as well as his or her teachers' retirement benefits.

Domestic workers: This law covers all domestic workers who work in nonfarm private homes and who are paid \$50 in cash wages by an employer in a calendar quarter. It would delete the unnecessary and complicated requirement of the past, limiting the coverage of domestic workers to those who work for a single employer on 24 days during a calendar quarter. The simplified test of coverage for domestic services in private homes provided by the new law would cover, during the course of a year, about 200,000 more household workers than does the present law.

Ministers and members of religious orders: Ministers and members of religious orders who have not taken a vow of poverty, whether self-employed or employees, may secure coverage by filing a certificate indicating their desire to be covered as self-employed persons. Christian Science practitioners may be covered on the same basis. In general, these people would have a 2-year option after coverage becomes available on January 1, 1955, or a 2-year option after the individual becomes a minister, member of a religious order, or practitioner, in which to elect coverage.

Federal Government employees: The law extends coverage to approximately 150,000 civilian employees of the Federal Government and its instrumentalities who are not covered by retirement systems.

United States citizens employed abroad: The law makes old-age and survivors insurance coverage possible, at the option of the employer, for about 100,000 United States citizens who are employed outside of the United States by foreign subsidiaries of parent American companies.

Home workers: The law extends employee coverage to about 100,000 additional homeworkers. Homeworkers who have the status of employees under the usual common-law rules applicable in determining employer-employee relationship have been covered since 1937. In addition, homeworkers who do not have employee status under the usual common-law rules are now covered as employees if they work according to specifications of the person for whom the work is done on materials or goods furnished by that person and required to be returned to him or his designee and if they are paid cash wages of \$50 or more during a calendar quarter by a given employer.

Railroad retirement: Railroad employees now have some protection under the Social Security System, as well as under the Railroad Retirement System. Legislation was passed a few years ago which partially coordinated the two systems.

Retirement age: There has been considerable interest in having the retirement age on social security lowered, and bills have been introduced to that effect. It has been pointed out that such lowering of retirement age might be especially beneficial in times of unemployment, and it would also be in harmony with some retirement plans which have fixed the retirement age at 60 years, such as the United Mine Workers system. However, the Ways and Means Committee did not recommend any change of retirement age this year. The matter will probably be given more study during the next session of Congress.

Wives and widows: There was also legislation introduced to lower the age at which a widow would be eligible to begin drawing social-security benefits. However, no change was made in the law regarding the retirement age of a wife or widow. The law now provides that the widow, unless she has children under the age of 18, cannot begin drawing social-security benefits until she is 65, regardless of the time that her husband was deceased. It has been pointed out that in many instances this has caused great suffering, as the widow has no means of livelihood until she reaches 65. There was also an effort made to lower the age at which the wife could begin drawing social-security benefits once her husband has begun drawing his. There was some precedent for consideration of this matter in the recent railroad-retirement legislation which lowered to 60 the age at which a widow can draw railroad retirement.

Legislation was introduced to change the amount drawn by the wife or widow

under certain conditions. Under the present law if a husband is covered by social security, when his wife reaches the age of 65, she ordinarily receives an amount equal to one-half of the amount of her husband's benefits. Unless the wife's separate entitlement for employment and contributions under social security is equal to more than half the amount that her husband is entitled to receive, she receives no extra payment for the contribution she has made. There was legislation introduced to change this situation, but no action was taken on it in this session of Congress.

Self-employed: This phase of the law is misunderstood to a greater extent than any other provision. I have personally received inquiries from several people who were entitled to social-security benefits and were not aware of it. Two typical examples were brought to my attention recently.

A man 74 years of age who had worked as an employee and contributed to the Social Security System 3 quarters was totally unaware that his later earnings of \$800 per year sharpening lawnmowers entitled him to social-security coverage as self-employed. All he had to do was to file schedule C, of income tax return form 1040, showing the amount that he had earned each year since he became self-employed since 1950, and pay the proper amount into the social-security system as a self-employed person. He was then entitled to draw social-security benefits.

Another case was that of a school-bus driver, 65 years of age, who was not entitled to draw social-security benefits as an employee of the school township because the political subdivision for which he had rendered services had not entered into an agreement to have its employees covered. He was, however, entitled to social-security coverage as a self-employed person. All that was necessary for him to do was to file schedule C of form 1040 showing his earnings as a self-employed person and paying his social-security tax as such. He is now drawing his social-security benefits. There are many similar cases and each must be studied individually to see if it is covered by social security.

Veterans: I am anxious to explain just what credits for social security a veteran receives. I know of specific instances where veterans' widows and children receive social security and the only time the veteran was under social security was while he was in the Army. I would like to explain that as simply as possible.

A social security wage credit of \$160 is provided for each month of active military or naval service performed between September 16, 1940, and July 1, 1955. These credits count the same as earnings for covered work in determining whether a veteran is insured for old-age and survivors insurance benefits, and in computing the amount of the benefit. The credits may not be counted for social security purposes, however, if a benefit based in whole or in part on the same period of military service is determined to be payable by a Federal agency other than the Veterans' Administration.

Any specific question regarding social security coverage can be answered at the

field offices, which in the Seventh District counties are as follows:

Greene, Morgan, Monroe, and Owen: 205 South Walnut Street, Bloomington.

Daviess, Knox, and Martin: 204 La Plante Building, Vincennes.

Clay and Sullivan: Room 306, Post Office Building, Terre Haute.

Johnson: 36 South Pennsylvania, Indianapolis.

Gibson: Courthouse, Fourth and Vice Streets, Evansville.

I will also be happy to obtain any information you need and work with you in any way I can if you will write me at my office: WILLIAM G. BRAY, Member of Congress, Room 1017, New House Office Building, Washington, D. C.

Coal Miners Will Benefit Under Mutual Security Act

EXTENSION OF REMARKS
OF

HON. ROBERT B. CHIPERFIELD

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Friday, August 20, 1954

Mr. CHIPERFIELD. Mr. Speaker, I would like to bring to the attention of the House the fact that approximately \$200 million of the foreign aid funds which we have voted this year are to be used to finance the shipment of coal from mines in the United States to foreign nations. It is expected that as a result of this program 10 million more tons of coal will be produced in this country during the present fiscal year than would have otherwise been possible.

I represent one of the major coal producing areas in the State of Illinois. Conditions in this industry have been far from satisfactory. I am sure that families who derive their livelihood from the mining of coal will find conditions better as a result of this program than would otherwise have been the case.

It is my understanding that this program for sending coal to nations which it is in our interest to help is comparable in concept to the program for disposing of surplus agricultural commodities which is specifically provided for in the Mutual Security Act this year. Both programs are based on the proposition that we should send commodities which are excess to our own needs to foreign nations whenever we can rather than to send money to be spent wherever the recipient nation desires. I am sure we render them an important service and at the same time recognize the needs of our own people when we operate in this manner.

In addition to the export plan other steps have been taken to bolster the coal industry. President Eisenhower has named a top-level Cabinet committee to make recommendations.

This action marks another step the present administration is taking to improve the situation of the coal miners of the United States. But my chief objective is to see that the coal industry does not have to meet unfair competition from other competitive power-producing products.

Social Security, 1954 Model**EXTENSION OF REMARKS**

OF

HON. SAMUEL W. YORTY

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, August 20, 1954

Mr. YORTY. Mr. Speaker, at long last the 1954 amendments to the Social Security Act, about which so many words have been spoken and so many promises made—have been passed. These amendments, if I may say so, caused more sound and fury than any other social-security proposal of the past, with the possible exception of the first Social Security Act back in 1935. At great cost a special subcommittee spent many months last year for a study of the existing system preparatory to legislation. During this session the Ways and Means Committee in the House and the Committee on Finance in the Senate conducted further hearings. You have heard extravagant claims as to the great improvements in social security which will be made this year. Now, at last, the dust has settled a little and we can examine what has happened.

What kind of improvements in our Social Security System do we find? Benefits will be a little bit higher. The work clause will be a little bit more lenient. The totally and permanently disabled will get a little lift through the wage-credits freeze, but no benefits, mind you. These are, in fact, "Let's do a little bit" amendments.

In other words, with a tremendous grinding of the gears, and a great amount of tooting of the horn, the 1954 model of amendments to the Social Security Act have finally been passed—and it looks very much like the old with a few minor improvements. In many respects, it does not even meet the standards set by the Advisory Council on Social Security in 1947 during the 80th Congress. Somehow or other the discussions of the bill seem to have got bogged down in technicalities and to have lost sight of what would be the effect, in terms of meeting their daily needs, on the people who must depend upon social-security benefits.

In just one respect—namely the extension of the coverage of the system to about 10 million jobs—does this bill improve the existing social-security system in any really substantial way.

As I have said, it increases benefits—but only by a little bit. Now I am concerned with this matter because my experience and my conscience tell me that the benefits now being paid by our social-security system are, in most cases, completely inadequate for our times. The 1954 amendments increase benefits slightly—by an elaborate method of providing a small increase in the wage base, by a revised benefit formula, and by a 5-year dropout provision which would permit retiring workers to eliminate the 5 years in which wages were lowest or nonexistent in computing the

benefit amount. But I am not convinced that this will make enough difference in the amount of benefits which will average around the starvation figure of \$57 per month.

And on this point I want to say another word. We heard cries against too great an increase in benefits at this time from a number of sources, on the ground that the Congress has consistently increased benefits every time an election comes around. Now the facts of the matter are that benefits have been increased only twice since the system was inaugurated in 1935: once in 1950 and once in 1952. It simply is not true, therefore, that the benefit structure of our social-security system has gradually crept up and up, as some people would have you believe, and that we must therefore proceed cautiously at this time.

None of the people, I am sure, who are worrying about the size of benefits being too large have ever tried to subsist on a payment of \$57 per month. We must not succumb to the easy assumption that social-security payments are simply a small segment of the retirement income for most Americans: a segment supplemented by income from investments, or from private pension plans. A recent survey of persons receiving old-age and survivors insurance benefits showed that almost half—or 45.3 percent—had no other income.

Let us not allow ourselves to believe, then, that the increases in benefits—increases ranging between \$5 and \$7 per individual, I am told—will provide any kind of genuine security for those thousands of Americans who have no other source of income for their declining years. It is small wonder that of present beneficiaries 1 in 6 men, 1 in 5 women, and 1 in 8 aged widows are finding it necessary to ask for supplementation from public assistance because their benefits are not adequate to meet their needs.

This is no time, in my opinion, for a slight increase in benefits. It is a time, rather, for us to recognize that the benefits of our social-security system should provide the assurance that at least the minimum daily needs of our senior citizens can be provided.

As a measuring rod for the adequacy of this bill I would like to use the proposals which I have made, in company with some 61 other members of this House, for necessary improvements in social security.

At the very least, according to this measuring rod, the present wage base for benefits should be increased to \$4,800, in order that a larger proportion of wages paid can be covered. The 1954 amendments increase the wage base—again by a little bit—from \$3,600 to just \$4,200. Now I call your attention to the fact that this small increase is far below 1935 standards with respect to the proportion of wages covered. For when the original Social Security Act in 1935, adopted the wage base of \$3,000, 97 percent of all covered workers had earnings under that amount, and thus could qualify for benefits on the basis of all their earnings. Today, with wages more than doubled

over the low wage scales of 1935, it is not enough to increase the wage base to only \$4,200. As I have said, it should have been increased to at least \$4,800.

Now it must be clear to everyone that unless the wage base bears some reasonable relationship to the total amount of wages, the amount of wage-replacement furnished by benefits is going to diminish. In other words, there is no replacement at all for wages received above the maximum set for the wage base. Thus, under previous law, any earnings in excess of \$300 per month could not be counted toward benefits. Under the recent amendments this amount will be increased slightly to \$350 per month. But this, in my opinion, is just a half-step forward. To bring our system more nearly in line with present wage rates and present working conditions—and to increase the amount of benefits—we proposed that, at the least, wages up to \$400 per month, or \$4,800 per year, should be creditable. I am convinced that \$4,800 is the minimum figure we should accept at this time.

Now let us see how the bill measures up in another respect. My measuring rod calls for benefits—as well as a waiver of premiums—for workers who have become permanently and totally disabled. The "little bit" social-security bill, which has now been enacted into law, provides only for a waiver of premiums—no benefits. It says, in effect, that a worker will not be penalized if he is not working in covered employment because he is completely disabled. That is a little bit better than the existing system which reduces the amount of the benefit for periods of such disability. But it completely overlooks what will happen to the disabled worker and to his family because the paycheck has ceased with the disability. It simply says that if that man and his family can wait patiently until he gets to be 65 years of age, he will not be penalized then because he could not work.

I remind you that, in connection with the 1950 amendments, the House passed a bill which would have provided payments beginning with the time when the family breadwinner is disabled. We lost out in conference and succeeded only in getting a compromise measure which set up an assistance program for the totally and permanently disabled. This means that the family of a worker so disabled must wait until all resources are exhausted, and then submit themselves to the fine-tooth-comb investigation which is part of the means test of public assistance, before they can get any help.

My proposal to provide benefits would, on the other hand, mean that the family could be assured of a minimum income in lieu of the wages which the breadwinner brought home when he was able to work. And I suggest further that failure to provide benefits at this time overlooks the significance of one of the most important developments of the last decade, namely, the remarkable advances which have been made in rehabilitation and retraining techniques. A sound benefit system for the totally and permanently disabled could, of course, use

these services—through an expansion of the already established State vocational rehabilitation services—to provide the retraining services and prosthetic appliances which would make it possible for such workers to return to a new job or a new vocation.

This, I may say, is one answer to those persons who protest at the cost of a benefit system for the disabled, or who assure us that it would encourage malingerers. In terms of costs alone, I insist that a benefit system, which can make use of rehabilitation techniques for those men and women who can return to work, would not be expensive. It would provide benefits for the period during which the family is readjusting to a completely new—and a completely harrowing—situation caused by an unpredictable and a serious handicap of the breadwinner. I must add that cost is, to my mind, not the major consideration in such tragic cases. Far more fundamental are the human considerations of what happens to the family of the victim of an unforeseen disablement. If we are concerned, in our social-security system, with providing security against wage loss caused by death or retirement, surely we shall not have a genuinely protective system until we have added protection against wage loss caused by a complete disablement. I look forward to the day when we shall have achieved this goal. It has not been achieved in 1954.

Finally, the 1954 amendments make a revision in the retirement test—or work clause—which will allow earnings of up to \$1,200 per year without deduction. My measuring rod for a minimum was also \$1,200 per year, because I was convinced that we must revise the existing work-clause provision which, in effect, penalizes beneficiaries for working to supplement their inadequate benefits.

I am glad to report that in this respect, at least, the 1954 amendments were brought up to meet our yardstick, for the original bill as proposed by the administration would have set the minimum at \$1,000 rather than \$1,200. I am glad to report, too, that by an amendment proposed by Senator GEORGE, the age at which no deduction can be made for earnings is lowered from 75 to 72. This means that people aged 72 or over will get full benefits regardless of their earnings.

But I call your attention to one part of this section of the bill which has received little attention and which certainly was not contained in my yardstick—namely, that its retirement test would apply to all earnings, whether in covered or in uncovered employment. This will mean that many retired individuals whose earnings have not affected their benefits because they were working in uncovered employment, would be subject to the retirement test.

As I have said, the bill has at least one adequate feature, in that it extends the coverage of the old-age and survivors insurance system by about 10 million jobs, making an important advance toward the goal of practically universal coverage. The retirement test, as I have just said, has been improved in one direction

but made more restrictive in another. I am glad to see, too, that the amendments retain the matching formula for Federal grants to State public assistance programs which was established by the 82d Congress. In this, you will note, it departs from the original proposal, contained in H. R. 7200, which would have decreased the amount of the total Federal contribution at the expense of 30 States for old-age assistance and 20 States for aid to dependent children—including my own State of California in both cases.

But I am concerned with the fact that the 1954 amendments to the Social Security Act are simply stopgap legislation. Let us be very clear in our minds that, at best, this is piecemeal legislation. Let us remember that we are here concerned with the food and the shelter and the way of life of millions of our fellow citizens. And let us look forward to the day when our social security system can become a genuinely protective and genuinely secure program along the lines which I have suggested. A little bit of improvement in our social security system at this time is just not enough.

earnings are as follows: 1937 through 1950, \$3,000; 1951 through 1954, \$3,600; after 1954, \$4,200.

(b) In computing your average wage, you may cross out four of the lowest income years listed. You can cross off an additional year if you have more than 5 years of covered employment at any time. You can also cross off years in which you were under an extended total disability.

(c) Next, add the total wages earned in the years not crossed off. Divide by the number of months involved in the remaining years. This will give you your average monthly wage. Now locate this amount on the chart below under the heading "Average monthly wage."

Second. Monthly retirement pay: You and your wife, if both 65, will receive benefits as shown on the chart below. If your wife is under 65 when you retire, you will receive the benefit of a single person until she reaches 65. Your widow, at 65, will receive payments indicated whether or not you retire before your death. A woman with a wage record re-

ceives benefits in her own right if a higher amount will be realized.

INCREASED FAMILY SECURITY (SURVIVOR'S MONTHLY BENEFITS)

Third. Surviving widow: Your widow, if you leave children under age 18, is entitled to benefits shown on the chart below, regardless of her age as long as any child is under the age of 18 years.

Fourth. Surviving parents or orphans: Your mother or father who are dependent on you are eligible for benefits only if there is no surviving widow or child. Benefits for a parent, age 65, and also for one orphan under 18 years, are shown on the chart. Two parents, or two or more orphans receive correspondingly larger amounts.

Fifth: Lump sum at death: Lump-sum payments are in addition to benefits to eligible survivors. In the event there is no widow or widower surviving, the payment is made to the person paying burial expenses.

Now find the amount payable in your case in the columns opposite the amount you have determined to be your average wage:

Hagen Supported the New Social-Security Program With Increased Benefits

EXTENSION OF REMARKS OF

HON. HAROLD C. HAGEN

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Friday, August 20, 1954

Mr. HAGEN of Minnesota. Mr. Speaker, during the 83d Congress which is now coming to a close, I have worked for and supported legislation to increase the benefits under the social-security program. I was especially concerned to see that farmers were included.

I believe every person in the United States should come under social-security protection. The benefit age should be reduced from 65 years to 62 years.

Social security should be so improved that it will take the place of our present outdated old-age pension system.

Social-security payments at the age of 62 should not be denied on account of any other retirement or income benefits a person may be getting.

Although all the benefits I have worked for have not been enacted into law, I do believe this Congress has made a step in the right direction.

For the benefit of the citizens of my district, I would like to outline the benefits under the social-security program enacted by this Congress which I have supported and worked for during the past years:

INCREASED BENEFITS UNDER THE NEW SOCIAL-SECURITY PROGRAM

First. Average monthly wage: Your average monthly wage determines the amount of your benefits. The following chart will apply only if you worked at least 1½ years under the program since January 1, 1951.

(a) List by years all your earnings covered by social security, plus an estimate of your covered earnings up to the time you retire at age 65 or later. To realize the largest possible average monthly wage you may use either 1937 or 1951 as the starting date in your computation. Maximum covered annual

Estimated average monthly earnings to age 65	Monthly retirement payments at age 65			Monthly payments to surviving widow with—			Monthly payments to dependent parents or orphan	Lump-sum payment at death
	Husband and wife	Single	Widow	3 children	2 children	1 child		
\$54	\$45	\$30	\$30	\$50	\$50	\$45	\$30	\$90
\$60	66	44	33	66	66	66	33	132
\$66	82	55	41	82	82	82	41	167
\$72	93	62	46	96	96	93	46	189
\$78	99	66	49	112	112	99	49	195
\$84	102	68	51	120	120	102	51	205
\$90	105	70	52	128	128	105	52	211
\$96	108	72	54	136	136	108	54	217
\$102	111	74	55	144	144	111	55	223
\$108	114	76	57	152	152	114	57	229
\$114	117	78	58	160	157	117	58	235
\$120	120	80	60	168	161	120	60	241
\$126	123	82	61	176	165	123	61	247
\$132	126	84	63	184	169	126	63	253
\$138	129	86	64	192	173	129	64	255
\$144	132	88	66	200	177	132	66	255
\$150	135	90	67	200	181	135	67	255
\$156	138	92	69	200	185	138	69	255
\$162	141	94	70	200	189	141	70	255
\$168	144	96	72	200	193	144	72	255
\$174	147	98	73	200	197	147	73	255
\$180	150	100	75	200	200	150	75	255
\$186	153	102	76	200	200	153	76	255
\$192	156	104	78	200	200	156	78	255
\$198	159	106	79	200	200	159	79	255
\$204	162	108	81	200	200	162	81	255

SOCIAL SECURITY AMENDMENTS OF
1954—CONFERENCE REPORT

During the delivery of Mr. MALONE's
speech,

Mr. MILLIKIN. Mr. President, will
the Senator from Nevada yield?

The PRESIDING OFFICER. Does
the Senator from Nevada yield to the
Senator from Colorado?

Mr. MILLIKIN. I have a privileged matter, the House conference report on the social security bill, on which the House has acted, I should like to bring up at this time, with the understanding that the Senator from Nevada does not lose the floor.

Mr. MALONE. I am happy to yield to the distinguished junior Senator from Colorado, with the understanding that I do not lose the floor and that all debate and proceedings on the report appear at the end of my address.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and, without objection, it is so ordered.

Mr. MILLIKIN. I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code, so as to extend coverage under the old-age and survivors' insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

The legislative clerk read the report.

(For conference report, see House proceedings of today.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. MILLIKIN. Mr. President, the conference agreement will improve the old-age and survivors insurance system so that it will continue to be what President Eisenhower called it, "the cornerstone of the Government's programs to promote the economic security of the individual." I think that with the adoption of the conference agreement, we may look forward to a decline in expenditures from general revenues under the public-assistance programs.

I am glad to report to the Senate that the conference agreement would bring the old-age and survivors insurance system in line with the recommendations made by the Advisory Council on Social Security to the Committee on Finance which was appointed during the 80th Congress.

I shall summarize briefly the major provisions of the conference agreement that differ from the Senate-passed bill.

First as to coverage, the bill as passed by the Senate would have extended the system to about 7 million individuals. The conference agreement would extend coverage to about 10 million individuals.

This increased coverage would be brought about primarily because the conference agreement would cover self-employed farm operators numbering 3.6 million individuals.

I shall comment about the extension of coverage to farmers after I have mentioned the other changes made in the conference agreement relating to coverage.

SELF-EMPLOYED PROFESSIONALS

An agreement was reached as to the coverage of self-employed professional individuals after very careful consideration on the part of the House managers and the conferees of the Senate.

You will recall that the House bill would have covered all professional groups now excluded with the exception of physicians. The Senate bill excluded all self-employed professional people now excluded with the exception of funeral directors. The conference agreement would extend coverage to funeral directors, accountants, architects, and professional engineers. On the other hand, physicians, dentists, osteopaths, chiropractors, veterinarians, naturopaths, and optometrists would continue to be excluded from the system.

This decision as to self-employed professionals was arrived at on the basis of representations made by the managers of the House of Representatives that many accountants, architects, and engineers had requested coverage. The funeral directors, the Senate will recall, were added by amendment on the Senate floor.

AGRICULTURAL WORKERS

The conference agreement would cover 2.1 million farm workers who are paid at least \$100 in cash wages by 1 employer in a calendar year. This represents a compromise between the House and the Senate bills. The House bill would have covered 1.3 million farm workers by covering those workers who are paid at least \$200 in cash wages by any one employer in a calendar year. The Senate bill extended coverage more broadly, to some 2.6 million persons, by including farm workers who are paid at least \$50 in cash wages by any one employer in a calendar quarter.

As to the other provisions relating to agricultural workers, the House accepted the amendment in the Senate bill which would exclude persons performing services in connection with the production or harvesting of gum naval stores. The House also agreed to the amendment added on the floor of the Senate which would exclude from coverage temporary agricultural workers who have been lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies.

FEDERAL EMPLOYEES

The Senate conferees accepted the provision in the House bill extending coverage to about 150,000 Federal employees, but rejected the provision in the House bill which would have included employees of TVA and the Federal home loan banks.

Coverage would be extended to most Federal employees not covered by retirement systems including temporary employees in the field service of the Post Office Department, census-taking employees of the Bureau of the Census, civilian employees of the Coast Guard post exchanges, and certain other fringe groups of Federal employees. Because employees of the TVA and Federal home loan banks are covered by an existing retirement system, the conference committee decided to exclude them from

old-age and survivors insurance pending further study.

FARMERS

As the Members of the Senate know, the conference committee spent considerable time in trying to resolve the issue arising under the House and Senate bills regarding coverage of self-employed farmers. The Senate bill made no provision for the coverage of farmers on the ground that there was not sufficient evidence presented to the Committee on Finance showing that farmers desired to be brought into the system. The House managers took the position that the farmers of the country wanted the protection for themselves and their dependents afforded by old-age and survivors insurance.

After prolonged discussion, a majority of Senate conferees accepted the provision of the House bill covering farmers. In arriving at this conclusion, the conferees were impressed by the fact that under the House bill, farmers generally would not be required to pay the self-employment tax until April 15, 1956. This means that under the conference agreement, the farmers of the country will have an opportunity to make their wishes known to the Congress well before the self-employment tax becomes due.

Mr. CASE. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. BARRETT in the chair). Does the Senator yield to the Senator from South Dakota?

Mr. MILLIKIN. I yield.

Mr. CASE. Did the conferees give consideration to periodic payments for self-employed farmers? I raise that question because of the point that is implicit in the setting of the April 1956 date. Farm income, as the Senator from Colorado so well knows, is seasonal, and it is difficult to make monthly payments, perhaps impossible to make monthly payments, and difficult to make even quarterly payments, because of the seasonal character of so much of their work.

Mr. MILLIKIN. Under the bill the way it will be if we approve the conference report, the farmer makes yearly payments.

Mr. CASE. Once a year?

Mr. MILLIKIN. Once a year.

Mr. CASE. That would come in April?

Mr. MILLIKIN. That would come in April for nearly all farmers.

Does that answer the Senator's question?

Mr. CASE. It does. Of course, that may raise the question as to some farmers whether April is the time of income. I had in mind, for example, the cattle country where cattle are raised. They seldom sell their cattle in April. They do not go to market at that particular time. Feeders might be different.

Mr. MILLIKIN. My understanding is that he would file in April, and he would file at the same time he files his income tax.

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. CASE. There are a great many farmers who will not have cash coming in at that time of year.

Mr. MILLIKIN. There are a great many people, of course, who will not have cash coming in at that time of the year, but we had thought that it was a distinct accommodation, as compared with the old way of doing things, when we made the payment due in April rather than earlier.

Mr. CASE. Is it possible under the conference report that the collector might fix semiannual payments, or is it the suggestion that that might be arranged by Congress after this first period of experience developed some guidance?

Mr. MILLIKIN. I would say there is nothing in the proposal before us which would authorize that.

Mr. CASE. What was the suggestion the Senator made, then, with respect to April 1956 as affording Congress an opportunity to make some adjustments?

Mr. MILLIKIN. The first time that the farmer-employer, the farmowner, will have to pay his self-employment tax comes in April of 1956. The point there was that we have the rest of this year, all of next year, and some months of the year following, when Congress will be in session. If the farmer lets it be known he does not wish to be under this system, I feel there is a pretty reasonable expectation that the Congress will not force this on him.

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. THYE. Mr. President, will the Senator yield?

Mr. MILLIKIN. I am glad to yield.

Mr. THYE. Is there a maximum that the farmer would pay? Assuming he was a rancher and that he had an income of considerable size, would there be a maximum beyond which he would not pay?

Mr. MILLIKIN. The highest amount on which he could pay would be \$4,200 a year. He could pay the rate on that much. He would not be required to pay on some larger sum of income that he might earn.

Mr. THYE. That is exactly the question I wished to have answered, because that places a ceiling on the income on which he would pay the tax. He would pay on so much and no more, regardless of whether he had \$100,000 above that amount.

Mr. MILLIKIN. That is correct.

Mr. MAYBANK. Mr. President, will the Senator yield for a question?

Mr. MILLIKIN. I gladly yield.

Mr. MAYBANK. Did I correctly understand the distinguished chairman of the committee to say that April is the time when they will pay?

Mr. MILLIKIN. Yes, April.

Mr. MAYBANK. Of course, down home that is planting time.

Mr. MILLIKIN. Yes.

Mr. MAYBANK. And it is fertilizer time. Why was April chosen?

Mr. MILLIKIN. Of course, up to this time, March was the specified date. But accountants and others working with these tax problems said that the requirement that all the returns be filed in March resulted in overwhelming them.

Mr. MAYBANK. I hope the distinguished Senator from Colorado, for whom I have great admiration, will per-

mit me to say that the trouble in the United States today, particularly insofar as the farmers are concerned, is that the accountants and many other people are entirely too free with advice to the farmers. The farmers down home want opportunity, and freedom from domination by other groups. I intend to vote for the sound system that the farmers want; that is all I have to say.

Mr. MILLIKIN. Under the previous system, which required that the returns be made in March, there were numerous complaints from both farmers and those in other groups, all of whom had to make their income-tax returns in March.

Mr. MAYBANK. The acreage allotments were cut, too, by the Republican Party; that was done last week.

Mr. MILLIKIN. I prefer not to have a discussion of acreage allotments brought into our consideration of the conference report on the social-security bill.

Mr. MAYBANK. What is happening to the farmer is that his acreage has been taken away, and thus his means of obtaining an income is being taken away from him, and he has been denied 90 percent of parity, and now it is proposed that he be made to pay his tax at the very time of the year when he is putting cottonseed and corn and tobacco into the ground. Of course, I do not blame the Senator from Colorado for that.

Mr. MILLIKIN. I do not intend to enter into a discussion of the entire farm problem. I was asked why the payments were desired in April. For years we have heard the statement that too much work was piling up by March, and that it would be a distinct advantage to make this change. We have had representations from farmers to the effect that we should make the date a little later. We made the time for payment in April to accommodate those requests.

After prolonged discussion, a majority of Senate conferees accepted the provision in the House bill covering farmers. In arriving at this conclusion, the conferees were impressed by the fact that under the House bill, farmers generally would not be required to pay the self-employment tax until April 15, 1956. This means that under the conference agreement, the farmers of the country will have an opportunity to make their wishes known to the Congress well before the self-employment tax becomes due. In the event convincing evidence is submitted to the Congress next year that farmers do not want coverage, they could be excluded from coverage by the enactment of legislation next year or, in fact, at any time prior to April 15, 1956.

I also want to point out that the conference agreement lowers the application of the retirement test to age 72. This means that a farmer, or any other insured individual, may receive his benefits and continue to remain fully employed upon attainment of age 72. Under present law this age requirement is 75 years. Moreover, I want to point out that under the conference agreement an insured farmer at age 65 would be able to turn over the operation of his farm to his son or rent it to any other person and draw full benefits under the system.

OTHER COVERAGE PROVISIONS

All other coverage provisions contained in the Senate bill were adopted by the conference committee.

RETIREMENT TEST

I mentioned earlier that the conference agreement lowers the application of the retirement test to age 72 as was contained in the Senate bill. The conference committee also agreed to the provision in the Senate bill under which a beneficiary could earn as much as \$1,200 in a year from covered work without loss of any benefit payments. However, the \$1,200 exempt earnings would include earnings from any type of employment or self-employment. The Senate bill would have included in the \$1,200 amount only earnings from employment or self-employment covered by the old-age and survivors insurance system. I want to emphasize that the retirement test contained in the conference agreement is administratively feasible because we would now extend coverage to an additional 10 million people instead of 7 million people as would have been the case under the Senate bill. It was for administrative reasons that the Committee on Finance had recommended the exclusion of earnings from noncovered employment and self-employment in applying the retirement test.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. MILLIKIN. I am glad to yield.

Mr. HOLLAND. I am not sure I understood clearly the statement of the distinguished Senator from Colorado as to the number of persons covered by the social-security structure under the conference report, as compared with existing law.

Mr. MILLIKIN. Under the Senate bill it was 7 million. It would be 10 million under the conference agreement.

Mr. HOLLAND. Ten million additional persons are covered?

Mr. MILLIKIN. Yes.

Mr. HOLLAND. I thank the Senator.

BENEFITS

Mr. MILLIKIN. The provisions covering increased monthly benefits were the same in the bill as passed by the House and by the Senate and so were not in conference. Thus, more than 6.5 million persons now on the benefit rolls would have their benefits increased. The average increase for retired workers would be about \$6 per month with proportionate increases for dependents and survivors. The maximum benefit for workers retiring in the future would be increased from \$85 to \$108.50.

As to lump-sum death benefits, there was one difference between the House bill and the Senate bill. The House bill limited the maximum lump-sum payment to \$255 while the Senate bill limited the payment to \$325.50. The conference agreement follows the House provision so that the maximum would be \$255, which is the maximum provided in existing law.

DISQUALIFYING PROVISIONS

The Senate conferees accepted an amended version of the House provision which would terminate the old-age and

survivors insurance benefit rights of persons deported from the United States. Under the conference agreement old-age and survivors insurance benefits—including lump-sum death benefits—would be denied to persons insured under the system upon their deportation from the United States, but their dependents would be entitled to benefits if they remain in the United States or if they are American citizens. The bill as passed by the Senate contained no provisions covering deportees.

PUBLIC ASSISTANCE

I am glad to report to the Senate that the conference committee was not unmindful of the needs of the individuals on the public assistance rolls. The conference agreement contains the same provisions relating to public assistance that were in the Senate bill. Thus, the matching formulas for Federal grants to the States—for old-age assistance, aid to the blind, aid to the permanently and totally disabled, and aid to dependent children—would be extended to September 30, 1956, instead of September 30, 1955, as provided in the House bill.

CONCLUSION

Mr. President, I asked the Senate's support of H. R. 9366 last week, when the bill was under consideration, because it would strengthen and expand our contributory social insurance system. I said at that time, "There are several principal reasons which justify our support of the contributory social insurance system." The reasons include:

Benefits are provided as a matter of right without a means test—a test which I have always disliked.

The cost is met by the production of the worker and his employer through the payroll tax or, if he is self-employed, the self-employment tax, and thus assuring a continuing interest in the program on the part of management, labor, and the general public.

I believe that the Social Security Act amendments of 1954 as outlined in the conference report will constitute an important step in affording greater protection to the people of America against the economic hazards resulting from old age and premature death. I urge the adoption of the conference report so that the beneficiaries now on the rolls and individuals who will retire in the future can receive such protection.

I hope the conference report will be agreed to.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

Mr. JOHNSON of Colorado. Mr. President, will the Senator yield?

Mr. MILLIKIN. I yield.

Mr. JOHNSON of Colorado. What was done about transferring the city and State organizations into the Federal plan? What majority is it necessary for them to have in order to come?

Mr. GEORGE. It is as we fixed it.

Mr. MILLIKIN. It is the Senate version. It is 50 percent.

Mr. JOHNSON of Colorado. Is it 50 percent of all the members?

Mr. GEORGE. Fifty percent of those eligible to vote.

Mr. JOHNSON of Colorado. Whether they attend meetings or not?

Mr. GEORGE. That does not apply, as the Senator from Colorado will remember, to the policemen or to other peace officers. They are not included.

Mr. President, I was a member of the Committee on Finance when the Social Security bill was first presented to the Senate and when it first became a matter of consideration. I have gone along with it all the way, until now.

I did not sign the conference report, and I did not feel authorized to sign the name of the senior Senator from Virginia [Mr. BYRD], who was another conferee. He had authorized me to vote him entirely as I voted, but I did not interpret that fact to authorize me to sign his name to the conference report when I, myself, did not sign it. I shall not vote for it.

I wish to make my position entirely clear. My position is this: The Social Security Act commenced as a security measure for workers who did not have their own jobs, who did not make their own jobs, who were not self-employed, who had not spent their money to acquire a professional character or standing, and who have not invested in farms on which they work and live and expect to spend their entire time. It was intended to take care of the industrial worker who could be let out or kept on.

However, in the hands of the reformers—some have been in the Democratic Party and, to my surprise, some have captured the Republican Party—it has become nothing but a universal scheme and program of compulsory insurance. Apparently no man in America has sense enough to know what kind of insurance he wants to take; the Government must tell him what kind to take, and not only ask him to take it, but force him to pay for it.

The program has become nothing but a program of compulsory insurance applicable practically to every workingman, every earner, and every man who has an income.

I therefore did not go along with it. I have always said I am in favor of extending coverage, but I mean coverage of workers for whom this program was intended. That means the extension of coverage for workers who need its protection and to whom Congress has said, "We have a right to step in and say that you must have it. You may not voluntarily want to have it, but we will put you into the system, so that when you are unemployed and reach old age, having no control over your job, with the management having control of the job, you will be in a position where you will be taken care of under a very liberal system."

Now what do we have? The reformers have taken it over; first the reformers in the social security outfit, and now in both political parties. What is the result? We did not take in any lawyers this time. The doctors wiggled out. We did not take in the dentists this time, or the osteopaths or the chiropractors, or many others.

We will take them in, though, in the future. We cannot help it now. We have reached out and have taken in men who occupy an independent status.

We have broken down every barrier. It is now said that a farmer who buys 160 acres of land or 400 acres of land expects to retire. The farmer does not expect any such thing. Only theorists can support an argument that he does. He does not expect to retire. He expects to live on his farm. That is his home. It is his security.

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. GEORGE. Not at this time. Yet the administration fears creeping socialism. This will break down the last independent barrier in America. He is the independent farmer. We put him into the system. We give him insurance. We make him pay for it. We know what is good for him, in other words. If the Senator will pardon me, I will be glad to yield to him in a minute.

Mr. MAYBANK. Certainly. I am enjoying the Senator's remarks.

Mr. GEORGE. That is how creeping socialism is working out. Some Senators wanted to take in the professions. The only reason the professions have not been taken in is because the doctors wiggled out. Some wanted to take in the lawyers. I know it is becoming a pastime in the United States to criticize lawyers. Yet I have never known of a great lawyer who did not love human freedom and human liberty and was not always ready to defend it.

Mr. MALONE. Mr. President, will the Senator yield?

Mr. GEORGE. Not at the moment. I will yield in a few minutes. I should like to finish what I have to say.

We have taken all of them in. The only independent groups in this country are the professional men, who spend a sizable fortune to prepare themselves to practice their professions. The comparable man is the farmer, who buys his land and, with the help of a devoted wife, erects a little homestead on the side of the hill or in the valley.

An all-wise Congress, and the magnificent reformers, decide what is best for that man. They say, "We are going to put you under a compulsory insurance program. We will not ask you about it. We do not care. We know you are not going to retire. We know you are going to stay on the farm for the rest of your life and that you are going to carry on your farming operations; but we know better. We know you are going to have misfortunes and one of these days you are going to go over the hill to the poor farm if we do not do something for you."

The marvelous thing is that the party which is dedicated to free enterprise, the party which is so terribly afraid of creeping socialism, has done this thing to free Americans. Let Senators think about that, and let them go back and tell their people why they did it.

The only excuse we can have is to say, "We have more sense than you have. We know you will have misfortunes; you may become a pauper, and someone will have to take care of you and devise a system for taking care of you."

It is a magnificent thing for the farmer. No one has told him the truth about what it will cost him. None of the propagandists who have been propagandizing the farmer and writing letters, and

none of his representatives in the farm organizations have told him the truth.

This is what confronts the farmer: Let us assume that the farmer takes a domestic servant into his home. She may be from one of the farm families on his farm. He takes her to help his wife prepare the food. He then must pay the taxes levied on an employer and also the tax on the employee, the domestic servant whom he brings into his home from his own farm. Let no one say that is not the situation. We are now saying that farmworkers are under the social-security system. We are now saying that the worker becomes the employee of the farm owner, or the renter, or the lessee, or the sharecropper, who merely operates the farm. That is where we start with the farmer. We start when he takes a domestic servant into his home to help his wife. We put a tax on her and a tax on him. If he pays that domestic servant anything at all—\$50, we will say—he must pay the tax.

We are starting to help the farmer. If he owns his land or leases it or crops it under some sort of contract, we say, "You are a self-employed farmer. You must pay the tax on yourself and on every man who works on your farm who earns as much as \$100 in a whole year. Such a man is your employee and you are his employer."

So we have the farmer in a situation in which he is self-employed. He is a self-employed beneficiary under the social-security system. He must pay his own tax and the tax on everyone who works with him, or deduct half of it. If there is a domestic servant in his home, he must pay that tax.

That is what we are doing to the farmer, Mr. President. Senators may say, "Oh, that does not amount to anything." Let us see, Mr. President. Let us look at the situation for a moment.

On the 1st day of January the farmer will incur a liability at the rate of 3 percent upon his income up to \$4,200 a year, at the present time. Three percent on \$4,200 a year is \$126 a year. He will also incur a tax liability of 4 percent on all his workers, one-half of which he can deduct from the pay of his workers.

In the Southeast farmers will not be able to take any pay out of the wages of the workers. The farmer will pay it. But suppose he does take it out. He will incur a tax liability of 3 percent beginning January 1, next, and 2 percent on everyone who works for him and earns \$100 in the course of the year. Think of that.

With respect to his domestic servant who was transferred to his own home, he also becomes liable for 2 percent, and for 4 percent if he does not take out half the tax on her.

That is on a wage base of \$4,200 a year. We shall see the wage base go up and up. We started at \$3,000, and we will bring it up to \$5,000 or \$6,000. We think we know better than anyone else in the Nation how to take care of the farmer.

If the good Lord should save this world from reformers long enough for us to get out of debt, it would be better.

At any rate, \$4,200 will not remain the wage base. It may come to \$6,000 in the lifetime of some men who are

serving in this body. There will be great pressure at the very next opportunity to carry it up to something like \$5,000, or even \$6,000.

The tax on the self-employed farmer is 3 percent. In 1970 it will rise, under the terms of this bill—there is no speculation about that—to 5¼ percent. On \$4,200, that percentage is \$220.50 a year, which the farmer will pay for his social-security tax. This is not merely a fear of something that may not happen. It is written into the bill. By 1970 the farmer will be paying at the rate of 5¼ percent and by 1970 will be paying at the rate of 3¼ percent for his employees. His employees will be paying at the rate of 3¼ percent, or a total of 6½ percent. In many instances the farmer will pay it all or lose his labor, if there is any other place for the labor to go.

By 1975, under the terms of the bill—and it is written in the bond, Mr. President, by men who want to preserve the great free-enterprise system of this country and who have nightmares when they see creeping socialism creeping up on someone—in 1975, under the terms of the bill, the self-employed farmer, who is today being brought in surreptitiously by his heels, and without even being asked, will be paying, at even the present wage base of \$4,200—it will not be that amount in that good year—but assuming it never rises above that amount, he will be paying, on a \$4,200 wage base, 6 percent, or \$252 a year. That is the insurance.

Then he will be paying also about 4 percent for every employee who works for him, and collecting the other 4 percent, or he will be liable to the Government for it.

That is what we are doing to the farmer. But we are doing it all in the name of his welfare. Like most tyrants in the history of mankind, we are crucifying people for their good in order to save them, and for their souls' welfare.

That is why I cannot support the bill. It has not even the resemblance of a social-security system. It has blossomed into the wildest imagery of those reformers who know best, who took 1, 2, or 3 substantial elements in our society, who would fight socialism, creeping or galloping, if that is any encouragement, and they are the ones who will fight them.

Thomas Jefferson knew that. Thomas Jefferson envisaged every independent small farmer as the moral balance wheel of the Republic; and the small farmer is a political balance wheel, if he is not reformed too much; if he is allowed to remain independent.

Of course, a farmer can be told, "You can pay \$2, \$3, or \$4 a week or a month, and you will get a great many benefits for yourself, your survivors, and so forth."

A farmer would be rather weak in the head if he did not say he liked that. But he does not see the whole picture. He will see it, and see it pretty soon.

My friend, the distinguished chairman of the committee, for whom I have great respect—I rarely differed with him in these important policy matters; I did not differ from him this time; he differed from me—said, "We are willing to take in all the farmers and all the profes-

sionals on a voluntary basis. If they want to come in, let them come. Yes, we voted for that. Then it was said uptown and all around the town that that would not do at all; that we could not allow anyone to have any say-so about coming in. We must shove them in, put the tax on them, send a marshal out to collect it, and force them to pay it.

Then we took back what we had said, out of deference and out of respect to their sincerity, or at least their conviction about the matter, and we said we would exclude the farm operator. We said we would include farm labor, because that would be in harmony with the social-security scheme from the beginning.

The worker is not the master of his destiny. He does not create his job; he works for someone who wants to employ him. Then he is footloose and gone, traveling toward the poorhouse, undoubtedly, if someone does not help him, if he has not saved something.

So we said we would take labor, that we would take the worker, and include him; but we would not take the independent farmer. We would not take the man who has leased land in order to work it. We would not take those folks until they came around in sufficient number and told us they wanted to be included. I would not take them any way. If such a person came around, I would think there was something wrong with his head, if he said he understood what was offered. But I know he will not come when he understands it. It is night becoming day, and in the middle of the day one looks up and says he sees stars, and will do something. But it will not happen, or work out that way. Nature just is not that cruel. Only reformers and social dreamers are that cruel. They are the ones who get that way.

So we are putting a burden upon the American farmer at a time when his income is going down. I do not care how fast it is going down. I do not care whether a man is a prophet of doom, if he points out a simple fact. The farmer's income is going down. It has gone down 13, 14, or 15 percent in the last year. It is still on the way down under the farm bill which was passed the other day. Oh, yes; it will support prices on cotton at 90 percent of parity next year, not by virtue of the farm bill, but by virtue of the fact that the farm bill provides a set-aside of enough cotton really to force the price up to about 90 percent of parity, about where it is now. That will not happen with reference to other staple crops, but it will work on cotton. I want to make that plain, just to show that I am not complaining about the entire farm bill. But under the farm bill, the inevitable consequence will be that as soon as the buyer, the speculator, the person who intends to control the crop ultimately, whether he be a fabricator or manufacturer, will ease the price right on down.

There will not be a marketing season next year when milk will be down to 75 percent of parity. It will be from now on that it will be at 75 percent, because that is the basis to which it can be sunk or depressed, and it will go there most

certainly. The same will happen to wheat.

So at a time when farm prices are already sliding down, and are still sliding down, and when they will slide further down, it is proposed to say to the farmer, "You are in a bad way. We confess it. Perhaps we are partly responsible for the situation but now we must lift you out and make you take some insurance and pay for it. That will solve all your problems and will take care of yourself, your wife, and your children, and you will be happy."

Mr. REYNOLDS. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. REYNOLDS. When does a farmer retire to the extent of qualifying under the act; and if he does retire, who knows, including himself, when he does?

Mr. GEORGE. No one would know. A farmer never retires, I may say to the Senator from Nebraska, unless he should receive a fabulous price for his home or his farm, and sell them and move away to town. He does not retire; he remains on the farm. That is his business. He always thinks of the farm as his business.

This is exactly what will happen to him. At the age of 65 he can retire and draw a little social-security benefit.

But so long as he operates the farm and makes money, he will have to pay the same social-security tax—every penny of it. Under an amendment which I myself offered to the bill, and which the conferees graciously accepted, at the age of 72—10 years minus 3 from his early retirement age of 65—he will then be able to draw his social security. He will then be able to consider it, but he will still have to pay the tax on whatever income he makes from his farm. He will not be retiring. A farmer does not retire. He cannot retire. He does not want to retire. All my life I have rejoiced that he did not want to retire, and I never thought I would be one of those who would make him retire. I will not be one.

Mr. MALONE. Mr. President, will the Senator yield?

Mr. GEORGE. I yield to the Senator from Nevada.

Mr. MALONE. The distinguished Senator from Georgia has given a very comprehensive outline of the whole problem. Of course, we all remember when the plan started. It did not start last year or this year. The junior Senator from Nevada was very much interested in the reference to the professional groups, in the proposed legislation. The Senator left out one of the very important professional groups, the engineers. The engineers were able to escape—

Mr. GEORGE. No; they were included in the proposal.

Mr. MALONE. They were able to escape with the other professional groups.

Mr. GEORGE. No.

Mr. MALONE. I was about to say to the distinguished Senator that if we continue this work on the Senate floor, financing the Stassens and others who go to foreign lands and develop the businesses of foreign countries, next year the engineers may want to come not only

under social security, but perhaps under unemployment insurance, also.

Mr. GEORGE. What the Senator has said is correct, but the engineers are now included in the bill. The bill puts the engineers under the proposed law. They were not asked whether they desired to be covered by the bill. They were included in the bill, and they will be required to pay 3 percent for that heavenly privilege. Public accountants are also included in the bill, whether they want to come under its provisions or not. Architects and the funeral directors have been included. Those are the only professional groups that were covered. We took in the funeral directors so that they could administer the last rites to those who are being coaxed into social security under the guise that it will be a blessing for them. By the same logic, we ought to have included doctors.

Mr. MALONE. I had not realized that engineers were included in the bill, because I remember that in the committee professional groups were eliminated from the provisions of the bill, on the theory that social security is not necessary for them. An engineer is much like a farmer—he never quite retires. I have not heard the conference report read. Did the conferees undo all the work of the Senate Finance Committee?

Mr. GEORGE. Only to the extent of forcing into the system, on a compulsory basis, engineers, architects, certified accountants, funeral directors, and farmers. We did not take in lawyers or doctors. Of course, they had been left out by the House. We did not take in dentists, chiropractors, osteopaths, veterinarians, and some of the other professional groups; but we did include engineers.

Mr. MALONE. Mr. President, will the Senator yield further?

Mr. GEORGE. I yield.

Mr. MALONE. I should like to say to the distinguished Senator from Georgia, for whom I have the greatest respect, both because of the ability which he has displayed in committee and on the floor, and because of his long experience, that perhaps it is just as well that we have taken this step, because in 1 year, as a result of the \$13 billion that Mr. Stassen will invest in businesses in foreign lands, perhaps engineers in this country will be retired, and perhaps we shall be asking for additional unemployment compensation. We were successful—and I believe with the distinguished Senator's help—in taking Mr. Stassen out of the mining business in foreign lands.

Mr. GEORGE. Yes.

Mr. MALONE. But it was a great chore. The junior Senator from Nevada stood on the floor of the Senate and spoke for about 3 hours before we began to "fall into the slot." The situation looked bad. The system has been in effect 10 years, and every year it becomes tighter. I would normally agree with the distinguished Senator, but I believe finally we shall "take out of play" farmers, engineers, and other workingmen of America. We are to import goods on the theory that foreign exporters are entitled to sell their goods for lower prices, because they can manufacture the products at lower prices, because of the 15-cent-an-hour

labor available to them. Finally, we shall not have to work at all; there will be enough social security and unemployment insurance so that everyone will be happy. It will not be necessary for us to work at all—and there are only 160 million of us.

Mr. GEORGE. The Senator from Nevada is at least partially right in what he is saying, but at this time I am not discussing anything except social security.

Mr. REYNOLDS. Mr. President, will the Senator yield?

Mr. GEORGE. I yield to the Senator from Nebraska.

Mr. REYNOLDS. I was impressed with the distinction which the able Senator drew between the farm owner and his employees, in that the employee—and it applies to all classes of workers on farms and in industry alike—has no choice in the matter when he becomes a certain age. His boss will say, "I am sorry. You are too old to work." A distinction can be drawn between such a worker and his employer, who writes his own ticket as to whether he should retire or not. It strikes me that that is the only line of demarcation which can be drawn, and the only stopping place. Does the Senator know of any other place to stop if we are not to take in every man, woman, and child who is employed in industry or in any other occupation? We can draw the line between the employee and the self-employed person, but I know of no other place to draw the line. Does the Senator agree?

Mr. GEORGE. That is the only line, and that is a logical line. That was the line drawn by Senators who voted for the bill. I do not know what study was made by the officials who were responsible for sending the proposal to Congress, but I know we drew such a line in the committee. We were willing to apply it to the farmworkers themselves, but we had no way of knowing how to administer the law without creating a tremendous burden for a farm owner or operator. That problem prevented us from reaching an agreement so far as including farmworkers was concerned. Now we have solved the problem by taking them all in. As I said before, we have gone all the way around the circle to a universal compulsory insurance system—not an insurance system built on sound lines actuarially, but a sort of insurance system which will have to be adjusted from time to time, and the costs of which will go up from time to time. I have pointed out what the cost will be. I have pointed out what the costs would be under the bill by 1970 and by 1975. That is not a long time in the future for a young fellow who is now 30 years old, who is working on his farm and improving his house, and trying to put it in such shape as to make it a comfortable place in which to live. That is not a very long time. He will reach it before he knows it.

There is no such thing as retirement for a professional man who is really a professional man. There are broken down people in all professions and in all callings who need some assistance, but

that assistance is of a different kind. They ought not to be shoved under a so-called social-security system. They should be cared for in another way.

There is no such thing as retirement for a farmer. He does not ever leave his farm. If he does, he may go to town for a while; but he will return to the farm if he has an opportunity to do so.

There is no such thing as retirement for Christian Science practitioners—to use an illustration. They work right on to the end. They probably become more and more efficient and more and more helpful to the persons with whom they come in contact and whom they visit.

So, Mr. President, it is a matter of real sorrow to me that, having been with the social-security work from the beginning, and having gone along with the bills and with every improvement we have made in the social-security law, in these latter years all due regard for a true perspective has been lost, and one party has tried to outbid the other party, by saying, "We want to extend social security," which is all right, so long as it is extended in the field of workers who do not make their own jobs, but who reach a point where they are taken out of employment, not at their own will or wish, but at the will or wish of someone else, someone who controls their jobs.

But now we have come full circle to a completely compulsory insurance system. I cannot support it, Mr. President. I cannot support it in the case of farm owners or in the case of professional men who do not have actual retirement points in their lives, so long as they are self-employed.

Mr. President, I yield the floor.

Mr. MILLIKIN. Mr. President, I should like to state to the Senators the reasons for making any change at all in the bill as it was passed by the Senate, and the reasons for the changes made in the House version of the bill.

Of course, there were two sets of conferees, one representing the House and one representing the Senate. Those groups were not composed of cream puffs. The conferees were tough-minded men; and conferences were nothing new to them. They tried to reach adjustments. But after several days of that procedure we reached a stalemate, and it looked as if the whole thing would fail. That situation presented the question, "Shall we allow this social-security bill to fail?" If that were to happen it would mean that the benefits of some persons would be \$6 or \$7 less, and it would mean 9 million or 10 million persons would not be covered.

Some of us said, "The bill must not be allowed to die in conference." So some adjustment had to be made in the viewpoints of the conferees.

Consider the case of the farmer. If the bill were allowed to die in conference, the farmer himself might not suffer direct loss; the loss would occur, I am sorry to say, in the case of dependent children and the widow when the farmer dies. In the case of a farmer who had been paying the maximum tax, when he dies, his wife and children will receive monthly benefits of \$200. Many a farmer will say to himself, "When I die, and can no longer take care of my wife and

children, this bill will mean a great deal to them, because then my wife and children will get \$200 a month." That, I respectfully suggest, is a very generous provision, if we view it from an insurance standpoint.

I myself preferred—and I so expressed myself in the committee, and for several days I so expressed myself in the conference committee—not to include any group which did not thoroughly convince us that it wanted in. I was not completely satisfied with the showings that the farmer wanted in. I and other members of the committee wanted a sharper polling of the farmers' desires.

Of course, under this plan the farmer will not pay one penny of self-employment tax until 1956. So if the farmer does want the plan, there will be plenty of opportunity for him to express himself—and he will—whether favorably or unfavorably. If the farmer does not want it and I repeat the assurance by persons who have been talking to the farmers that they are very much interested in setting up something for their dependents and their children—but if the farmers are not interested in such a plan, they will have ample time in which to say so. And I believe the Congress will be responsive to their views. I am not condemning anyone who is not interested in this particular plan to take care of dependent children and widows.

But I say that I believe representations have been made that farmers, who might not ordinarily care about such a plan for themselves, do have fears about the future of their children and their wives, after the farmers themselves have passed on. So I suggest that is a matter of real and valid concern on the part of the Senate.

Mr. THYE. Mr. President, will the Senator from Colorado yield for a question?

Mr. MILLIKIN. I yield.

Mr. THYE. I should like to ask this question: Not all farmers become farm owners, do they?

Mr. MILLIKIN. That is correct.

Mr. THYE. Do not a great many farmers retire from farm work as tenants?

Mr. MILLIKIN. Yes.

Mr. THYE. In the later years of their lives, great numbers of tenant farmers have to go to town, and work on the streets and do various little jobs of that sort, because they have not acquired farms to live on and to live from; is not that correct?

Mr. MILLIKIN. I think the Senator from Minnesota is entirely correct.

We proceed on the assumption that everyone is either poverty stricken or a plutocrat. I suggest that in the United States there are many persons who are neither, and who—when they become elderly—do not have enough to keep things going for them. That applies to farmers, and it applies especially to farmhands. I say it should be our concern, so long as we have a social-security system, to make fair provision for them; and I think this measure will do so.

So we sat there in the conference. I do not believe anyone would say I was not faithful to the Senate committee's

version. I do not believe anyone would say I was not faithful to the version voted by the Senate itself. But I and the rest of us were finally forced to consider the question, "Do we wish to exclude 7 million persons from the benefits offered by the Senate bill? Do we wish to make impossible all the benefits of the bill which we agree are good? Do we wish to ditch the whole thing? Do we wish to throw it into the wastebasket?"

Frankly, I thought it would be terrible for us to throw it into the wastebasket or ditch it. I thought that to do so would be to show a sense of irresponsibility and a sense of unwillingness to face our duty and to bring from the conference a measure which would be worthwhile, even though obviously we would be unable to please all the Members of the conference committee.

So we did the best we could, and I think I have explained to the Senate that we have obtained a great many very good concessions.

But, Mr. President, I return to the fundamental consideration. We are talking about social security and the problems of age. When men—either men on the farm or men who do other work—reach a certain age, they become less efficient in certain types of work and there is less security.

We have established some measure of security for the farmer and the farmhand at a very cheap cost. They are both protected under the bill. They are not protected as fully as many people would like to see them protected, but considering the financial situation of the country, it is as much protection as seems to be possible at the present time. Studies will be made as to what can be done in addition.

We should not take a cynical attitude and say "Don't worry about these people. They want to be free. They want to be independent. Therefore, let us wash our hands of them; let them be free and independent to get into the poorhouse, let them be free and independent to be destitute in their old age, let them be free and independent and unable to provide for their children and widows—let us not concern ourselves with those problems, for they are not our problems, and we want people to be free."

There have been some political implications in some of the comments. My party did not originate this system. I do not say that in a mean way.

There has been much talk here about breaking the barrier between the worker who was covered from the beginning and the self-employed. Let us consider that barrier. Why was it broken? It was broken because of insistent demands that came to the Congress. They came to the House Ways and Means Committee, to members of both parties; they came to Members of both parties in the Senate; and to the committees of both parties. Those people said, "We want coverage."

Put in ordinary language, the farmer who shells out his money to put the farmworker under this program says "Why can I not get under a system so that I can take care of my wife when the

time comes to do so, and take care of my children when the time comes to do so."

I do not think we are going too far afield when we think of things like that.

Mr. THYE. Mr. President, will the Senator yield?

Mr. MILLIKIN. I think the farmers will approve of what we are doing. If the farmer does not approve there will be plenty of time for him to say so, and plenty of time to change what is being done.

Mr. THYE. Mr. President, will the Senator yield?

Mr. MILLIKIN. I yield.

Mr. THYE. I have a question I should like to ask. Quite a number of farmers who have written me have raised a question with me. They say, "We pay the hidden tax on all the machines, on the feed we purchase, and the equipment we must use, and on all the farm equipment and supplies, be it fertilizer, seed, or whatnot. We are paying the hidden tax to pay for social security for all the workers who handle the products and who handle the machines; and when we reach the age where we must retire, when we no longer can till the land, we must leave the land to a renter or somebody else. We have nothing to support us when we must retire."

Therefore, they said, "Can you not in some manner include us under the social-security coverage?"

That is the kind of letter I have received. I did not insist that the committee take this proposed action, nor did I offer an amendment on the matter, because I trusted the good judgment of the committee members who were conducting hearings and studying this subject. I was sure they would propose a legislative bill which would cover the self-employed, if the facts justified it, and which would cover the farmer, if the facts justified it.

Therefore, let me say that the Senator from Colorado and his committee members were faced with one of the most difficult problems to come before the Senate. The work which has been done has made possible a future coverage in the year 1956, allowing ample time for the farmer to determine whether or not he will then elect to come under this law, or whether a sufficient number will say, "We do not want such social-security protection, and therefore the act shall not become applicable to us as of the year 1956."

Mr. MILLIKIN. I thank the Senator.

I was speaking about breaking the barrier. When did we first depart from the theory of covering the worker only, and move into the theory of coverage of the self-employed. Did that happen the first time in this bill? One might think so, from what has been said here.

When did that happen? How did it happen? Why did it happen? The barrier has been broken for some time.

In 1950 the sponsor of the bill which was then before us was the Senator from Georgia [Mr. GEORGE]. I say this most respectfully. I say it in no mean sense, because I have the great honor to work with the Senator. I love him, esteem him, respect him; and my actions support that statement.

The bill with regard to this matter in 1950 was sponsored by the Senator from Georgia [Mr. GEORGE], and broke the barrier, when the independent self-employed workers were granted social-security coverage except for some of the professional groups. That was done in 1950, for self-employed individuals, for the groceryman and others operating their own business establishments. We were sensitive to their problems, and they beseeched us to help them. We included them, under the sponsorship of the Senator from Georgia [Mr. GEORGE]. We gave them this coverage, except for farmers and certain self-employed people. We brought those people under the act in 1950.

That was done under the brilliant sponsorship of the Senator from Georgia [Mr. GEORGE]. I am glad to say I helped do it. I am not evading my responsibility, but I do not wish to have the impression created that we here are breaking down the basic theory of the social-security system and that we here are adding burdens. There must be some burdens if we are to accomplish good. We cannot complain about all taxes. If we want to accomplish good, we must have some burdens.

It may be claimed that we are adding a host of new burdens which were never dreamed of before, and which now beset us. That is not correct. But I could not come back and face my colleagues on this Senate floor and not allow the Senate, in the few hours left, to consider this question. I could not allow the bill to be killed in a conference committee and come back and say, "I am sorry, gentlemen; we are going to punish the 6½ million people now on the benefit rolls and the millions proposed to be covered by the bill because a group of Members of the House and a group of Members of the Senate did not have"—I want to put it kindly—"what was necessary to come back here with an agreement."

We came back with an agreement. Every one of us, I am sure, would have brought back a different agreement had his own viewpoint prevailed completely, but that cannot happen in a conference. The purpose of a real conference is to iron out real disputes. We did that.

We brought back a bill which brings no shame to the Senate conferees.

Mr. YOUNG. Mr. President, will the Senator yield?

Mr. MILLIKIN. I yield.

Mr. YOUNG. What happens in the case of a farmer who for a long period of time has an income which is so low he is not able to make his payment?

Mr. MILLIKIN. There is a 5-year drop-out, for periods taken out of the whole record, allowing him a chance to build up an average income on the good years.

Mr. YOUNG. Can he voluntarily drop out if his income is sufficient?

Mr. MILLIKIN. No. If his income is sufficient to pay he must pay, and cannot voluntarily drop out. If that were possible there would not be any system.

Mr. YOUNG. How does the Government collect this tax?

Mr. MILLIKIN. Just as it collects any other tax. It is collected by the Bureau of Internal Revenue.

Mr. YOUNG. If he sells any grain would the Government be able to levy on that grain?

Mr. MILLIKIN. The tax will apply to his net income.

Mr. YOUNG. During most of the 25 or more years that I farmed, I found there were not more than 5 or 6 years that I had a net income. What would happen in that case?

Mr. MILLIKIN. If he does not have any income, he cannot build up credit, and there is no tax. There are minimums that have to be built up for the worker, for the farmer, for the self-employed. If he does not work certain periods of time under certain circumstances and does not make enough money, he is just not in it.

Consider the self-employed that were taken in in 1950, remember. Prior to 1950, we gave a lot of consideration to whether we should bring the self-employed in. One of the things that bothered us is, is it feasible administratively. We had all kinds of ideas about the stamp plan and other methods to collect taxes, but the self-employment tax has worked, and it will work here, I am quite confident.

I yield to the Senator from Mississippi.

Mr. STENNIS. I want the floor in my own right when the Senator has concluded.

Mr. MILLIKIN. I think I shall suspend for the time being.

Mr. STENNIS. Mr. President, I have the honor to represent a State which I understand receives the highest percent of its income from agriculture of any State in the Union. That situation may vary somewhat from year to year, but generally it has the highest percent. Most of the people who live on the land are small landowners and small farmers. I speak here tonight for what I think is in their interest.

I do not believe any individual comes as near representing the citizenship that is described in the Constitution as does the small farmer. I do not believe any economic unit within all our economy represents free enterprise any better than the small farmer who lives on the land and whose chief income comes from what he grows on the land. He personifies the citizenship described in the Constitution. He personifies the very heart and soul of the free enterprise system. The man who lives on the land and makes his living there symbolizes man at as high a spiritual level as will be found in our Nation.

I wish to raise this question: Who in that category has asked to come under this program? I give Senators my word that not a single farmer in my State has ever asked me by letter to come under it, and none has asked me in person. They do not think in such terms.

The argument is made that, in order to keep the bill from failing, we must put them in anyway, and if they want to come out, we will consider, before 1956, taking them out.

To my mind that suggests the instability and lack of real foundation of the idea of including this group in a social-security program which was designed originally and primarily for industrial

workers, the most logical reason for which was based on a program for workers who are absolutely dependent upon someone else for their livelihood. As the Senator from Nebraska suggested, this is the last step. There are no stopping places beyond the individual farmer.

It has been said that the Republican Party did not originate this program, but who can stand up on the other side of the aisle after voting for this provision and say anything again about the New Deal? Who can criticize the New Deal any more, after voting for this extreme measure? Who is willing to rise and take back some things that have been said about it, if this measure is to be sponsored tonight by the group on the other side of the aisle? I do not raise the party line in this connection. I do not think that is the basis of the argument, but something has been said along that line.

I have been advising the young people in my State to buy land with the first money they could save, and I advise other people not to sell their land, because it represents an economic unit which is the basis upon which one can retain his self-respect and can have some kind of living, a place to which he can go, a place from which no one can evict him. This bill would help to put the small landowner off his land. I shall enumerate briefly some of the things it would do.

Suppose a farmer has about 200 acres of land. It is not rich, fertile land. Some of it is in timber, not valuable timber, but growing pine or trees of some kind. That leaves 75 acres, say, for pasture and cultivation.

Suppose he is operating on a very small scale and has only one tenant. Nevertheless, he must pay \$40 if that tenant is taxable on only \$1,000 worth of produce, because the landowner must pay his 2 percent, and he must pay the tenant's 2 percent. In the realm of reality things would work that way. He would have to pay 3 percent on the amount for which he was assessable; and if his cattle, his crops, and his other produce brought in \$4,200, the tax would be \$146.

Suppose he had only one sharecropper, on a very small unit, and that sharecropper were taxed on only \$1,000 worth of income. That would be \$40. Suppose he spent \$1,500 for a farm worker. The tax would be \$60.

Suppose he had a domestic servant in the course of the year. The tax would be \$32. That totals \$298 cash.

Small farmers do not take in a great deal of cash. They grow much of what they use and consume, but when it comes to having cash dollars and cash profit it does not come in very fast on small units. That is \$298 cash liability which he must make in the way of profit to pay this tax alone. Many small farm units do not make that much clear profit in the course of an entire year. I am talking about clear cash profit. That is the only thing with which the farmer can pay this tax.

I verily believe that we are going to drive him away from the land because he cannot carry this added burden. As I said, I have been advising young peo-

ple to buy some land as soon as they can, and advising other people not to sell their land. I believe land in Mississippi is selling for less, based on its productive value, than in any other place in the Nation. I have been telling them that.

Mr. SYMINGTON. Mr. President, will the Senator yield?

Mr. STENNIS. I am glad to yield to the Senator.

Mr. SYMINGTON. I ask the distinguished Senator from Mississippi if the overall policy of the administration now is not apparently to drive the farmer off the land?

Mr. STENNIS. I certainly think that will be the trend of this tax. I appreciate the Senator's question.

Mr. SYMINGTON. Will the Senator further yield?

Mr. STENNIS. I am glad to yield to the Senator.

Mr. SYMINGTON. Did not a high official of the Department of Agriculture say last year that all marginal farmland should be turned into grass or lie fallow?

Mr. STENNIS. I think I saw some statement along that line. I am not certain who made the statement. I thank the Senator for his observation.

Mr. President, this is a serious matter. We seek to justify this provision on the ground that we must pass it to keep from punishing someone else. I am surprised and amazed at such an argument being made. This bill carries the germ to destroy the small farm unit in many areas of this country, based upon what the tax will add to the burden the small farmer already has to carry.

We should remember that there is no substitute for paying cash, hard money. Someone said a while ago, while the distinguished Senator from Georgia [Mr. GEORGE] was making his masterly address—and his addresses are always masterly, and particularly so tonight—that his argument represented the last of an era. If that be true, Mr. President, I wish to say it was a glorious era. It was based on individual effort, free enterprise.

Farmers lived on their own land and feared God, but feared no man. They were not looking to the Government to keep them out of the poorhouse. I live in a part of the country which is almost entirely rural. There is not much rich land there. I remember when we had a poorhouse, but there were never more than 4 or 5 persons in it.

That is not the proper approach to this problem. Farmers represent the heart and soul of this Nation. A man who is trying to get a start on his farm will have to pay these taxes, which will increase over the years, and he will be responsible for paying them. This part of the bill should never have been included in it. The conference report should be rejected until that portion is stricken out.

I do not care to detain the Senate longer, Mr. President, and I yield the floor.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The conference report was agreed to. Mr. MONRONEY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ACTUARIAL COST ESTIMATES
FOR
THE OLD-AGE AND SURVIVORS INSURANCE
SYSTEM AS MODIFIED BY THE
SOCIAL SECURITY AMENDMENTS
OF 1954



AUGUST 20, 1954

Prepared for the use of the Committee on Ways and Means
by Robert J. Myers, Actuary to the Committee

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ACTUARIAL COST ESTIMATES FOR THE OLD-AGE AND SURVIVORS INSURANCE SYSTEM AS MODIFIED BY THE SOCIAL SECURITY AMENDMENTS OF 1954

A. INTRODUCTION

This actuarial study presents long-range cost estimates for the old-age and survivors insurance provisions of H. R. 9366 (Social Security Amendments of 1954), according to conference agreement on August 20, 1954. This bill was passed by the House of Representatives on June 1, 1954, and an amended version was passed by the Senate on August 13, 1954.

From an actuarial cost standpoint, the main features of the bill, as agreed to by the conference committee, are as follows:

(1) Coverage of all gainful employment except self-employed doctors, dentists, lawyers, and certain other medical professions; Federal civilian service covered by a retirement system; military service; farm workers and domestic workers irregularly employed; policemen and firemen covered by a retirement system; and certain minor categories. Insofar as the actuarial costs of the system are concerned, railroad employees are covered by OASI as a result of the financial interchange provisions of the 1951 amendments to the Railroad Retirement Act. The cost estimates assume that in virtually all cases where elective coverage is available (for instance, employees of nonprofit organizations and employees of State and local governments) such action occurs.

(2) Maximum wage base of \$4,200 a year for benefit and contribution purposes.

(3) Average monthly wage determined by dropping out up to the lowest 4 years for those with less than 20 quarters of coverage, and up to the lowest 5 years for those with 20 or more quarters of coverage.

(4) Monthly primary insurance amount is 55 percent of the first \$110 of average monthly wage, plus 20 percent thereafter, with a minimum monthly benefit of \$30. Beneficiaries on the roll are to be given an approximately equivalent increase, with at least a \$5 increase in the primary insurance amount in any event, by means of a conversion table (which also is used for future beneficiaries if it results in a higher benefit than the above formula). Minimum survivor family benefit of \$30 a month. Maximum family benefit of \$200 a month. Maximum lump-sum death payment of \$255.

(5) Retirement test on an annual basis with the first \$1,200 of earnings from any source being exempt and with 1 month's reduction for each additional \$80 of such earnings (or fraction thereof). Retirement test does not apply after age 72.

(6) "Disability freeze" provisions such that an individual's benefit rights (both as to amount and insured status) are preserved in the event that he has an extended total disability.

ACTUARIAL COST ESTIMATES

(7) Contribution rates maintained as scheduled in previous law up through 1969 but increased thereafter, as follows:

[In Percent]

Calendar year	1950 and 1952 acts			1954 amendments		
	Employee	Employer	Self-employed	Employee	Employer	Self-employed
1951-53.....	1½	1½	2¼	1½	1½	2¼
1954-59.....	2	2	3	2	2	3
1960-64.....	2½	2½	3¾	2½	2½	3¾
1965-69.....	3	3	4½	3	3	4½
1970-74.....	3¾	3¾	4¾	3½	3½	5¼
1975 and after.....	3¾	3¾	4¾	4	4	6

B. FINANCING BASIS AND POLICY

The Congress carefully considered the problem of cost in determining the benefit provisions of both the 1950 and 1952 acts. The belief was expressed in the committee reports that the old-age and survivors insurance program should be on a completely self-supporting basis from contributions of covered individuals and employers. Accordingly, the law under those acts contained a tax schedule which it was believed would, under a level-wage assumption, make the system self-supporting as nearly as could be foreseen under circumstances then existing. Under the 1952 act the program's actuarial balance was estimated to remain virtually the same as in the estimates made at the time the 1950 act was enacted; this was the case because of the rise in earnings levels in the 3 years preceding the enactment of the 1952 act, which rise was taken into account in the estimates for the 1952 act. It was recognized that future experience may be expected to differ from the conditions assumed in the estimates so that any tax schedule, at least in the distant future, might have to be modified.

Subsequent to the enactment of the 1952 act, new cost estimates were developed to take into account the considerable change in economic conditions during the past few years and the additional actuarial and statistical data available from the program's operations and from the 1950 census. According to these new estimates (contained in Actuarial Study No. 36 of the Social Security Administration, Department of Health, Education, and Welfare), the level-premium cost of the benefit disbursements and administrative expenses under the 1952 act is somewhat more than one-half percent of payroll higher than the level-premium equivalent of the scheduled taxes (including allowance for interest on the existing trust fund).

This deficiency is of long-range importance. In this connection, the Committee on Ways and Means of the House of Representatives stated in its report (H. Rept. 1698), as follows:

While we recognize that future cost estimates, particularly if earnings continue to rise, may indicate that a lower schedule of contribution rates will provide for a self-supporting system, we believe that our policy should be one of utmost prudence in this area. Consequently the long-range schedule of old-age and survivors insurance contributions should be adjusted so as to meet the additional costs of the changes now proposed and also to cover fully the deficiency which the new estimates indicate in the financing of the present program. With this in mind we have proposed that the schedule rates on employer and employee in 1970 be raised from 3¼ to 3½ percent and that in 1975 and thereafter the rate be increased to 4 percent, with corresponding changes for the self-employed.

On the other hand, the changes made by the Committee on Finance of the Senate increased the estimated long-range cost of the program significantly more than did the bill as it passed the House of Representatives. Thus, the net effect of the benefit changes in the Senate-approved bill was to increase the long-range costs of the program by slightly over 1 percent of payroll as against the corresponding figure of one-half percent for the House bill. The Senate committee made the following statement in this connection (S. Rept. 1987):

* * * Nevertheless, we believe that the long-range schedule of old-age and survivors insurance contributions should be adjusted so as to meet the additional costs of the changes now proposed. On the other hand, we believe that there is no necessity now to attempt to cover fully, or even partially, the deficiency which the new estimates indicate in the financing of the present program. With this in mind we have adopted the schedule of rates in the House-approved bill under which the rate on employer and employee in 1970 be raised from $3\frac{1}{4}$ to $3\frac{1}{2}$ percent, and that in 1975 and thereafter the rate be increased to 4 percent, with corresponding changes for the self-employed.

In brief, then, the financing basis in the House-approved bill was that as nearly as possible the contribution schedule should be set so that under the intermediate-cost estimate, the system would be shown to be self-supporting, or in other words, so that there would be little or no "actuarial insufficiency." On the other hand, the policy according to the Senate-approved bill was that any proposed amendments should not add costs which are not met by offsetting, increased income and that any existing "insufficiency" as a result of new cost estimates, if relatively small, need not require immediate legislative action until more experience bore out these indications.

The $1\frac{1}{2}$ percent increase in the ultimate combined employer-employee rate, in both the House-approved and Senate-approved bills, represents an equivalent level increase of slightly over 1 percent of payroll. As indicated by the following table, according to the intermediate-cost estimate (to be presented in more detail later), this amount meets the increased cost of the benefits under the Senate-approved bill although it does not appreciably reduce the currently estimated "actuarial insufficiency" of the present system. On the other hand, under the House-approved bill, the increase in the ultimate contribution rate serves to meet not only the increased cost of the bill but also to reduce the lack of actuarial balance to the point where, for all practical purposes, it may be said to be sufficiently provided for.

[In percent]

Item	Level-premium equivalent			
	1952 act	House-approved bill	Senate-approved bill	1954 amendments
Benefit costs ¹	6.62	7.34	7.65	7.50
Contributions.....	6.05	7.12	7.12	7.12
Net difference, or lack of actuarial balance.	.57	.22	.53	.38

¹ Including adjustments (a) to reflect lower contribution rate for self-employed compared with employer-employee rate, (b) for existing trust fund, and (c) for administrative expenses.

The benefit cost for the 1954 amendments falls between that of the House-approved and Senate-approved bills. Accordingly, it may be said that under the 1954 amendments the increase in the ultimate

contribution rate meets all of the additional costs of the benefit changes proposed and a substantial part of the deficiency which the latest estimates indicated in regard to the financing of the 1952 act.

C. BASIC ASSUMPTIONS FOR COST ESTIMATES

Estimates of the future cost of the old-age and survivors insurance program are affected by many factors that are difficult to determine. Accordingly, the assumptions used in the actuarial cost estimates may differ widely and yet be reasonable. Because of numerous factors, such as the aging of the population of the country and the inherent slow but steady growth of the benefit roll in any retirement program, benefit payments may be expected to increase continuously for at least the next 50 to 75 years.

The cost estimates are presented first on a range basis so as to indicate the plausible variation in future costs depending upon the actual trend developing for the various cost factors. Both the low-cost and high-cost estimates are based on high economic assumptions, intended to represent close to full employment, with average annual earnings at about the level prevailing in 1951-52, or somewhat below current experience. Following the presentation of the cost estimates on a range basis, intermediate estimates developed directly from the low-cost and high-cost estimates (by averaging them) are shown so as to indicate a basis for financing provisions.

In general, the costs are shown as a percentage of covered payroll. This is the best measure of financial cost of the program. Dollar figures taken alone are misleading because, for example, extension of coverage generally increases not only the outgo of the system but also to a greater extent its income, with the result that the cost relative to payroll decreases.

The low-cost and high-cost assumptions relate to the cost as a percentage of payroll in the aggregate and not to the dollar costs. The two cost assumptions are based on possible variations in fertility rates, mortality rates, retirement rates, remarriage rates, and so forth.

The cost estimates have been prepared using the same techniques and following the same assumptions as those in the estimates contained in the Social Security Administration's Actuarial Study No. 36 (relating to present law) and Actuarial Study No. 38 (relating to H. R. 7199, the original bill upon which hearings were held by the Committee on Ways and Means). Also, the same actuarial assumptions and techniques were used in the estimates contained in the cost estimates for the House-approved bill (H. Rept. 1698) and for the Senate-approved bill (S. Rept. 1987).

It will be observed that the cost estimates are carried out beyond the year 2000. The question may be raised as to why the system will not be mature within the next 50 years. Actually the aged population itself cannot mature by the year 2000. The numbers of births in the 1930's were very low as compared with previous and subsequent experience. Since it is this group of births who will make up a substantial proportion of the aged population in the year 2000, a dip occurs in the relative proportion of the aged from about 1995 to 2010. This trend is reflected in relatively low benefit costs, both in dollars and in relation to payroll, for that period. Accordingly, the year 2000 is by no means a typical ultimate year.

An important measure of long-range cost is the level-premium contribution rate required to support the system into perpetuity. This rate is determined by taking the present values, at interest, of future income and outgo of the system. It is assumed that benefit payments and taxable payrolls remain level after the year 2050—actually benefits as a percentage of payroll are virtually constant after about 2020. If such a level contribution rate were adopted, relatively large accumulations in the trust fund would result, and in consequence there would be sizable eventual income from interest. Even though such a method of financing is not followed, this rate may nevertheless be used as a convenient measure of long-range costs. This is a valuable cost concept, especially in comparing various possible alternative plans and provisions, since it takes into account the heavy deferred load.

The estimates are based on level-earnings assumptions (slightly below the present level). If, in the future, earnings should be considerably above those now prevailing, and if the benefits for those on the roll are at some time adjusted upward so that the annual cost relative to payroll will remain the same, then the increased dollar outgo resulting will offset the increased dollar income. This is an important reason for considering costs relative to payroll rather than in dollars.

The cost estimates have not taken into account the possibility of a rise in earnings levels, although such a rise has characterized the past history of this country. If such an assumption were used, along with the assumption that the benefits nevertheless would not be changed, the cost relative to payroll would, of course, be lower. Under such circumstances, any cost deficiency currently estimated would tend to be met by this reduction in cost.

If benefits are adjusted to keep pace with rising earnings trends, the year-by-year costs as a percentage of payroll would be unaffected. However, in such case this would not be true as to the level-premium cost which would be higher, since under such circumstances the relative value of the interest earnings of the trust fund would gradually diminish with the passage of time. If earnings do consistently rise, and if benefits are adjusted upward, thorough consideration will need to be given to the financing basis of the system because then the interest earnings on the trust fund will not meet as large a proportion of the benefit costs as would be anticipated if the earnings level had not risen.

Financial interchange provisions with the railroad retirement system are, under present law, in effect such that the old-age and survivors insurance trust fund is to be placed in the same financial position as if railroad employment had always been covered under the old-age and survivors insurance program. The long-range costs presented here are for the operation of the trust fund on the basis, as provided in current law in respect to financing provisions, that all railroad employment is covered employment (beginning with 1937). Accordingly, the contribution income and benefit disbursement figures shown are slightly higher (by less than 5 percent) than the payments made directly to the trust fund by contributors and the payments made directly from the trust fund to the individual beneficiaries.

D. RESULTS OF COST ESTIMATES ON RANGE BASIS

Table 1 presents costs as a percentage of payroll for each of the various types of benefits. The level-premium cost for the benefits provided in the 1954 amendments, on the basis of $2\frac{1}{4}$ percent interest, is roughly 6.6 to 8.4 percent of payroll, while at $2\frac{1}{2}$ percent interest the corresponding figures are 6.4 percent and 8.2 percent, respectively.

TABLE 1.—Estimated benefit payments as percent of taxable payroll for 1954 amendments, by type of benefit

[In percent]

Calendar year	Monthly benefits						Lump-sum death pay-ments	Disa-bility freeze ²	Total bene-fits
	Old-age	Wife's ¹	Widow's ¹	Parent's	Mother's	Child's			
Actual data ³									
1951.....	0.99	0.15	0.14	0.01	0.07	0.24	0.05	-----	1.65
1952.....	1.11	.17	.16	.01	.08	.26	.05	-----	1.83
1953.....	1.50	.22	.20	.01	.09	.30	.07	-----	2.39
Low-cost estimate									
1960.....	2.60	0.33	0.52	0.01	0.16	0.41	0.09	0.04	4.17
1970.....	3.47	.38	.94	.01	.17	.39	.11	.05	5.52
1980.....	4.41	.42	1.18	.01	.16	.37	.13	.07	6.73
1990.....	5.04	.41	1.27	.01	.15	.36	.13	.07	7.44
2000.....	4.87	.38	1.17	.01	.14	.35	.13	.07	7.13
2020.....	5.48	.42	1.13	.01	.14	.35	.14	.08	7.75
Level premium: ⁴									
$2\frac{1}{4}$ percent interest..	4.43	.40	1.03	.01	.15	.36	.12	.06	6.55
$2\frac{1}{2}$ percent interest..	4.33	.39	1.01	.01	.15	.36	.12	.06	6.43
High-cost estimate									
1960.....	3.06	0.37	0.54	0.01	0.20	0.42	0.10	0.05	4.75
1970.....	4.13	.44	1.01	.01	.20	.38	.12	.06	6.35
1980.....	5.32	.47	1.30	.02	.18	.34	.13	.07	7.82
1990.....	6.43	.47	1.41	.02	.17	.32	.14	.09	9.05
2000.....	6.72	.47	1.32	.02	.15	.29	.15	.09	9.21
2020.....	8.90	.61	1.46	.02	.15	.28	.17	.12	11.72
Level premium: ⁴									
$2\frac{1}{4}$ percent interest..	5.82	.49	1.16	.02	.16	.33	.14	.08	8.19
$2\frac{1}{2}$ percent interest..	5.90	.50	1.17	.02	.16	.33	.14	.08	8.28

¹ Included are excesses of wife's and widow's benefits over old-age benefits for female old-age beneficiaries also eligible for wife's and widow's benefits. Also includes husband's and widower's benefits, respectively.

² The cost of the "disability freeze" is here shown separately, although in actual practice it is spread among the various types of benefits.

³ Excluding effect of railroad coverage under financial interchange provisions.

⁴ Level-premium contribution rate for benefit payments after 1952 and in perpetuity, not taking into account (a) lower contribution rate for self-employed compared with employer-employee rate; (b) existing trust fund; and (c) administrative expenses. These level-premium rates assume benefits and payrolls remain level after the year 2050.

NOTE.—All estimates are based on high-employment assumptions.

Table 2 presents the estimated operations of the trust fund under the 1954 amendments on the basis of a 2.4 percent interest rate, which is the interest rate used as the appropriate single rate in the previously mentioned estimates for earlier versions of the bill. For the past year, up until July 1954, this was the rate being earned. As of the present time the rate is only 2.3 percent since the special issues in the trust fund, constituting almost 90 percent of total investments, now bear a rate of $2\frac{1}{4}$ percent as against $2\frac{3}{8}$ percent in the fiscal year ended June 30, 1954. For consistency, the 2.4-percent rate has continued to be used for the trust-fund calculations.

ACTUARIAL COST ESTIMATES

TABLE 2.—Estimated progress of trust fund under 1954 amendments, 2.4 percent interest

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
Actual data					
1953 ¹	\$3,945	\$3,006	\$88	\$414	\$18,707
1953 ²	4,105	3,236	92	424	19,102
Low-cost estimate					
1954.....	\$5,308	\$3,550	\$88	\$468	\$21,240
1955.....	5,939	4,495	101	526	23,109
1960.....	7,796	7,040	116	667	28,785
1970.....	12,522	10,559	144	1,029	44,831
1980.....	16,247	14,203	173	1,861	80,330
1990.....	17,735	17,144	200	2,647	113,146
2000.....	19,740	18,289	217	3,535	151,432
2020.....	23,262	23,407	268	6,558	279,598
High-cost estimate					
1954.....	\$5,149	\$3,722	\$95	\$464	\$20,898
1955.....	5,906	4,994	117	511	22,203
1960.....	7,725	7,950	151	553	23,418
1970.....	12,390	12,020	193	520	22,278
1980.....	15,820	16,071	233	698	29,538
1990.....	16,615	19,534	269	402	15,452
2000.....	17,753	21,231	290	(³)	(³)
2020.....	18,393	27,998	351	-----	-----

¹ Excluding effect of railroad coverage under financial interchange provisions.

² Including effect of railroad coverage under financial interchange provisions (as is also the case for future estimates shown below). Partially estimated.

³ Fund exhausted in 1995.

NOTE.—All estimates are based on high-employment assumptions.

Under the low-cost estimate, the trust fund builds up quite rapidly and even some 50 years hence is growing at a rate of about \$6 billion per year and at that time is about \$180 billion in magnitude. In fact, under this estimate, benefit disbursements do not exceed contribution income during the next 65 years, and even in the year 2000 are about 6 percent smaller.

On the other hand, under the high-cost estimate the trust fund builds up to a maximum of about \$30 billion in 1980, but decreases thereafter until it is exhausted in 1995. Benefit disbursements exceed contribution income during 1958-69, and again in 1973-74 and after 1979. Accordingly, the trust fund remains more or less stable at about \$25 billion during 1955-85 (since interest income offsets the excess of disbursements over contribution income).

Although there is a wide spread in the ultimate estimated trust fund, the range of the estimates offers a reasonable guide to action. The trust fund, it will be remembered, is a cumulative item and thus tends over the course of years to move relatively rapidly in one direction or the other under the necessary assumption that the provisions of the law remain unchanged whether the experience develops as "low cost" or "high cost." From table 1, it will be noted that the cost as a percentage of payroll—the best measure of cost—has a relative range from the low-cost estimate to the high-cost one of only about 10 percent in the early years of operation and about 50 percent ultimately.

These results as to the progress of the trust fund under the two estimates are consistent and reasonable, since the system on an intermediate-cost estimate basis is intended to be approximately self-supporting. Accordingly, in most instances a low-cost estimate should show that the system is more than self-supporting, whereas a high-cost estimate should show that a deficiency would eventually arise. In actual practice, under the philosophy in the 1950 and 1952 acts as set forth in the committee reports therefor, assuming no change in benefit provisions, the tax schedule would be adjusted in future years so that neither of the developments of the trust fund shown in table 2 would ever eventuate. Thus, if experience followed the low-cost estimate, the contribution rates would probably be adjusted downward, or perhaps would not be increased in future years according to schedule. On the other hand, if the experience followed the high-cost estimate, the contribution rates would have to be raised above those scheduled. At any rate, the high-cost estimate in table 2 does indicate that under the tax schedule adopted, there would be ample funds to meet benefit disbursements for several decades, even under relatively high-cost experience. In any event, if a deficiency arises in the financing of the system some years hence, or if subsequent experience and actuarial estimates indicate the imminence of a deficiency, it is believed that the situation can readily and safely be handled by a future Congress when the occasion arises.

E. RESULTS OF INTERMEDIATE-COST ESTIMATE

This section will present the intermediate-cost estimate, developed from the low-cost and high-cost estimates of this report, by averaging them (using the dollar estimates and developing therefrom the corresponding estimates relative to payroll). This intermediate-cost estimate may not represent the most probable estimate; it is impossible to develop any such figures. Rather, the intermediate-cost estimate has been set down as a convenient and readily available single set of figures to use for comparative purposes.

Table 3 gives an estimate of the level-premium cost tracing through the increase in cost over the 1952 law according to the major changes made.

TABLE 3.—Changes in estimated level-premium costs of benefit payments as percentage of payroll, by type of change, intermediate-cost estimate

Item	Level-premium cost (percent)
Cost of 1952 act: ¹	
1952 estimate, 2¼ percent interest.....	6.00
Current estimate, 2¼ percent interest.....	6.74
Current estimate, 2.4 percent interest.....	6.62
Effect of changes:	
Extension of coverage.....	-.18
Raising earnings base to \$4,200.....	-.15
Increase in benefits ²	+.82
Liberalization of retirement test.....	+.20
Elimination of lowest years of earnings.....	+.13
"Disability freeze" provision.....	+.07
Cost of 1954 amendments ¹ current estimate, 2.4 percent interest.....	7.50

¹ Including adjustments (a) to reflect lower contribution rate for self-employed compared with employer-employee rate; (b) for existing trust fund; and (c) for administrative expenses.

² Primarily reflects effect of new benefit formula and conversion table, but also includes effect of revised minimum and maximum benefit provisions and the minor changes in insured status provisions.

Table 4 shows the year-by-year cost of the benefit payments according to the intermediate-cost estimate for the 1952 act and for the 1954 amendments. These figures are based on a future level-earnings assumption and do not consider business cycles (booms and depressions), which over a long period of years tend to average out. The 1955 benefit disbursements under the 1954 act are estimated at about \$4.7 billion, with a range of \$4.5 to \$5.0 billion (as contrasted with contribution income of about \$5.9 billion). In 1955, the benefit disbursements under the 1954 amendments will be about \$700 million more than they would have been under the 1952 act. The cost as a percentage of payroll is about the same because of the higher payroll under the 1954 amendments due to the extended coverage. In subsequent years, the benefit cost of the 1954 amendments as a percentage of payroll increasingly exceeds the cost of the 1952 act, with such excess being about seven-eighths percent of payroll after 1970.

TABLE 4.—Estimated cost of benefit payments under 1952 act and under 1954 amendments, intermediate-cost estimate

Calendar year	Amount (in millions)		In percent of payroll	
	1952 act	1954 amendments	1952 act	1954 amendments
1955.....	\$4,075	\$4,745	<i>Percent</i> 3.05	<i>Percent</i> 2.94
1960.....	5,716	7,495	4.10	4.46
1970.....	8,318	11,290	5.26	5.94
1980.....	11,116	15,137	6.40	7.27
2000.....	14,812	19,760	7.30	8.11
2020.....	19,475	25,702	8.63	9.50
Level-premium: ¹				
2¼ percent interest.....			6.69	7.42
2.4 percent interest.....			6.60	7.32
2½ percent interest.....			6.54	7.25

¹ Level-premium contribution rate for benefit payments after 1952 and in perpetuity, not taking into account (a) lower contribution rate for self-employed compared with employer-employee rate, (b) existing trust fund, and (c) administrative expenses. These level-premium rates assume benefits and payrolls remain level after the year 2050.

NOTE.—All estimates are based on high-employment assumptions.

Table 5 presents the costs of the benefits under the 1954 amendments as a percentage of payroll for each of the various types of benefits and is comparable with table 1 of the previous section.

ACTUARIAL COST ESTIMATES

TABLE 5.—Estimated benefit payments as percent of taxable payroll for 1954 amendments, by type of benefit, intermediate-cost estimate

[In percent]

Calendar year	Monthly benefits						Lump-sum death payments	Disability freeze ²	Total benefits
	Old-age	Wife's ¹	Widow's ¹	Parent's	Mother's	Child's			
Actual data ³									
1951.....	0.99	0.15	0.14	0.01	0.07	0.24	0.05	-----	1.65
1952.....	1.11	.17	.16	.01	.08	.26	.05	-----	1.83
1953.....	1.50	.22	.20	.01	.09	.30	.07	-----	2.39
Estimated data									
1960.....	2.83	0.35	0.53	0.01	0.18	0.42	0.10	0.04	4.46
1970.....	3.80	.40	.97	.01	.18	.39	.11	.06	5.94
1980.....	4.86	.44	1.24	.01	.17	.35	.13	.07	7.27
1990.....	5.71	.44	1.34	.02	.16	.34	.14	.08	8.22
2000.....	5.75	.43	1.25	.02	.15	.32	.14	.08	8.11
2020.....	6.99	.60	1.27	.01	.15	.32	.15	.09	9.50
Level premium: ⁴									
2¼ percent interest.	5.17	.44	1.10	.01	.16	.34	.13	.07	7.42
2½ percent interest.	5.03	.44	1.08	.01	.16	.34	.13	.07	7.25

¹ Included are excesses of wife's and widow's benefits over old-age benefits for female old-age beneficiaries also eligible for wife's and widow's benefits. Also includes husband's and widower's benefits, respectively.

² The cost of the "disability freeze" is here shown separately, although in actual practice it is spread among the various types of benefits.

³ Excluding effect of railroad coverage under financial interchange provisions.

⁴ Level premium contribution rate for benefit payments after 1952 and in perpetuity, not taking into account (a) lower contribution rate for self-employed compared with employer-employee rate; (b) existing trust fund; and (c) administrative expenses. These level-premium rates assume benefits and payrolls remain level after the year 2050.

NOTE.—All estimates are based on high-employment assumptions.

Table 6 shows the estimated operation of the trust fund under the 1954 amendments according to the intermediate-cost estimate (using a 2.4 percent interest rate) and is comparable with table 2 of the previous section. According to this estimate, contribution income generally exceeds benefit disbursements for the next 30 years, although in 1959, 1963-64, and 1969 (the years preceding the next three scheduled increases in the contribution rates), there is an excess of benefit outgo over contribution income. This difference is in most instances more than counterbalanced by interest income so that the fund is estimated to grow steadily until reaching a maximum of \$70 billion in the year 2011 and then to decrease thereafter until exhausted in the year 2031. The decline in the long-distant future indicates that the revised tax schedule is not self-supporting under the intermediate-cost estimate with a level-earnings assumption, but as indicated previously, the intermediate-cost estimate may not represent the most probable estimate of what future experience will be. Any lack of self-support or any deficiency showing up in the long-distant future can, of course, be acted upon by subsequent Congresses.

ACTUARIAL COST ESTIMATES

TABLE 6.—Estimated progress of trust fund under 1954 amendments, intermediate-cost estimate, 2.4 percent interest

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
Actual data					
1951.....	\$3,367	\$1,885	\$81	\$417	\$15,540
1952.....	3,819	2,194	88	365	17,442
1953 ¹	3,945	3,006	88	414	18,707
1953 ²	4,105	3,236	92	424	19,102
Estimated data					
1954.....	\$5,228	\$3,636	\$91	\$466	\$21,069
1955.....	5,922	4,745	109	519	22,656
1960.....	7,760	7,495	134	610	26,102
1965.....	9,947	9,456	151	664	28,506
1970.....	12,456	11,290	168	774	33,554
1975.....	15,090	13,182	186	983	42,810
1980.....	16,034	15,137	203	1,279	54,934
1990.....	17,175	18,339	234	1,525	64,344
2000.....	18,747	19,760	254	1,539	65,056
2020.....	20,828	25,702	310	1,282	52,122

¹ Excluding effect of railroad coverage under financial interchange provisions.

² Including effect of railroad coverage under financial interchange provisions (as is also the case for future estimates shown below). Partially estimated.

NOTE.—All estimates are based on high-employment assumptions.

Office Memorandum • UNITED STATES GOVERNMENT

TO : Administrative, Supervisory,
and Technical Employees - 8/20/54

141A

DATE: August 20, 1954

FROM : Victor Christgau, Director
Bureau of Old-Age and Survivors Insurance

SUBJECT: Director's Bulletin No. 207
Congressional Passage of the Social Security Act Amendments of 1954

Congress today passed the Social Security Act Amendments of 1954, which now await only the signature of the President to become law. Final action came on the afternoon of the last day of the 83d Congress, shortly after the Conference Committee had concluded its meetings to reconcile differences in the House and Senate versions of H.R. 9366.

The measure as finally enacted very substantially carries out the original recommendations of the President and the Department, including nearly all of the new coverage provisions which had been recommended. The groups newly covered or eligible for coverage include not only additional farm and domestic workers, additional Federal civilian employees, and employees under State and local retirement systems, but also self-employed farm operators, engineers, architects, accountants and funeral directors. Except for funeral directors, new coverage for the self-employed had been omitted entirely from the Senate bill. In all, the new coverage provisions will encompass some 10 million persons in the course of a year.

Benefit increases, the drop-out of low earnings years from the average wage, the \$4,200 wage base, and the disability freeze, having been originally passed by both the House and the Senate in almost identical form, are included in the final legislation without further change.

The retirement test, enacted in substantially the form preferred by the Senate, provides for an annual exempt amount of \$1,200 and for reduction of the exempt age to 72, but applies to both covered and non-covered work. Omitted from the final legislation are two amendments originally included in the House bill placing restrictions on payments to dependents and survivors residing abroad and deleting from the wage record earnings during periods of unlawful residence in the United States. A third House amendment, prohibiting old-age and survivors insurance payments on the records of deported persons, was adopted in a limited form.

The general effective date of the amendments is September 1, 1954. The new coverage provisions, the \$4,200 earnings base, the annual retirement test, and the disability freeze become effective beginning with 1955.

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and Technical Employees - 8/20/54

The major provisions of the new amendments are described in more detail below. Even though many of the provisions are the same as originally contained in the House bill, the description is repeated here in the interest of a complete account.

Extension of Coverage

The 1954 amendments afford old-age and survivors insurance coverage to about 10 million people who during the course of a year work in jobs that are not now covered. About 6 million of these people are covered on a compulsory basis and almost 4 million on an elective basis.

The specific coverage provisions are as follows:

1. Farm Operators.--The amendments extend coverage to an estimated 3.6 million persons who during the course of a year have self-employment earnings from some type of farm activity. In general, they will be covered on the same basis as other self-employed persons, but with the important difference that a simplified reporting procedure is provided for the farm operators. Those who report on a cash (rather than an accrual) basis and whose gross income in a year is \$1,800 or less have the option of reporting 50 percent of their gross income rather than their actual net income.^{1/} A farm operator whose gross income in a year is more than \$1,800 and who reports on a cash basis must compute his actual net income, but he has the option of reporting \$900 in lieu of the actual net income if the actual net is less than \$900.

One other change related to farm income is in the provision regarding rentals from real estate. The amendments add to the existing exclusion of rentals from real estate a clause making it clear that the exclusion applies to rentals received in the form of crop shares.

2. Self-employed professional groups.--The amendments extend coverage to self-employed accountants, architects, engineers, and funeral directors on the same basis as that on which nonfarm self-employed people are now covered under the program. It is estimated that during the course of a year about 100,000 self-employed professional people will be compulsorily covered under old-age and survivors insurance.

^{1/} Only a small minority of farm operators report on the accrual basis.

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3. State and local government employees under retirement systems.--The amendments make old-age and survivors insurance coverage available to some 3.5 million State and local government employees who in the course of a year work in positions covered by State and local government retirement systems. A state can bring members of a State or local retirement system (except policemen and firemen) under its old-age and survivors insurance agreement, subject to a referendum in which a majority of the members of the system eligible to vote in the referendum vote for coverage. Policemen and firemen who are covered by a State or local retirement system will continue to be excluded from old-age and survivors insurance coverage.

The legislation states that it is the policy of the Congress in making coverage available to retirement system members that there be no impairment of the protection of members and beneficiaries of a retirement system by reason of the extension of old-age and survivors insurance coverage to employment covered by the retirement system. This declaration of policy is designed to make clear the intent of the Congress in providing the opportunity for coverage of members of State and local retirement systems; it does not have the effect of requiring that the provisions of these retirement systems be subject to a review by the Federal government.

A State will be permitted to cover without a referendum those employees whose positions are covered by a retirement system but who are not eligible for membership in the system. A State will also be able to cover without a referendum, at any time before 1958, employees who could not be covered when their coverage group was brought in, but whose system was later dissolved by action taken prior to the enactment of the amendments. The legislation removes the possibility of obtaining coverage for retirement system members (other than policemen and firemen) without a referendum by dissolving the retirement system.

A State may consider any political subdivision or any combination of political subdivisions as having a separate retirement system for this purpose. Special provision is made for the coverage under a State agreement, at the option of the State, of civilian employees of State National Guard units and certain inspectors of agricultural products. Special provision is also made for coverage under the Utah agreement of employees of certain educational institutions in positions covered by a retirement system, and for retroactive coverage of members of the Arizona Teachers' Retirement System.

4. Farm Workers.--All farm workers paid cash wages of \$100 or more in a calendar year by one employer are covered, without reference to any time or regularity-of-employment test. Employers of farm workers will make annual rather than quarterly reports. One quarter of coverage will be credited for wages from farm work amounting to \$100 but less than \$200, two for \$200 but less than \$300, three for \$300 but less than \$400, and four for \$400 or more. These new provisions will cover about 2.8 million

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workers in the course of a year (about 2.1 million more than the present law covers). The cotton ginning exclusion is removed, and therefore persons employed in connection with the ginning of cotton will be covered under the new provisions applying to agricultural labor in general. The specific exclusion of turpentine workers remains effective. Mexican contract farm workers also continue to be excluded, and a new provision excludes workers brought in from the British West Indies (under certificates of the Department of Agriculture) for short-term farm work.

5. Domestic workers in private homes.--The legislation covers all domestic workers in private homes who are paid \$50 in cash wages by one employer in a calendar quarter with respect to the worker's services for that employer. The present requirement of 24 days' work in a calendar quarter is removed. Persons performing "casual labor" (service not in the course of the employer's trade or business) are likewise covered if they are paid \$50 in cash wages by an employer in a calendar quarter. These provisions will cover about 250,000 more domestic and casual workers than the present law.

6. Ministers and members of religious orders.--Ministers and members of religious orders who have not taken a vow of poverty (whether self-employed or employees) may secure coverage by filing a certificate indicating their desire to be covered as self-employed persons. Christian Science practitioners may be covered on the same basis. In general, these people would have 2 years after coverage becomes available on January 1, 1955, or after the individual becomes a minister, member of a religious order, or practitioner, in which to elect coverage. A special provision--designed primarily to take care of missionaries working in foreign countries--permits ministers and members of religious orders working in a foreign country or in a possession of the United States to compute their net earnings from self-employment without regard to the "earned income" deduction provisions in the Internal Revenue Code. (Without this provision ministers outside the United States would not be able to include their wages and salaries in computing their self-employment earnings for social security coverage purposes.) In the course of a year about 250,000 people will be eligible for coverage under these provisions.

7. Federal employees.--The amendments extend coverage to most civilian employees of the Federal Government who are not covered by another retirement system. Old-age and survivors insurance coverage is extended to employees not covered by another retirement system who are employed in the field service of the Post Office Department, to employees of exchange and similar services of the Coast Guard, to temporary census-taking employees in the Bureau of the Census, to employees paid on a contract or fee basis or receiving nominal compensation of \$12 or less a year, to patients or inmates employed in

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Federal hospitals and other (except penal) institutions, and to members of certain types of committees, boards, etc. The amendments also delete the exclusion of services performed under Federal unemployment relief programs and the services of consular agents; these changes, however, will not result in covering additional workers at present.

The following Federal employees who are excluded from coverage under present law would continue to be excluded: The President, Vice President, and Members of the Congress, persons in the legislative branch, inmates employed in Federal penal institutions, interns, student nurses, and other students in Federal hospitals, persons employed for emergency work in disaster situations, and persons excluded from the Civil Service Retirement Act because they are subject to another retirement system. Employees of Federal home loan banks and the Tennessee Valley Authority, who would have been covered by the House bill, will remain excluded under the final version.

A special provision in the legislation prohibits the crediting of any Federal service brought in by these amendments toward benefits under any other Federal retirement system.

An estimated total of about 150,000 additional Federal civilian employees would be covered by the amendments.

8. Employees of foreign subsidiaries of American companies.-- United States citizens employed outside the United States by foreign subsidiaries of domestic corporations are covered at the option of the latter. A domestic corporation could secure coverage for the citizens employed by any or all of its foreign subsidiaries by entering into an agreement with the Treasury Department to pay amounts equivalent to the old-age and survivors insurance employer and employee taxes which would have been payable if the services involved had been performed within the United States.

9. Homeworkers.--The amendments provide coverage as employees for home workers who are not employees under the present law but who meet all the conditions specified in the definition of "employee" in the 1950 amendments except the condition that the services be subject to licensing requirements under State law. About 100,000 homeworkers will be covered as employees by this provision.

10. Fishermen.--Employees engaged in fishing and related activities either on shore or on vessels of 10 net tons or less are covered. It is estimated that about 50,000 additional people will be covered under this provision during the course of a year.

11. American seamen and airmen employed on foreign-flag vessels and aircraft.--The amendments extend coverage to seamen on foreign-flag vessels and airmen on foreign-flag aircraft if the seamen or airmen are citizens of the United States and are employed by an American employer.

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Improvement of Benefits

1. Average Monthly Wage.--Up to 4 years of lowest or no earnings can be dropped from the computation of the average monthly wage of individuals who die or become eligible for benefits after August 1954, or who have 6 quarters of coverage after June 1953, or who qualify for certain types of benefit recomputations after August 1954. An individual who has 20 quarters of coverage can drop an additional low year.

2. Earnings Base.--The earnings base is raised to \$4,200. The new base will go into effect beginning with 1955.

3. Benefit Increases.--The amendments provide for an increase in old-age insurance benefits for present beneficiaries through a conversion table, and revision of the benefit formula for individuals coming on the rolls in the future. The new formula is 55 percent of the first \$110 of average monthly wage plus 20 percent of the next \$240, with old-age insurance benefits under the formula ranging from a minimum of \$30 to a maximum of \$108.50. A minimum increase of \$5 over present law is guaranteed through the conversion table for all old-age insurance beneficiaries. Conversion table benefits range from \$30 to \$98.50, effective September 1954.

In addition, the amendments provide that the \$30 minimum shall be applicable to any single survivor beneficiary--aged widow, widower, parent, or child. The dollar maximum on family benefits will be \$200 and the total below which family benefits can not be reduced would be the larger of 1 1/2 times the primary insurance amount or \$50. The maximum lump-sum payment is set at \$255.

Retirement Test

The exempt age is reduced to 72 and the annual exempt amount for beneficiaries under that age is set at \$1,200. One month's benefit will be withheld for each \$80 (or fraction thereof) in excess of \$1,200, except that no benefit will be suspended for any month in which the individual neither earns wages of more than \$80 nor renders substantial services in self-employment. Wage and self-employment earnings are combined for retirement test purposes, and noncovered earnings are taken into account as well as covered earnings. For noncovered employment (including self-employment) outside the United States, benefits will be withheld for any month in which the individual works on 7 or more calendar days. The new test goes into effect beginning with 1955.

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Eligibility Requirements

Two amendments are made in the insured status requirements. First, an individual who at the time of death or attainment of age 65 does not meet the normal requirements for fully insured status will nevertheless be fully insured if all quarters after 1954 and up to that time are quarters of coverage (a minimum of 6 after 1954 is required). This modification of the eligibility requirements is intended to permit newly covered workers who are steadily employed to become fully insured after at least 6 quarters of coverage if they die or attain 65 before having had a chance to work long enough to meet the requirements of present law. The provision will not be controlling after the third quarter of 1958, since any newly covered individual who worked continuously in covered employment after 1954 and through that quarter would meet the regular requirements.

The second amendment makes eligible for benefits the survivors of workers who died uninsured after 1939 and before September 1, 1950, but who had enough quarters of coverage since 1936 to meet the liberalized requirements of the 1950 amendments for fully insured status (6 quarters of coverage). The amendment will apply for all types of monthly survivors benefits except those added by the 1950 amendments (widowers and former wives divorced). Where proof of support is required, such proof may be filed at any time before September 1956. The primary insurance amount will be computed under the law in effect before September 1950 and raised by the conversion table.

Protection of the Benefit Rights of the Disabled

Benefit rights of persons regularly covered by the program can be "frozen" during periods of prolonged total disability. When an individual for whom a period of disability has been established dies or retires, his period of disability can be disregarded in determining his insured status and in figuring any benefits due him or his family. The "drop-out" provision for excluding years of low or no earnings from the computation of the individual's average monthly wage will operate independently of the disability "freeze"; i.e., it will be applied to the earnings record remaining after the exclusion of the period of disability.

To be eligible for the "freeze", an individual must be under a disability as that term is defined in the law. He must also have engaged in covered work at least half the time in the last 10 years before becoming disabled and at least half the time in the last 3 years before becoming disabled. A period of disability cannot be

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established until it has lasted at least 6 months. Applications will be accepted beginning January 1, 1955, but anyone who files for the "freeze" before July 1, 1955, must be still living on the latter date to establish a period of disability. July 1955 is the first month for which an individual can be paid a benefit computed with the exclusion of a period of disability. Until July 1, 1957, a freeze application can result in the establishment of a period of disability with full retroactivity to the date of actual onset, if the individual met the eligibility requirements on that date. For applications filed after June 30, 1957, however, such retroactivity will be limited to one year.

Determinations of disability will, for the most part, be made by State vocational rehabilitation agencies or other appropriate State agencies, pursuant to agreements with the Department of Health, Education, and Welfare. The use of State vocational rehabilitation agencies is expected to facilitate referral of disabled persons for rehabilitation services. The Department itself is authorized to make determinations of disability for individuals who are not covered by State agreements.

Miscellaneous Provisions

1. Work Recomputations.--The general requirement for a work recomputation will be (1) 6 quarters of coverage after 1950, and (2) covered earnings of more than \$1,200 in a calendar year after 1953. The qualifying year of earnings must be after the year of initial entitlement and after the year in which the worker last had qualifying earnings resulting in a recomputation. In general, applications for recomputations cannot be filed until July 1 of the year following the year in which the qualifying amount is earned. The increase resulting from the recomputation will then be payable retroactively to the first month following the qualifying year, but in no case can the retroactive period extend beyond 12 months. Recomputations will continue to be made for beneficiaries who prior to January 1, 1955, meet the requirements of the "old law."

2. "Drop-out" Recomputations.--An old-age beneficiary now on the rolls, and one who comes on the rolls in the future but who was eligible for benefits prior to September 1954, can have his benefits recomputed to take advantage of the "drop-out" provisions if (1) he acquires 6 quarters of coverage after June 1953, or (2) he becomes eligible for a work recomputation after August 1954 and has not had the drop-out considered in a previous computation or recomputation, or (3) he files a valid application for a disability determination, or (4) the insured worker dies after the effective date and his survivors are entitled to a work recomputation on

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the basis of his earnings. Beneficiaries who become eligible for an "age 75" recomputation under the provisions of old law after August 1954 and before January 1955 can also have the drop-out recomputation. The special drop-out recomputations will consider all starting dates and closing dates considered in the initial computation of the benefits, and will use the method of benefit computation yielding the largest primary insurance amount.

3. Amendments Relating to the Filing of Applications.—The period for which benefits can be paid retroactively in the event of delayed filing is extended from 6 months to 12 months. In addition, filing requirements are eliminated in certain situations: (a) where an aged widow was entitled to a mother's insurance benefit in the month prior to attainment of age 65, (b) where a mother was entitled to a wife's benefit for the month preceding the month of her husband's death, and (c) where a widow or widower eligible for a lump-sum was entitled to wife's or husband's benefits in the month preceding the month of the spouse's death.

4. Repeal of Requirement of Certain Deductions.—The amendments repeal the requirement for deductions from monthly benefits of lump sums under the 1935 act and also of unpaid taxes on wages for services performed in 1939 after attainment of age 65.

5. Withholding of Old-Age Insurance Benefits for Persons Deported from the United States.—The legislation provides that old-age insurance benefits shall not be payable to any individual deported from the United States after August 1954 because of illegal entry, conviction of a crime, or subversive activity. Dependents' or survivors' benefits on the record of a deported individual will be payable except in the case of non-citizens of the United States who leave the United States. A deported person who is later lawfully readmitted to this country for permanent residence here will be able to receive benefits upon re-entry.

Financing

Employer-employee rates will go to 3 1/2 percent each in 1970 and to 4 percent in 1975. This compares with the rate of 3 1/4 percent for all years after 1969 now scheduled. As at present, the self-employed will pay 1 1/2 times the employee rate.

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Public Assistance

Two amendments are included. One extends the "McFarland Amendment" of 1952, with respect to Federal matching shares in public assistance, through September 30, 1956. The amendment would otherwise expire September 30, 1954. The other amendment extends through June 30, 1957, the provisions of the 1950 amendments for approval of certain State plans for aid to the blind which do not meet the requirements of clause (8) of Section 1002(a) of the Social Security Act, in order to give the States more time to modify their legislation. This provision would otherwise expire June 30, 1955. Only two States (Pennsylvania and Missouri) are affected by the provision.

Amendments to the Railroad Retirement Act

Four amendments are made in the Railroad Retirement Act designed to preserve the present relationship between the railroad retirement system and old-age and survivors insurance. These amendments would (1) change references in the Railroad Retirement Act to "the Social Security Act of 1952" to "the Social Security Act of 1954", (2) permit the retroactive payment of annuities under the railroad program for up to 12 months before the application is filed, (3) permit old-age and survivors insurance wages plus railroad compensation to go as high as \$4,200 for purposes of computing railroad survivor annuities, and (4) include the amended old-age and survivors insurance retirement test as part of the retirement test applying to survivor annuitants under the railroad program.

Victor Christgau

Victor Christgau

Public Law 761 - 83d Congress
Chapter 1206 - 2d Session
H. R. 9366

AN ACT

All 68 Stat. 1052.

To amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Amendments of 1954".

Social Security
Amendments of
1954.

TITLE I—AMENDMENTS TO TITLE II OF THE SOCIAL
SECURITY ACT

EXTENSION OF COVERAGE

DOMESTIC SERVICE, SERVICE NOT IN COURSE OF EMPLOYER'S BUSINESS, AND
AGRICULTURAL LABOR

SEC. 101. (a) (1) Paragraph (2) of section 209 (g) of the Social Security Act is amended to read as follows: 64 Stat. 493.
42 USC 409.

"(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);".

(2) Section 209 (g) of such Act is amended by adding at the end thereof the following new paragraph: 42 USC 410.

"(3) Cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer's trade or business, 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 '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);".

(3) Section 209 (h) of such Act is amended by inserting "(1)" after "(h)" and by adding at the end thereof the following new paragraph:

"(2) Cash remuneration paid by an employer in any calendar year to an employee for agricultural labor, if the cash remuneration paid in such year by the employer to the employee for such labor is less than \$100;".

(4) Section 210 (a) (1) of such Act is amended to read as follows:

"(1) (A) Service performed 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; 46 Stat. 1550.
12 USC 1141j(g).

"(B) Service performed by foreign agricultural workers (i) under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended, or (ii) lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies on a temporary basis to perform agricultural labor;". 65 Stat. 119.
7 USC 1461-
1468.

(5) Section 210 (a) of such Act is amended by striking out paragraph (3) and redesignating paragraphs (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), and (14), and any references thereto contained

All 68 Stat. 1053.

in such Act, as paragraphs (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), and (13), respectively.

42 USC 416.

(6) The second sentence of section 218 (c) (5) of such Act is amended by inserting before the period at the end thereof "and service the remuneration for which is excluded from wages by paragraph (2) of section 209 (h)".

Ante, p. 1052.

AMERICAN CITIZENS EMPLOYED BY AMERICAN EMPLOYERS ON FOREIGN-FLAG VESSELS

Supra.

(b) The paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (4) is amended by striking out "if the individual is employed on and in connection with such vessel or aircraft when outside the United States" and inserting in lieu thereof: "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".

CERTAIN FEDERAL EMPLOYEES

Supra.

(c) (1) Subparagraph (B) of the paragraph of section 210 (a) of the Social Security Act herein redesignated as paragraph (6) is amended—

(A) by inserting "by an individual" after "Service performed", and by inserting "and if such service is covered by a retirement system established by such instrumentality;" after "December 31, 1950;"

(B) by striking out "or" at the end of clause (iii), by adding "or" at the end of clause (iv), and by adding at the end of the subparagraph the following new clause:

"(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 the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard;"

(2) Subparagraph (C) of such paragraph is amended to read as follows:

"(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;

61 Stat. 727.

"(iv) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

"(v) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency; or

46 Stat. 468.
5 USC 691 note.

"(vi) by any individual to whom the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system;"

(3) Section 205 (p) (3) of such Act is amended by adding at the end thereof the following new sentence: "The provisions of paragraphs (1) and (2) shall be applicable also in the case of 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 the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of paragraphs (1) and (2) the Secretary of the Treasury shall be deemed to be the head of such instrumentality." 42 USC 405.

MINISTERS AND CHRISTIAN SCIENCE PRACTITIONERS

(d) (1) Paragraph (2) of subsection (c) of section 211 of the Social Security Act is amended by inserting "and other than service described in paragraph (4) of this subsection" after "eighteen". 42 USC 411.

(2) Such subsection is further amended by adding at the end thereof the following new sentences: "The provisions of paragraph (4) 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 during the period for which a certificate filed by such individual under section 1402 (e) of the Internal Revenue Code of 1954 is in effect. The provisions of paragraph (5) shall not apply to service performed by an individual in the exercise of his profession as a Christian Science practitioner during the period for which a certificate filed by him under section 1402 (e) of the Internal Revenue Code of 1954 is in effect." Post, p. 1088. Post, p. 1055.

(3) Section 211 (a) of the Social Security Act is amended— Post, p. 1055.

- (A) by striking out the period at the end of paragraph (6) (as renumbered by subsection (g) (1) of this section) and inserting in lieu thereof a semicolon, and
- (B) by inserting after such paragraph (6) thereof a new paragraph as follows:

- "(7) An individual who is—
- "(A) a duly ordained, commissioned, or licensed minister of a church or a member of a religious order; and
- "(B) a citizen of the United States performing service described in subsection (c) (4) as an employee of an American employer (as defined in section 210 (e))

shall compute his net earnings from self-employment derived from the performance of service described in subsection (c) (4) without regard to 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." 42 USC 410. 68A Stat. 289, 291.

FISHING AND RELATED SERVICE

(e) Section 210 (a) of the Social Security Act is further amended by striking out paragraph (15) and redesignating paragraphs (16) and (17), and any references thereto contained in such Act, as paragraphs (14) and (15), respectively. 42 USC 410.

HOMEWORKERS

(f) Subparagraph (C) of section 210 (k) (3) of the Social Security Act is amended by striking out "if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed". 42 USC 410.

FARMERS AND PROFESSIONAL SELF-EMPLOYED

42 USC 411, (g) (1) Subsection (a) of section 211 of the Social Security Act is amended by striking out paragraph (2) and redesignating paragraphs (3), (4), (5), (6), and (7), and any references thereto contained in such Act, as paragraphs (2), (3), (4), (5), and (6), respectively, and by adding at the end of such subsection the following new sentence: "In the case of any trade or business which is carried on by an individual who reports his income on a cash receipts and disbursements basis, and in which, if it were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f), (i) if the gross income derived from such trade or business by such individual is not more than \$1,800, the net earnings from self-employment derived by him therefrom may, at his option, be deemed to be 50 per centum of such gross income in lieu of his net earnings from self-employment from such trade or business computed as provided under the preceding provisions of this subsection, or (ii) if the gross income derived from such trade or business by such individual is more than \$1,800 and the net earnings from self-employment derived by him therefrom, as computed under the preceding provisions of this subsection, are less than \$900, such net earnings may instead, at the option of such individual, be deemed to be \$900. For the purpose of the preceding sentence, gross income derived from such trade or business shall mean 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 preceding provisions of this subsection."

42 USC 410,

(2) Paragraph (1) of such section 211 (a) is amended to read as follows:

"(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;"

Post, p. 1061.

(3) The paragraph of such section 211 (a) herein redesignated as paragraph (3) is amended by striking out "cutting or disposal of timber" and inserting in lieu thereof "cutting of timber, or the disposal of timber or coal,"

(4) Section 211 (c) (5) of such Act is amended to read as follows:

"(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, or Christian Science practitioner; or the performance of such service by a partnership."

EMPLOYEES COVERED BY STATE OR LOCAL RETIREMENT SYSTEMS

42 USC 418,

(h) (1) (A) Section 218 (d) of such Act is amended by striking out "Exclusion of" in the heading, by inserting "(1)" after "(d)", and by adding at the end thereof the following sentence: "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."

Post, p. 1057.

(B) Such section 218 (d) is amended by striking out "on the date such agreement is made applicable to such coverage group" and insert-

ing in lieu thereof "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))". Post, P. 1057.

(2) Such section 218 (d) is further amended by adding at the 42 USC 418. end thereof the following new paragraphs:

"(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 service 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 Applicability may be made applicable (either in the original agreement or by any of agreement modification thereof) to service performed by employees in positions with State. 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 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.

All 68 Stat. 1057.

Separate cov-
erage group.

"(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) (C)).

Infra.
Policemen and
firemen.
Ante, p. 1056.

"(5) (A) 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.

"(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 (c), 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) (C) of such subsection, such exclusion may not include any services to which such paragraph (3) (C) 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.

Infra; ante,
p. 1053.

Infra.

"(6) 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. 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 paragraph, the term 'institutions of higher learning' includes junior colleges and teachers' colleges."

"Institutions
of higher
learning."
Exclusions.

(3) Paragraph (3) of section 218 (c) is amended to read as follows:
"(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) Any service of an emergency nature;

"(B) 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;

"(C) 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).”

Ante, p. 1056.
42 USC 418.

(4) Paragraph (4) of such section 218 (c) is amended by adding at the end thereof the following new sentence: “A modification of an agreement pursuant to clause (B) of the preceding sentence may apply to individuals to whom paragraph (3) (C) 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).”

Ante, p. 1057.

Ante, p. 1056.

(5) Such section 218 (c) is further amended by adding at the end thereof the following new paragraph:

“(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) (C) 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.”

Ante, p. 1057.

Ante, p. 1056.

(6) Section 218 (f) of such Act is amended to read as follows:

“(f) 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—

“(1) in the case of an agreement or modification agreed to prior to 1954, such date may not be earlier than December 31, 1950;

“(2) in the case of an agreement or modification agreed to after 1954 but prior to 1958, such date may not be earlier than December 31, 1954; and

“(3) in the case of an agreement or modification agreed to during 1954 or after 1957, such date may not be earlier than the last day of the calendar year preceding the year in which such agreement or modification, as the case may be, is agreed to by the Secretary of Health, Education, and Welfare and the State.”

(7) Section 218 (m) (1) of such Act is amended by striking out “subsection (d)” and inserting in lieu thereof “paragraph (1) of subsection (d)”.

(8) Section 218 of such Act is further amended by adding at the end thereof the following new subsection:

“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 enactment), 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

Ante, p. 1056.

Supra.

subsection, are no longer covered by a retirement system on the date such agreement is made applicable to such services.”
Effective date. (9) The amendments made by this subsection, other than paragraph (1) (B), shall take effect January 1, 1955.

CIVILIAN EMPLOYEES OF STATE NATIONAL GUARD UNITS
AND CERTAIN STATE INSPECTORS

42 USC 418, 39 Stat. 205, (i) (1) Effective as of January 1, 1951, paragraph (5) of section 218 (b) of the Social Security Act is amended by adding at the end thereof the following new sentence: “Civilian employees of National Guard units of a State who are employed pursuant to section 90 of the National Defense Act of June 3, 1916 (32 U. S. C., sec. 42), and paid from funds allotted to such units by the Department of Defense, shall for purposes of this section be deemed to be employees of the State and (notwithstanding the preceding provisions of this paragraph), shall be deemed to be a separate coverage group.”

60 Stat. 1090, 46 Stat. 537. (2) Effective January 1, 1955, such paragraph is further amended by adding after the sentence added by paragraph (1) of this subsection the following new sentence: “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.”

Ante, p. 1058. (3) In the case of any coverage group to which the amendment made by paragraph (1) is applicable, any agreement or modification of an agreement agreed to prior to January 1, 1956, may, notwithstanding section 218 (f) of the Social Security Act, be made effective with respect to services performed by employees as members of such coverage group after any effective date specified therein, but in no case may such effective date be earlier than December 31, 1950.

CERTAIN EMPLOYEES OF THE STATE OF UTAH

42 USC 418, Ante, p. 1058. (j) Effective as of January 1, 1951, section 218 of the Social Security Act is amended by adding after subsection (n) (added by subsection (h) (8) of this section) the following new subsection:

“Certain Employees of the State of Utah

Ante, pp. 1055, 1056, Ante, p. 1058. (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.”

ARIZONA TEACHERS' RETIREMENT SYSTEM

(k) If, prior to January 1, 1956, the agreement with the State of Arizona entered into pursuant to section 218 of the Social Security Act is modified pursuant to subsection (d) (3) of such section so as Ante, p. 1056. to apply to service performed by employees in positions covered by the Arizona Teachers' Retirement System the modification may, notwithstanding section 218 (f) of the Social Security Act, be made effective Ante, p. 1058. with respect to service performed in such positions after an effective date specified in the modification, but in no case may such effective date be earlier than December 31, 1950. For the purposes of any such modification, all employees in positions covered by the Arizona Teachers' Retirement System shall be deemed, notwithstanding the provisions of section 218 (d) (6) of such Act, to constitute a separate Ante, p. 1057. coverage group.

PRESUMED WORK DEDUCTIONS IN CASE OF CERTAIN RETROACTIVE STATE AGREEMENTS

(1) (1) In the case of any services performed prior to 1955 to which an agreement under section 218 of the Social Security Act was 42 USC 418; made applicable, deductions which— ante, pp. 1058,

(A) were not imposed under section 203 of such Act with 1055-1059. respect to such services performed prior to the date the agree- Post, pp. 1070, ment was agreed to or, if the original agreement was not appli- 1073-1078. cable to such services, performed prior to the date the modifica- 42 USC 403. tion, making such agreement applicable to such services was agreed to, and

(B) would have been imposed under such section 203 had such agreement, or modification, as the case may be, been agreed to on the date it became effective,

shall be deemed to have been imposed, but only for purposes of section 215 (f) (2) (A) or section 215 (f) (4) (A) of such Act as in Post, pp. 1066, effect prior to the enactment of this Act. An individual with respect 1068. to whose services the preceding sentence is applicable, or in the case of his death, his survivors entitled to monthly benefits under section

202 of the Social Security Act on the basis of his wages and self- 42 USC 402. employment income, shall be entitled to a recomputation of his Post, pp. 1073, primary insurance amount under such section 215 (f) (2) (A) or 1079, 1083, section 215 (f) (4) (A), as the case may be, if the conditions specified 1085. therein are met and if, with respect to a recomputation under such section 215 (f) (2) (A), such individual files the application referred to in such section after August 1954 and prior to January 1956 or, with respect to a recomputation under such section 215 (f) (4) (A), such individual died prior to January 1956 and any of such survivors, entitled to monthly benefits files an application, in addition to the application filed for such monthly benefits, for a recomputation under such section 215 (f) (4) (A).

(2) For purposes of a recomputation made by reason of paragraph (1) of this subsection, the primary insurance amount of the individual who performed the services referred to in such paragraph shall be computed under subsection (a) (2) of section 215 of the Social Post, p. 1062, Security Act, as amended by this Act (but, for such purposes, without application of subsection (d) (4) of such section, as in effect prior to Post, p. 1065. the enactment of this Act or as amended by this Act) and as though he became entitled to old-age insurance benefits in whichever of the following months yields the highest primary insurance amount:

(A) the month following the last month for which deductions are deemed, pursuant to paragraph (1) of this subsection, to have been made; or

- (B) the first month after the month determined under subparagraph (A) (and prior to September 1954) in which his benefits under section 202 (a) of the Social Security Act were no longer subject to deductions under section 203 (b) of such Act; or
- (C) the first month after the last month (and prior to September 1954) in which his benefits under section 202 (a) of the Social Security Act were subject to deductions under section 203 (b) of such Act; or
- (D) the month in which such individual filed his application for recomputation referred to in paragraph (1) of this subsection or, if he died without filing such application and prior to January 1, 1956, the month in which he died, and in any such case (but, if the individual is deceased, only if death occurred after August 1954) the amendments made by subsections (b) (1), (e) (1) and (e) (3) (B) of section 102 of this Act shall be applicable.
- Such recomputation shall be effective for and after the month in which the application required by paragraph (1) of this subsection is filed. The provisions of this subsection shall not be applicable in the case of any individual if his primary insurance amount has been recomputed under section 215 (f) (2) of the Social Security Act on the basis of an application filed prior to September 1954.
- (3) If any recomputation under section 215 (f) of the Social Security Act is made by reason of deductions deemed pursuant to paragraph (1) of this subsection to have been imposed with respect to benefits based on the wages and self-employment income of any individual, the total of the benefits based on such wages and self-employment income for months for which such deductions are so deemed to have been imposed shall be recovered by making, in addition to any other deductions under section 203 of such Act, deductions from any increase in benefits, based on such wages and self-employment income, resulting from such recomputation.
- 42 USC 202,
post, pp. 1073,
1078.
- Post, pp. 1062,
1065, 1067.
- Post, p. 1066.
- 42 USC 415.
- Post, p. 1066,
et seq.
- 42 USC 203;
post, pp. 1070,
1073-1078.

SERVICE BY AMERICAN CITIZENS FOR FOREIGN SUBSIDIARY OF DOMESTIC CORPORATION

- (m) Clause (B) of so much of section 210 (a) of the Social Security Act as precedes paragraph (1) thereof is amended to read as follows: "(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;"
- 42 USC 410.
- Post, p. 1094.
- 68A Stat. 911.

EFFECTIVE DATES

- (n) The amendment made by paragraph (3) of subsection (g) shall be applicable only with respect to taxable years beginning after 1950. The amendments made by paragraphs (1), (2), and (4) of such subsection and by subsection (d) shall, except for purposes of section 203 of the Social Security Act, be applicable only with respect to
- Ante, p. 1055.
- Ante, p. 1054.
42 USC 203;
post, pp. 1070,
1073-1078.

taxable years ending after 1954. The amendments made by paragraphs (1), (2), and (3) of subsection (a) shall be applicable only Ante, p. 1052. with respect to remuneration paid after 1954. The amendments made by paragraphs (4), (5), and (6) of subsection (a) shall be applicable only with respect to services (whether performed after 1954 or prior to 1955) for which the remuneration is paid after 1954. The amendment made by paragraph (3) of subsection (c) shall become effective Ante, p. 1054. January 1, 1955. The other amendments made by this section (other than the amendments made by subsections (h), (i), (j) and (m) shall be applicable only with respect to services performed after 1954. For purposes of section 203 of the Social Security Act, the amendments made by paragraphs (1), (2), and (4) of subsection (g) and by subsection (d) shall be effective with respect to net earnings from self-employment derived after 1954. The amount of net earnings from self-employment derived during any taxable year ending in, and not with the close of, 1955 shall be credited equally to the calendar quarter in which such taxable year ends and to each of the three or fewer preceding quarters any part of which is in such taxable year; and, for purposes of the preceding sentence of this subsection, net earnings from self-employment so credited to calendar quarters in 1955 shall be deemed to have been derived after 1954.

INCREASE IN BENEFIT AMOUNTS

SEC. 102. (a) Subsection (a) of section 215 of the Social Security Act 42 USC 415, is amended to read as follows:

"PRIMARY INSURANCE AMOUNT

"(a) (1) The primary insurance amount of any individual (i) who does not become eligible for benefits under section 202 (a) until after 42 USC 402. August 1954, or who dies after such month and without becoming eligible for benefits under such section 202 (a), and (ii) with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage, and the primary insurance amount of any individual with respect to whom not less than six of the quarters elapsing after June 30, 1953, are quarters of coverage, shall be whichever of the following amounts is the larger:

"(A) Fifty-five per centum of the first \$110 of his average monthly wage, plus 20 per centum of the next \$240; or

"(B) The amount determined under subsection (c).

Post, p. 1063.

An individual shall, for purposes of this paragraph, be deemed eligible for benefits under section 202 (a) for any month if he was or would have been, upon filing application therefor in such month, entitled to such benefits for such month.

"(2) The primary insurance amount of any other individual shall be the amount determined under subsection (c)."

Post, p. 1063.

(b) (1) Paragraphs (1), (2), and (3) of subsection (b) of such section are amended to read as follows:

"(1) An individual's 'average monthly wage' shall be the quotient Average monthly wage obtained by dividing the total of his wages and self-employment wage income after his starting date (determined under paragraph (2)) and prior to his closing date (determined under paragraph (3)), by the

number of months elapsing after such starting date and prior to such closing date, excluding from such elapsed months any month in any year prior to the year in which he attained the age of twenty-two if less than two quarters of such prior year were quarters of coverage, except that when the number of such elapsed months thus computed (including a computation after the application of paragraph (4)) is less than eighteen, it shall be increased to eighteen.

Infra.

Starting date.

"(2) An individual's 'starting date' shall be—
 "(A) December 31, 1950, or
 "(B) if later, the last day of the year in which he attains the age of twenty-one,
whichever results in the higher primary insurance amount.

Closing date.

"(3) An individual's 'closing date' shall be whichever of the following results in the higher primary insurance amount:

 "(A) the first day of the year in which he died or became entitled to old-age insurance benefits, whichever first occurred; or
 "(B) the first day of the first year in which he both was fully insured and had attained retirement age;

except that if the Secretary determines, on the basis of the evidence available to him at the time of the computation of the individual's primary insurance amount with respect to which such closing date is applicable, that it would result in a higher primary insurance amount for such individual, his closing date shall be the first day of the year following the year referred to in subparagraph (A)."

(2) Paragraph (4) of such subsection (b) is amended to read as follows:

"(4) In the case of any individual, the Secretary shall determine the four or fewer full calendar years after his starting date and prior to his closing date which, if the months of such years and his wages and self-employment income for such years were excluded in computing his average monthly wage, would produce the highest primary insurance amount. Such months and such wages and self-employment income shall be excluded for purposes of computing such individual's average monthly wage. The maximum number of calendar years determined under the first sentence of this paragraph shall be five instead of four in the case of any individual who has not less than twenty quarters of coverage."

(c) Subsection (c) of such section is amended to read as follows:

"Determinations Made by Use of the Conversion Table

Ante, p. 1062.

Post, p. 1065.

"(c) (1) Except as provided in paragraph (2) of this subsection, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for an individual shall be either the amount appearing in column III of the following table on the line on which in column I appears his primary insurance benefit (as determined under subsection (d)), or the amount appearing in column III of the following table on the line on which in column II appears his primary insurance amount (determined as provided in subsection (d)), whichever produces the higher amount; and his average monthly wage shall, for purposes of

section 203 (a), be the amount appearing in column IV on the line on which, in column III, appears such higher amount. 42 USC 403. Post, pp. 1070, 1073-1078.

I If the primary insurance benefit (as determined under subsection (d)) is--	II Or the primary insurance amount (as determined under subsection (d)) is--	III The amount referred to in paragraphs (1) (B) and (2) of subsection (a) shall be--	IV And the average monthly wage for purposes of computing maximum benefits shall be--
\$10.....	\$25.00	\$30.00	\$55.00
\$11.....	27.00	32.00	58.00
\$12.....	29.00	34.00	62.00
\$13.....	31.00	36.00	65.00
\$14.....	33.00	38.00	69.00
\$15.....	35.00	40.00	73.00
\$16.....	36.70	41.70	76.00
\$17.....	38.20	43.20	79.00
\$18.....	39.50	44.50	81.00
\$19.....	40.70	45.70	83.00
\$20.....	42.00	47.00	85.00
\$21.....	43.50	48.50	88.00
\$22.....	45.30	50.30	91.00
\$23.....	47.50	52.50	95.00
\$24.....	50.10	55.10	100.00
\$25.....	52.40	57.40	104.00
\$26.....	54.40	59.40	108.00
\$27.....	56.30	61.30	114.00
\$28.....	58.00	63.00	123.00
\$29.....	59.40	64.40	130.00
\$30.....	60.80	66.30	139.00
\$31.....	62.00	67.90	147.00
\$32.....	63.30	69.50	155.00
\$33.....	64.40	71.10	163.00
\$34.....	65.50	72.50	170.00
\$35.....	66.60	73.90	177.00
\$36.....	67.80	75.50	185.00
\$37.....	68.80	77.10	193.00
\$38.....	70.00	78.50	200.00
\$39.....	71.00	79.90	207.00
\$40.....	72.00	81.10	213.00
\$41.....	73.10	82.70	221.00
\$42.....	74.10	83.90	227.00
\$43.....	75.10	85.30	234.00
\$44.....	76.10	86.70	241.00
\$45.....	77.10	88.50	250.00
\$46.....	77.10	88.50	250.00
	77.20	88.50	250.00
	77.30	88.50	250.00
	77.40	88.50	250.00
	77.50	88.50	250.00
	78.00	89.10	253.00
	79.00	90.50	260.00
	80.10	91.90	267.00
	81.00	93.10	273.00
	82.00	94.50	280.00
	83.10	95.90	287.00
	84.00	97.10	293.00
	85.00	98.50	300.00

"(2) (A) In case the primary insurance benefit (determined as provided in subsection (d)) of an individual falls between the amounts on any two consecutive lines in column I of the table, the amount referred to in paragraphs (1) (b) and (2) of subsection (a) for such individual shall be the amount determined (i) by applying the formula in subsection (a) (1) to the average monthly wage which would be determined for such individual under paragraph (4) of this subsection as in effect prior to the enactment of the Social Security Amendments of 1954, (ii) by increasing the amount determined under clause (i), if it is not a multiple of \$0.10, to the next higher multiple of \$0.10, and (iii) by further increasing such amount to the extent, if any, it is less than \$5 greater than the primary insurance amount which would be determined for him by use of his primary insurance benefit under paragraph (2) of this subsection as in effect prior to the enactment of the Social Security Amendments of 1954.

42 USC 415.

"(b) In case the primary insurance amount (determined under subsection (d)) of an individual falls between the amounts on any two consecutive lines in column II of the table, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual

Post, p. 1065.

Ante, p. 1062.

411 65 Stat. 1065.

shall be the amount determined under subparagraph (A) of this paragraph for an individual whose primary insurance benefit would (under paragraph (2) of this subsection as in effect prior to the enactment of the Social Security Amendments of 1954) produce such primary insurance amount; except that, if there is no primary insurance benefit which would (under such paragraph (2)) produce such primary insurance amount or if such primary insurance amount is higher than \$77.10, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the amount determined (i) by applying the formula in subsection (a) (1) to the average monthly wage from which such primary insurance amount was determined, (ii) by increasing the amount determined under clause (i), if it is not a multiple of \$0.10, to the next higher multiple of \$0.10, and (iii) by further increasing such amount to the extent, if any, it is less than \$5 greater than such primary insurance amount.

Ante, p. 1062.

“(C) If the provisions of subparagraphs (A) and (B) of this paragraph are both applicable to an individual, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the larger of the amounts determined under such subparagraphs.

42 USC 402;
post, pp. 1073,
1079, 1083,
1085.

“(3) For the purpose of facilitating the use of the conversion table in computing any insurance benefit under section 202, the Secretary is authorized to assume that the primary insurance benefit from which such benefit under section 202 is determined is one cent or two cents more or less than its actual amount.

42 USC 403;
post, pp. 1070,
1073-1078.

“(4) For purposes of section 203 (a), the average monthly wage of an individual whose primary insurance amount is determined under paragraph (2) of this subsection shall be a sum equal to the average monthly wage which would result in such primary insurance amount upon the application of the provisions of subsection (a) (1) (A) of this section and without the application of subsection (e) (2) or (g) of this section; except that, if such sum is not a multiple of \$1, it shall be rounded to the nearest multiple of \$1 (or to the next higher multiple of \$1 if it is a multiple of \$0.50).”

(d) (1) The heading of subsection (d) of such section is amended to read “Primary Insurance Benefit and Primary Insurance Amount For Purposes of Conversion Table”.

(2) So much of such subsection (d) as precedes paragraph (1) thereof is amended by inserting “and the primary insurance amounts” after “primary insurance benefits”.

(3) So much of paragraph (4) of such subsection (d) as precedes subparagraph (A) is amended by inserting “(except an individual who attained age twenty-two after 1950 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage)” after “individual”.

Post, p. 1079.

(4) Such subsection (d) is amended by adding after paragraph (5), added by section 106 of this Act, the following new paragraph:

Ante, p. 1062;
post, pp. 1078,
1079.

“(6) The primary insurance amount of any individual shall be computed as provided in this section as in effect prior to the enactment of this paragraph, except that the amendments made by sections 102 (b) (other than paragraph (2) thereof), 104, and 106 of the Social Security Amendments of 1954 (relating, respectively, to increase in benefit amounts, increase in earnings counted, and periods of disability) shall, to the extent provided by such sections, be applicable to such computation.”

Post, pp. 1078,
1080.

(e) (1) Section 215 (e) of such Act is amended by striking out “and” at the end of paragraph (1), by changing the period at the end of paragraph (2) to a semicolon, and by adding after such paragraph (2) the following new paragraph:

“(3) if an individual’s closing date is determined under paragraph (3) (A) of subsection (b) and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he becomes entitled to old-age insurance benefits, there shall not be counted, in determining his average monthly wage, his self-employment income in such taxable year, except as provided in section 215 (f) (3) (C); and” Ante, p. 1063.
Post, p. 1067.

(2) Section 215 (f) (2) of such Act is amended to read as follows:

“(2) (A) Upon application filed after 1954 by an individual entitled to old-age insurance benefits, the Secretary shall recompute his primary insurance amount if—

“(i) he has not less than six quarters of coverage in the period after 1950 and prior to the quarter in which such application is filed,

“(ii) he has wages and self-employment income of more than \$1,200 in a calendar year which occurs after 1953 (not taking into account any year prior to the calendar year in which the last previous recomputation, if any, of his primary insurance amount was effective) and after the year in which he became (without the application of section 202 (j) (1)) entitled to old-age insurance benefits or filed an application for recomputation (to which he is entitled) under section 102 (e) (5) (B) or 102 (f) (2) (B) of the Social Security Amendments of 1954, whichever of such events is the latest, and Post, p. 1079.
Post, pp. 1069, 1071.

“(iii) he filed such application no earlier than six months after such calendar year referred to in clause (ii) in which he had such wages and self-employment income.

Such recomputation shall be effective for and after the twelfth month before the month in which he filed such application for recomputation but in no event earlier than the month following such calendar year referred to in clause (ii). For the purposes of this subparagraph an individual’s self-employment income shall be allocated to calendar quarters in accordance with section 212.

42 USC 412.

“(B) A recomputation pursuant to subparagraph (A) shall be made as provided in subsection (a) of this section and as though the individual first became entitled to old-age insurance benefits in the month in which he filed the application for such recomputation, but only if the provisions of subsection (b) (4) were not applicable to the last previous computation of his primary insurance amount. If the provisions of subsection (b) (4) were applicable to such previous computation, the recomputation under subparagraph (A) of this paragraph shall be made only as provided in subsection (a) (1) (other than subparagraph (B) thereof) and for such purposes his average monthly wage shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed the application for recomputation under subparagraph (A), except that, of the provisions of paragraph (3) of subsection (b), only the provisions of subparagraph (A) thereof shall be applicable.” Ante, p. 1063.
Ante, p. 1062.
Ante, p. 1063.

(3) (A) Section 215 (f) (3) of such Act is amended to read as follows:

“(3) (A) Upon application by an individual—

“(i) who became (without the application of section 202 (j) (1)) entitled to old-age insurance benefits under section 202 (a) after August 1954, or Post, p. 1079.
42 USC 402.

“(ii) whose primary insurance amount was recomputed under section 102 (e) (5) or 102 (f) (2) (B) of the Social Security Amendments of 1954, or Post, pp. 1068, 1071.

All 68 Stat. 1067.

Recomputation of primary insurance amount. " (iii) whose primary insurance amount was recomputed as provided in the first sentence of paragraph (2) (B) of this subsection on the basis of an application filed after August, 1954, the Secretary shall recompute his primary insurance amount if such application is filed after the year in which he became entitled to old-age insurance benefits or in which he filed his application for the last recomputation (to which he was entitled) of his primary insurance amount under any provision of law referred to in clause (ii) or (iii) of this sentence, whichever is the later. Such recomputation under this subparagraph shall be made in the manner provided in the preceding subsections of this section for computation of his primary insurance amount, except that his closing date for purposes of subsection (b) shall be the first day of the year following the year in which he became entitled to old-age insurance benefits or in which he filed his application for the last recomputation (to which he was entitled) of his primary insurance amount under any provision of law referred to in clause (ii) or (iii) of the preceding sentence, whichever is the later. Such recomputation under this subparagraph shall be effective for and after the first month for which his last previous computation of his primary insurance amount was effective, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed.

42 USC 402.

Post, pp. 1069, 1071.

Ante, p. 1063.

"(B) In the case of an individual who dies after August 1954—
 "(i) who, at the time of death, was not entitled to old-age insurance benefits under section 202 (a), or who became entitled to old-age insurance benefits under section 202 (a) after August 1954, or whose primary insurance amount was recomputed under paragraph (2) or (4) of this subsection, or section 102 (e) (5) or section 102 (f) (2) (B) of the Social Security Amendments of 1954, on the basis of an application filed after August 1954; and
 "(ii) with respect to whom the last previous computation or recomputation of his primary insurance amount was based upon a closing date determined under subparagraph (A) or (B) of subsection (b) (3) of this section,

the Secretary shall recompute his primary insurance amount upon the filing of an application by a person entitled to monthly benefits or a lump-sum death payment on the basis of his wages and self-employment income. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount, except that his closing date for purposes of subsection (b) shall be the day following the year of death in case he died without becoming entitled to old-age insurance benefits, or, in case he was entitled to old-age insurance benefits, the day following the year in which was filed the application for the last previous computation of his primary insurance amount or in which the individual died, whichever first occurred. In the case of monthly benefits, such recomputation shall be effective for and after the month in which the person entitled to such monthly benefits became so entitled, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed."

(B) Such section 215 (f) (3) is further amended by adding after subparagraph (B) (added by subparagraph (A) of this paragraph) the following new subparagraph:

Ante, p. 1063.

"(C) If an individual's closing date is determined under paragraph (3) (A) of subsection (b) of this section and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he became entitled to old-age insurance benefits, the Secretary shall recompute his primary insurance amount after the close of such taxable year,

taking into account only such self-employment income in such taxable year as is, pursuant to section 212, allocated to calendar quarters prior to such closing date. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits." 42 USC 412.

(4) Section 215 (f) (4) of such Act is amended to read as follows:

"(4) Upon the death after 1954 of an individual entitled to old-age insurance benefits, if any person is entitled to monthly benefits, or to a lump-sum death payment, on the basis of the wages and self-employment income of such individual, the Secretary shall recompute the decedent's primary insurance amount, but only if— 42 USC 412.

"(A) the decedent would have been entitled to a recomputation under paragraph (2) (A) (without the application of clause (iii) thereof) if he had filed application therefor in the month in which he died; or 42 USC 412.

"(B) the decedent during his lifetime was paid compensation which was treated under section 205 (o) as remuneration for employment. 42 USC 405.

If the recomputation is permitted by subparagraph (A) the recomputation shall be made (if at all) as though he had filed application for a recomputation under paragraph (2) (A) in the month in which he died, except that such recomputation shall include any compensation (described in section 205 (o)) paid to him prior to the closing date which would have been applicable under such paragraph. If recomputation is permitted by subparagraph (B) the recomputation shall take into account only the wages and self-employment income which were taken into account in the last previous computation of his primary insurance amount and the compensation (described in section 205 (o)) paid to him prior to the closing date applicable to such computation. If both of the preceding sentences are applicable to an individual, only the recomputation which results in the larger primary insurance amount shall be made." 42 USC 405.

(5) (A) In the case of any individual who, upon filing application therefor before September 1954, would (but for the provisions of section 215 (f) (6) of the Social Security Act) have been entitled to a recomputation under subparagraph (A) or (B) of section 215 (f) (2) of such Act as in effect prior to the enactment of this Act, the Secretary shall recompute such individual's primary insurance amount, but only if he files an application therefor or, in case he died before filing such application, an application for monthly benefits or a lump-sum death payment on the basis of his wages and self-employment income is filed. Such recomputation shall be made only as provided in subsection (a) (2) of section 215 of the Social Security Act, as amended by this Act, through the use of a primary insurance amount determined under subsection (d) (6) of such section in the same manner as for an individual to whom subsection (a) (1) of such section, as in effect prior to the enactment of this Act, is applicable; and such recomputation shall take into account only such wages and self-employment income as would be taken into account under section 215 (b) of the Social Security Act if the month in which the application for recomputation is filed, or if the individual died without filing the application for recomputation, the month in which he died, were deemed to be the month in which he became entitled to old-age insurance benefits. In the case of monthly benefits, such recomputation shall be effective for and after the month in which such application for recomputation is filed or, if the individual has died without filing the application, for and after the month in which the person filing the application for monthly survivor benefits becomes entitled to such benefits. 42 USC 415. Ante, p. 1066. Ante, p. 1062. Ante, p. 1065. Ante, p. 1062.

All 68 Stat. 1069.

(B) In the case of—

Ante, p. 1066. (i) any individual who is entitled to a recomputation under subparagraph (A) of section 215 (f) (2) of the Social Security Act as in effect prior to the enactment of this Act on the basis of an application filed after August 1954, or who died after such month leaving any survivors entitled to a recomputation under section 215 (f) (4) of the Social Security Act as in effect prior to the enactment of this Act on the basis of his wages and self-employment income, and whose sixth quarter of coverage after 1950 was acquired after August 1954 or with respect to whom the twelfth month referred to in such subparagraph (A) occurred after such month, and

Ante, p. 1066. (ii) any individual who is entitled to a recomputation under section 215 (f) (2) (B) of the Social Security Act as in effect prior to the enactment of this Act on the basis of an application filed after August 1954, or who died after August 1954 leaving any survivors entitled to a recomputation under section 215 (f) (4) of the Social Security Act as in effect prior to the enactment of this Act on the basis of his wages and self-employment income, and whose sixth quarter of coverage after 1950 was acquired after August 1954 or who did not attain the age of seventy-five prior to September 1954,

the recomputation of his primary insurance amount shall be made in the manner provided in section 215 of the Social Security Act, as amended by this Act, for computation of such amount, except that his closing date, for purposes of subsection (b) of such section 215, shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed such application for or, if he has died, in the month in which he died. In the case of monthly benefits, such recomputation shall be effective for and after the month in which such application for recomputation is filed or, if the individual has died without filing the application, for and after the month in which the person filing the application for monthly survivors benefits becomes entitled to such benefits.

42 USC 415; ante, pp.1062, 1063, 1065-1068; post, pp. 1078-1080.

(C) An individual or, in case of his death, his survivors entitled to a lump-sum death payment or to monthly benefits under section 202 of the Social Security Act on the basis of his wages and self-employment income shall be entitled to a recomputation of his primary insurance amount under section 215 (f) (2) or section 215 (f) (4) of the Social Security Act as in effect prior to the date of enactment of this Act only if (i) he had not less than six quarters of coverage in the period after 1950 and prior to January 1, 1955, and (ii) either the twelfth month referred to in subparagraph (A) of such section 215 (f) (2) occurred prior to January 1, 1955, or he attained the age of 75 prior to 1955, and (iii) he meets the other conditions of entitlement to such a recomputation. No individual shall be entitled to a recomputation under subparagraph (A) or (B) of this paragraph if his primary insurance amount has previously been recomputed under either of such subparagraphs.

42 USC 402; post, pp.1073, 1079, 1083, 1085, Ante, pp.1066, 1068.

(6) In the case of an individual who died or became (without the application of section 202 (j) (1) of the Social Security Act) entitled to old-age insurance benefits in 1956 and with respect to whom not less than six of the quarters elapsing after 1954 and prior to the quarter following the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred, are quarters of coverage, his primary insurance amount shall be computed under section 215 (a) (1) (A) of such Act, as amended by this Act, with a starting date of December 31, 1954, and a closing date of July 1, 1956, but only if it would result in a higher primary insurance amount. For

Post, p.1079.

Ante, p. 1062.

the purposes of section 215 (f) (3) (C) of such Act, the determination of an individual's closing date under the preceding sentence shall be considered as a determination of the individual's closing date under section 215 (b) (3) (A) of such Act, and the recomputation provided for by such section 215 (f) (3) (C) shall be made using July 1, 1956, as the closing date, but only if it would result in a higher primary insurance amount. In any such computation on the basis of a July 1, 1956 closing date, the total of his wages and self-employment income after December 31, 1955, shall, if it is in excess of \$2,100, be reduced to such amount. *Ante*, p. 1067.
Ante, p. 1063.

(7) Section 203 (a) of such Act is amended to read as follows: 42 USC 403.

"(a) Whenever the total of monthly benefits to which individuals are entitled under section 202 for a month on the basis of the wages and self-employment income of an insured individual is more than \$50 and exceeds (1) 80 per centum of his average monthly wage, or (2) one and one-half times his primary insurance amount, whichever is the greater, such total of benefits shall, after any deductions under this section, be reduced to 80 per centum of his average monthly wage or to one and one-half times his primary insurance amount, whichever is the greater, but in no case to less than \$50; except that 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, after any deductions under this section, shall not be reduced to less than 80 per centum of the sum of the average monthly wages of all such insured individuals. In any case in which the total of the benefits referred to in the preceding sentence, after reduction (if any) thereunder, is more than \$200, such total shall, notwithstanding the provisions of such sentence, be reduced to \$200. Whenever a reduction is made under this subsection, each benefit, except the old-age insurance benefit, shall be proportionately decreased." 42 USC 402; *post*, pp. 1073, 1083, 1085.

(8) In the case of an individual who became (without the application of section 202 (j) (1)) entitled to old-age insurance benefits or died prior to September 1954, the provisions of section 215 (f) (3) as in effect prior to the enactment of this Act shall be applicable as though this Act had not been enacted. 42 USC 402.

(f) (1) The amendments made by the preceding subsections, other than subsection (b) and paragraphs (1), (2), (3), and (4) of subsection (e), shall (subject to the provisions of paragraph (2) and notwithstanding the provisions of section 215 (f) (1) of the Social Security Act) apply in the case of lump-sum death payments under section 202 of such Act with respect to deaths occurring after, and in the case of monthly benefits under such section for months after, August 1954. 42 USC 415.

(2) (A) The amendment made by subsection (b) (2) shall be applicable only in the case of monthly benefits for months after August 1954, and the lump-sum death payment in the case of death after August 1954, based on the wages and self-employment income of an individual (i) who does not become eligible for benefits under section 202 (a) of the Social Security Act until after August 1954, or (ii) who dies after August 1954, and without becoming eligible for benefits under such section 202 (a), or (iii) who is or has been entitled to have his primary insurance amount recomputed under section 215 (f) (2) of the Social Security Act, as amended by subsection (e) (2) of this section, or under subsection (e) (5) (B) of this section, or (iv) with respect to whom not less than six of the quarters elapsing after June 1953 are quarters of coverage (as defined in such Act), or (v) who files an application for a disability determination which is 42 USC 402; *post*, pp. 1073, 1079, 1083, 1085.

Ante, p. 1066.
Ante, p. 1069.

All 68 Stat. 1071.

- Post, p. 1080. accepted as an application for purposes of section 216 (i) of such Act, or (vi) who dies after August 1954, and whose survivors are (or would, but for the provisions of section 215 (f) (6) of such Act, be) entitled to a recomputation of his primary insurance amount under section 215 (f) (4) (A) of such Act, as amended by this Act. For purposes of the preceding sentence an individual shall be deemed eligible for benefits under section 202 (a) of the Social Security Act for any month if he was, or would upon filing application therefor in such month have been, entitled to such benefits for such month.
- 42 USC 415.
- Ante, p. 1068.
- 42 USC 402. (B) In the case of any individual entitled to old-age insurance benefits under section 202 (a) of the Social Security Act who was or, upon filing application therefor, would have been entitled to such benefits for August 1954, to whom subparagraph (A) is inapplicable, and with respect to whom not less than six of the quarters elapsing after June 30, 1953, are quarters of coverage, the Secretary of Health, Education, and Welfare shall, notwithstanding the provisions of section 215 (f) (1) of the Social Security Act, recompute the primary insurance amount of such individual but only upon the filing of an application, after August 1954, by him or, if he dies without filing such an application, by any person entitled to monthly survivors benefits under section 202 of such Act on the basis of such individual's wages and self-employment income. Such recomputation shall be made in the manner provided in section 215 of the Social Security Act for computation of such individual's primary insurance amount, except that the provisions of subsection (f) of such section (other than paragraph (3) (C) thereof) shall not be applicable for purposes of such computation, and except that his closing date, for purposes of subsection (b) of such section, shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed such application for recomputation or, if he died without filing such application, the month in which he died. Such recomputation shall be effective (i) if the application is filed by such individual, for and after the twelfth month before the month in which the application therefor was filed by such individual but in no case before the first month of the quarter which is such individual's sixth quarter of coverage acquired after June 30, 1953, or (ii) if such application was filed by a person entitled to monthly survivors benefits under section 202 of the Social Security Act on the basis of such individual's wages and self-employment income, for and after the first month for which such person was entitled to such survivors benefits. No such recomputation of an individual's primary insurance amount shall be effective unless it results in a higher primary insurance amount for him; nor shall any such recomputation of an individual's primary insurance amount be effective if such amount has previously been recomputed under this subsection.
- 42 USC 415.
- 42 USC 402; post, pp. 1073, 1079, 1083, 1085.
- 42 USC 415; ante, pp. 1062, 1063, 1065-1068; post, pp. 1078-1080.
- Ante, pp. 1062, 1065. (3) The amendments made by subsections (b) (1), (e) (1), and (e) (3) (B) shall be applicable only in the case of monthly benefits based on the wages and self-employment income of an individual who does not become entitled to old-age insurance benefits under section 202 (a) of the Social Security Act until after August 1954, or who dies after August 1954 without becoming entitled to such benefits, or who files an application after August 1954 and is entitled to a recomputation under paragraph (2) or (4) of section 215 (f) of the Social Security Act, as amended by this Act, or who is entitled to a recomputation under paragraph (2) (B) of this subsection, or who is entitled to a recomputation under paragraph (5) of subsection (e).
- 42 USC 402. (4) The amendments made by subsection (e) (2) shall be applicable only in the case of applications for recomputation filed after 1954. The amendment made by subsection (e) (4) shall be applicable only in the case of deaths after 1954.
- Ante, p. 1066.
- Ante, p. 1066.
- Ante, p. 1068.
- Ante, p. 1066.
- Ante, p. 1068.

(5) The amendments made by subparagraph (A) of subsection (e) (3) shall be applicable only in the case of applications for recomputation filed, or deaths occurring, after August 1954. *Ante*, p. 1066.

(6) No increase in any benefit by reason of the amendments made by this section (other than subsection (e)) or by reason of subparagraph (B) of paragraph (2) of this subsection shall be regarded as a recomputation for purposes of section 215 (f) of the Social Security Act. 42 USC 415; *ante*, pp. 1062, 1063, 1065-1068; *post*, pp. 1078-1080.

(g) Effective September 1, 1954, section 2 (c) (2) (B) of the Social Security Act Amendments of 1952 is amended to read as follows: 66 Stat. 769. 42 USC 415 notes.

“(B) The provisions of subparagraph (A) shall cease to apply to the benefit of any individual under title II of the Social Security Act for any month after August 1954.” 42 USC 401-421.

(h) (1) Where—

(A) an individual was entitled (without the application of section 202 (j) (1) of the Social Security Act) to an old-age insurance benefit under title II of such Act for August 1954; *Post*, p. 1079.

(B) one or more other persons were entitled (without the application of such section 202 (j) (1)) to monthly benefits under such title for such month on the basis of the wages and self-employment income of such individual; and

(C) the total of the benefits to which all persons are entitled under such title on the basis of such individual’s wages and self-employment income for any subsequent month for which he is entitled to an old-age insurance benefit under such title, would (but for the provisions of this paragraph) be reduced by reason of the application of section 203 (a) of the Social Security Act, *Ante*, p. 1070. as amended by this Act.

then the total of benefits referred to in clause (C) for such subsequent month shall be reduced to whichever of the following is the larger—

(D) the amount determined pursuant to section 203 (a) of the Social Security Act, as amended by this Act; or

(E) the amount determined pursuant to such section, as in effect prior to the enactment of this Act, for August 1954 plus the excess of (i) the amount of his old-age insurance benefit for such month computed as if the amendments made by the preceding subsections of this section had been applicable in the case of such benefit for such month over (ii) the amount of his old-age insurance benefit for such month, or

(F) the amount determined pursuant to section 2 (d) (1) of the Social Security Act Amendments of 1952 for August 1954 plus the excess of (i) the amount of his old-age insurance benefit for such month computed as if the amendments made by the preceding subsections of this section had been applicable in the case of such benefit for such month over (ii) the amount of his old-age insurance benefit for such month. 42 USC 415 notes.

(2) Where—

(A) two or more persons were entitled (without the application of section 202 (j) (1) of the Social Security Act) to monthly benefits under title II of such Act for August 1954 on the basis of the wages and self-employment income of a deceased individual; and *Post*, p. 1079. 42 USC 401-421.

(B) the total of the benefits to which all such persons are entitled on the basis of such deceased individual’s wages and self-employment income for any subsequent month would (but for the provisions of this paragraph) be reduced by reason of the application of the first sentence of section 203 (a) of the Social Security Act, as amended by this Act, *Ante*, p. 1070.

then, notwithstanding any other provision in title II of the Social Security Act, such deceased individual’s average monthly wage shall,

for purposes of such section 203 (a), be whichever of the following is the larger:

- 42 USC 415;
ante, pp. 1062,
1063, 1065-
1068;
post, pp.
1078-1080,
42 USC 402;
post, pp. 1079,
1083, 1085.
- (C) his average monthly wage determined pursuant to section 215 of such Act, as amended by this Act; or
(D) his average monthly wage determined under such section 215, as in effect prior to the enactment of this Act, plus \$7.
- (i) (1) Section 202 of such Act is amended by inserting after subsection (l) the following new subsection:

"Minimum Survivor's or Dependent's Benefit

"(m) In any case in which the benefit of any individual for any month under this section (other than subsection (a)) is, prior to reduction under subsection (k) (3), less than \$30 and no other individual is (without the application of section 202 (j) (1)) entitled to a benefit under this section for such month on the basis of the same wages and self-employment income, such benefit for such month shall, prior to reduction under such subsection (k) (3), be increased to \$30."
(2) The first sentence of subsection (i) of such section 202 is amended by inserting "or an amount equal to \$255, whichever is the smaller" after "primary insurance amount".

Post, p. 1079.

AMENDMENTS RELATING TO DEDUCTIONS FROM BENEFITS

42 USC 403;
post, p. 1078.

SEC. 103. (a) (1) Section 203 (b) of the Social Security Act is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following new paragraph:

"(1) in which such individual is under the age of seventy-two and for which month he is charged with any earnings under the provisions of subsection (e) of this section; or".

(2) Such section 203 (b) is amended by inserting after paragraph (1) (inserted by paragraph (1) of this subsection) the following new paragraph:

"(2) 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".

Post, p. 1078.

(b) (1) Section 203 (c) of such Act is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following new paragraph:

"(1) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age of seventy-two and for which month he is charged with any earnings under the provisions of subsection (e) of this section; or".

(2) Such section 203 (c) is amended by inserting after paragraph (1) (inserted by paragraph (1) of this subsection) the following new paragraph:

"(2) in which the individual referred to in paragraph (1) 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."

(c) The second sentence of section 203 (d) of such Act is amended to read as follows: "The charging of earnings to any month shall be treated as an event occurring in such month."

Post, p. 1078.

(d) (1) The heading of section 203 (e) of such Act is amended to read "Months to Which Earnings Are Charged".

(2) Paragraphs (1) and (2) of such section 203 (e) are amended to read as follows:

"(1) If an individual's earnings for a taxable year of twelve months are not more than \$1,200, no month in such year shall be

charged with any earnings. If an individual's earnings for a taxable year of less than twelve months are not more than the product of \$100 times the number of months in such year, no month in such year shall be charged with any earnings.

"(2) If an individual's earnings for a taxable year of twelve months are in excess of \$1,200, the amount of his earnings in excess of \$1,200 shall be charged to months as follows: The first \$80 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of \$80 per month to each preceding month in such year to which such charging is not prohibited by the last sentence of this paragraph, until all of such balance has been applied. If an individual's earnings for a taxable year of less than twelve months are more than the product of \$100 times the number of months in such year, the amount of such earnings in excess of such product shall be charged to months as follows: The first \$80 of such excess shall be charged to the last month of such taxable year, and the balance, if any, shall be charged at the rate of \$80 per month to each preceding month in such year to which such charging is not prohibited by the last sentence of this paragraph, until all of such balance has been applied. Notwithstanding the preceding provisions of this paragraph, no part of the excess referred to in such provisions shall be charged to any month (A) for which the individual whose earnings are involved was not entitled to a benefit under this title, (B) in which an event described in paragraph (2), (3), (4), or (5) of subsection (b) occurred, (C) in which such individual was age seventy-two or over, or (D) in which such individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (4) of this subsection) of more than \$80."

42 USC 403;
ante, p. 1073;
post, p. 1078.

(3) Paragraph (3) (B) of such section 203 (e) is amended to read as follows:

"(B) For purposes of clause (D) of paragraph (2)—

"(i) 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 (4) 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.

"(ii) An individual will be presumed, with respect to any month, to have rendered services for wages (determined as provided in paragraph (4) of this subsection) of more than \$80 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."

(4) Such section 203 (e) is further amended by adding at the end thereof the following new paragraphs:

"(4) (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) In determining an individual's net earnings from self-employment and his net loss from self-employment for purposes

42 USC 411;
ante, pp. 1054,
1055; post, p.
1078.

of subparagraph (A) of this paragraph and subparagraph (B) of paragraph (3), the provisions of section 211, other than paragraphs (1), (4), and (5) of subsection (c), shall be applicable; and any excess of income over deductions resulting from such a computation shall be his net earnings from self-employment and any excess of deductions over income so resulting shall be his net loss from self-employment.

42 USC 409;
ante, p. 1052;
post, p. 1078.
42 USC 410;
ante, pp. 1052-
1054, 1061.

“(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 subsections (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, 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.

“(5) For purposes of this subsection, wages (determined as provided in paragraph (4) (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 show 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.”

42 USC 403.

(e) Section 203 (f) of such Act is amended to read as follows:

“Penalty for Failure To Report Certain Events

“(f) Any individual in receipt of benefits subject to deduction under subsection (b) or (c), (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an event specified in subsection (b) (1) or (c) (1)), who fails to report such occurrence to the Secretary prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred, shall suffer an additional deduction equal to that imposed under subsection (b) or (c), except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month’s benefit even though the failure to report is with respect to more than one month.”

(f) (1) The heading of section 203 (g) of such Act is amended to read “Report of Earnings to Secretary”.

42 USC 402;
ante, p. 1073;
post, pp.
1079, 1083,
1085.
Ante, p. 1074.

(2) The first sentence of paragraph (1) of section 203 (g) of such Act is amended to read as follows: “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 (4) of subsection (e), in excess of the product of \$100 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.”

(3) The third sentence of paragraph (1) of such section 203 (g) is amended by striking out “seventy-five” and inserting in lieu thereof “seventy-two”.

(4) Paragraph (2) of such section 203 (g) is amended to read as follows:

“(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, for any taxable year and any deduction is imposed under subsection (b) (1) by reason of his earnings for such year, he shall suffer additional deductions as follows:

“(A) if such failure is the first one with respect to which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

42 USC 402;
ante, p. 1073;
post, pp. 1079,
1083, 1085.

“(B) if such failure is the second one for which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to two times his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

“(C) if such failure is the third or a subsequent one for which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to three times his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

except that the number of the additional deductions required by this paragraph with respect to a failure to report earnings for a taxable year shall not exceed the number of months in such year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (1) by reason of his earnings. In determining whether a failure to report earnings is the first or a subsequent failure for any individual, all taxable years ending prior to the imposition of the first additional deduction under this paragraph, other than the latest one of such years, shall be disregarded.”

(5) Paragraph (3) of such section 203 (g) is amended by striking out “subsection (b) (2)” each time it appears and inserting in lieu thereof “subsection (b) (1)”; by striking out “net earnings from self-employment” each time it appears and inserting in lieu thereof “earnings”; by striking out “such net earnings” and inserting in lieu thereof “such earnings”; and by adding at the end of such paragraph the following new sentence: “If, after the close of a taxable year of an individual entitled to benefits under section 202 for such year, the Secretary requests such individual to furnish a report of his earnings (as computed pursuant to paragraph (4) of subsection (e)) for such taxable year or any other information with respect to such earnings which the Secretary may specify, and the individual fails to comply with such request, such failure shall in itself constitute justification for a determination that such individual’s benefits are subject to deductions under subsection (b) (1) for each month in such taxable year (or only for such months thereof as the Secretary may specify) by reason of his earnings for such year.”

42 USC 402;
ante, p. 1073;
post, pp. 1079,
1083, 1085.

(6) The heading of section 203 (j) of such Act is amended by striking out “Seventy-five” and inserting in lieu thereof “Seventy-two” and such section is amended by striking out “seventy-five” and inserting in lieu thereof “seventy-two”.

42 USC 403; post,
p. 1078.

(g) Section 203 of such Act is amended by adding at the end thereof the following new subsection:

“Noncovered Remunerative Activity Outside the United States

42 USC 410;
ante, pp.1052-
1054, 1061.

42 USC 411;
ante, pp.1053,
1054.

68A Stat. 45.

“(k) An individual shall be considered to be engaged in noncovered remunerative activity outside the United States if he performs services outside the United States as an employee and such services do not constitute employment as defined in section 210, or if he carries on a trade or business outside the United States (other than the performance of service as an employee) the net income or loss of which (1) is not includible in computing his net earnings from self-employment for a taxable year and (2) would not be excluded from net earnings from self-employment, if carried on in the United States, by any of the numbered paragraphs of section 211 (a). When used in the preceding sentence with respect to a trade or business (other than the performance of service as an employee), the term ‘United States’ does not include Puerto Rico or the Virgin Islands in the case of an alien who is not a resident of the United States (including Puerto Rico and the Virgin Islands); and the term ‘trade or business’ shall have the same meaning as when used in section 162 of the Internal Revenue Code of 1954.”

(h) Section 203 of such Act is further amended by adding after subsection (k) (added by subsection (g) of this section) the following new subsection:

“Good Cause for Failure To Make Reports Required

Ante, pp.1075,
1076.

“(l) The failure of an individual to make any report required by subsection (f) or (g) within the time prescribed therein shall not be regarded as such a failure if it is shown to the satisfaction of the Secretary that he had good cause for failing to make such report within such time. The determination of what constitutes good cause for purposes of this subsection shall be made in accordance with regulations of the Secretary.”

Ante, p.1070.
42 USC 401-
421.

Ante, p.1073.

(i) (1) The amendments made by subsection (f) and by paragraph (1) of subsection (a) of this section shall be applicable in the case of monthly benefits under title II of the Social Security Act for months in any taxable year (of the individual entitled to such benefits) beginning after December 1954. The amendments made by paragraph (1) of subsection (b) of this section shall be applicable in the case of monthly benefits under such title II for months in any taxable year (of the individual on the basis of whose wages and self-employment income such benefits are payable) beginning after December 1954. The amendments made by subsections (e) and (g), and by paragraph (2) of subsection (a) and paragraph (2) of subsection (b), shall be applicable in the case of monthly benefits under such title II for months after December 1954. The remaining amendments made by this section (other than subsection (h)) shall be applicable, insofar as they are related to the monthly benefits of an individual which are based on his wages and self-employment income, in the case of monthly benefits under such title II for months in any taxable year (of such individual) beginning after December 1954 and, insofar as they are related to the monthly benefits of an individual which are based on the wages and self-employment income of someone else, in the case of monthly benefits under such title II for months in any taxable year (of the individual on whose wages and self-employment income such benefits are based) beginning after December 1954.

Ante, pp. 1075,
1076.
Ante, p.1073;
post, p.1078.

(2) No deduction shall be imposed on or after the date of the enactment of this Act under subsection (f) or (g) of section 203 of the Social Security Act, as in effect prior to such date, on account of failure to file a report of an event described in subsection (b) (1), (b) (2), or (c) (1) of such section (as in effect prior to such date);

and no such deduction imposed prior to such date shall be collected after such date. In determining whether, under section 203 (g) (2) of the Social Security Act, as amended by this Act, a failure to file a report is a first or subsequent failure, any failure with respect to a taxable year which began prior to January 1955 shall be disregarded. *Ante*, p. 1076.

(3) Subsections (b) (1), (b) (2), (c), (e), and (j) of section 203 of the Social Security Act as in effect prior to the enactment of this Act, to the extent they are in effect with respect to months after 1954, are each amended by striking out "seventy-five" and inserting in lieu thereof "seventy-two", but only with respect to such months after 1954. *42 USC 403; ante*, pp. 1073, 1074, 1076.

INCREASE IN EARNINGS COUNTED

SEC. 104. (a) Subsection (a) of section 209 of the Social Security Act is amended to read as follows: *42 USC 409.*

"(a) (1) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to \$3,600 with respect to employment has been paid to an individual during any calendar year prior to 1955, is paid to such individual during such calendar year;

"(2) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to \$4,200 with respect to employment has been paid to an individual during any calendar year after 1954, is paid to such individual during such calendar year;"

(b) Paragraph (1) of subsection (b) of section 211 of such Act is amended to read as follows: *42 USC 411.*

"(1) That part of the net earnings from self-employment which is in excess of—

"(A) For any taxable year ending prior to 1955, (i) \$3,600; minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(B) For any taxable year ending after 1954, (i) \$4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; or"

(c) Clauses (ii) and (iii) of section 213 (a) (2) (B) of such Act are amended to read as follows— *42 USC 413.*

"(ii) if the wages paid to any individual in any calendar year equal \$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, 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, each quarter any part of which falls in such year shall (subject to clause (i)) be a quarter of coverage;"

(d) Paragraph (1) of section 215 (e) of such Act is amended to read as follows: *Ante*, p. 1065.

"(1) in computing an individual's 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, and the excess over \$4,200 in the case of any calendar year after 1954, 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);"

42 USC 412.

RETROACTIVE APPLICATIONS FOR BENEFITS

- 42 USC 402. SEC. 105. (a) Section 202 (j) (1) of the Social Security Act is amended by striking out "sixth" and inserting in lieu thereof "twelfth".
 (b) The amendment made by subsection (a) shall be applicable only in the case of applications for monthly benefits under section 202 of the Social Security Act filed after August 1954; except that no individual shall, by reason of such amendment, be entitled to any benefit for any month prior to February 1954.

PRESERVATION OF INSURANCE RIGHTS OF INDIVIDUALS WITH EXTENDED TOTAL DISABILITY

- 42 USC 413. SEC. 106. (a) (1) Section 213 (a) (2) (A) of the Social Security Act is amended to read as follows:

"(A) The term 'quarter of coverage' means, in the case of any quarter occurring prior to 1951, a quarter in which the individual has been paid \$50 or more in wages, except that no quarter any part of which was included in a period of disability (as defined in section 216 (i)), other than the initial quarter of such period, shall be a quarter of coverage. In the case of any individual who has been paid, in a calendar year prior to 1951, \$3,000 or more in wages, each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual died or became entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled, and excepting any quarter any part of which was included in a period of disability, other than the initial quarter of such period."

Post, p. 1080.

(2) Section 213 (a) (2) (B) (i) of such Act is amended to read as follows:

"(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;"

- 42 USC 414. (b) (1) Section 214 (a) (2) of the Social Security Act is amended by striking out subparagraph (B) and inserting in lieu thereof the following:

"(B) forty quarters of coverage, not counting as an elapsed quarter for purposes of subparagraph (A) any quarter any part of which was included in a period of disability (as defined in section 216 (i)) unless such quarter was a quarter of coverage."

Post, p. 1080.

(2) Section 214 (b) of such Act is amended by striking out the period and inserting in lieu thereof: "not counting as part of such thirteen-quarter period any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage."

Ante, p. 1062.

(c) (1) Section 215 (b) (1) of the Social Security Act (as amended by section 102 (b) (1) of this Act) is amended by inserting after "quarters of coverage" the following: "and any month in any quarter any part of which was included in a period of disability (as defined in section 216 (i)) unless such quarter was a quarter of coverage".

Post, p. 1080.

Ante, p. 1065.

(2) Section 215 (d) of such Act is amended by adding at the end thereof the following new paragraph:

"(5) In the case of any individual to whom paragraph (1), (2), or (4) of this subsection is applicable, his primary insurance benefit shall be computed as provided therein except that, for purposes of paragraphs (1) and (2) and subparagraph (C) of paragraph (4), any quarter prior to 1951 any part of which was included in a period of disability shall be excluded from the elapsed quarters unless it was

a quarter of coverage, and any wages paid in any such quarter shall not be counted."

(3) Section 215 (e) of such Act (as amended by section 102 (e) Ante, p. 1066. (1) of this Act) is amended by adding after paragraph (3) the following new paragraph:

"(4) in computing an individual's average monthly wage, there shall not be taken into account (A) any wages paid such individual in any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage, or (B) any self-employment income of such individual for any taxable year all of which was included in a period of disability."

(d) Section 216 of the Social Security Act is amended by adding 42 USC 414. after subsection (h) the following new subsection:

"Disability; Period of Disability

"(i) (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 to be of long-continued and indefinite duration, or (B) blindness; and the term 'blindness' means central visual acuity "Blindness." of 5/200 or less in the better eye with the use of a correcting lens. An eye in which the visual field is reduced to five degrees or less concentric contraction shall be considered for the purpose of this paragraph as having a central visual acuity of 5/200 or less. An individual shall not be considered to be under a disability unless he furnishes such proof of the existence thereof as may be required. Nothing in this title shall be construed as authorizing the Secretary or any other officer or employee of the United States to interfere in any way with the practice of medicine or with relationships between practitioners of medicine and their patients, or to exercise any supervision or control over the administration or operation of any hospital.

"(2) The term 'period of disability' means a continuous period of "Period of disability." not less than six full calendar months (beginning and ending as hereinafter provided in this subsection) during which an individual was under a disability (as defined in paragraph (1)). No such period shall begin as to any individual unless such individual, while under a disability, files an application for a disability determination with respect to such period; and no such period shall begin as to any individual after such individual attains retirement age. Except as provided in paragraph (4), a period of disability shall begin—

"(A) if the individual satisfies the requirements of paragraph (3) on such day,

"(i) on the day the disability began, or

"(ii) on the first day of the one-year period which ends with the day before the day on which the individual files such application,

whichever occurs later;

"(B) if such individual does not satisfy the requirements of paragraph (3) on the day referred to in subparagraph (A), then on the first day of the first quarter thereafter in which he satisfies such requirements.

A period of disability shall end with the close of the last day of the first month in which either the disability ceases or the individual attains retirement age. No application for a disability determination which is filed more than three months before the first day on which a period of disability can begin (as determined under this paragraph) shall be accepted as an application for purposes of this paragraph, and no such application which is filed prior to January 1, 1955, shall be accepted.

All 68 Stat. 1081.

"(3) The requirements referred to in clauses (A) and (B) of paragraphs (2) and (4) are satisfied by an individual with respect to any quarter only if he had not less than—

Ante, pp. 1078,
1079; post,
p. 1084.

"(A) six quarters of coverage (as defined in section 213 (a) (2)) during the thirteen-quarter period which ends with such quarter; and

"(B) twenty quarters of coverage during the forty-quarter period which ends with such quarter,

not counting as part of the thirteen-quarter period specified in clause (A), or the forty-quarter period specified in clause (B), any quarter any part of which was included in a prior period of disability unless such quarter was a quarter of coverage.

"(4) If an individual files an application for a disability determination after December 1954, and before July 1957, with respect to a disability which began before July 1956, and continued without interruption until such application was filed, then the beginning day for the period of disability, if such individual does not die prior to July 1, 1955, shall be—

"(A) the day such disability began, but only if he satisfies the requirements of paragraph (3) on such day;

"(B) if he does not satisfy such requirements on such day, the first day of the first quarter thereafter in which he satisfies such requirements."

42 USC 417.

(e) (1) The first sentence of section 217 (a) (1) of the Social Security Act is amended by inserting "and for purposes of section 216 (i) (3)," after "World War II veteran,"

Ante, p. 1080.

(2) The first sentence of section 217 (e) (1) of such Act is amended by inserting "and for purposes of section 216 (i) (3)," after "veteran (as defined in paragraph (4)),".

(3) Such section 217 (a) (1) and such section 217 (e) (1) of such Act are each amended by adding at the end thereof the following new sentence: "The provisions of clause (B) shall also not apply for purposes of section 216 (i) (3)."

45 USC 228e

(f) Section 5 (k) of the Railroad Retirement Act of 1937, as amended, is amended by striking out "and for the purposes of section 203 of that Act" and inserting in lieu thereof "and for the purposes of sections 203 and 216 (i) (3) of that Act".

42 USC 419.

(g) Title II of the Social Security Act is amended by adding after section 219 the following new sections:

"DISABILITY PROVISIONS INAPPLICABLE IF BENEFIT RIGHTS IMPAIRED

"SEC. 220. None of the provisions of this title relating to periods of disability shall apply in any case in which their application would result in the denial of monthly benefits or a lump-sum death payment which would otherwise be payable under this title; nor shall they apply in the case of any monthly benefit or lump-sum death payment under this title if such benefit or payment would be greater without their application.

"DISABILITY DETERMINATIONS

Ante, p. 1080.

"SEC. 221. (a) In the case of any individual, the determination of whether or not he is under a disability (as defined in section 216 (i)) and of the day such disability began, and the determination of the day on which such disability ceases, shall, except as provided in subsection (g), be made by a State agency pursuant to an agreement entered into under subsection (b). Except as provided in subsections (c) and (d),

any such determination shall be the determination of the Secretary for purposes of this title.

"(b) The Secretary shall enter into an agreement with each State which is willing to make such an agreement under which the State agency or agencies administering the State plan approved under the Vocational Rehabilitation Act, or any other appropriate State agency or agencies, or both, will make the determinations referred to in subsection (a) with respect to all individuals in such State, or with respect to such class or classes of individuals in the State as may be designated in the agreement at the State's request. 57 Stat. 379. 29 USC 41.

"(c) The Secretary may on his own motion review a determination, made by a State agency pursuant to an agreement under this section, that an individual is under a disability and, as a result of such review, may determine that such individual is not under a disability or that such disability began on a day later than that determined by such agency, or that such disability ceased on a day earlier than that determined by such agency.

"(d) Any individual dissatisfied with any determination under subsection (a), (c), or (g) shall be entitled to a hearing thereon by the Secretary to the same extent as is provided in section 205 (b) with respect to decisions of the Secretary, and to judicial review of the Secretary's final decision after such hearing as is provided in section 205 (g). 42 USC 405.

"(e) Each State which has an agreement with the Secretary under this section shall be entitled to receive from the Trust Fund, in advance or by way of reimbursement, as may be mutually agreed upon, the cost to the State of carrying out the agreement under this section. The Secretary shall from time to time certify such amount as is necessary for this purpose to the Managing Trustee, reduced or increased, as the case may be, by any sum (for which adjustment hereunder has not previously been made) by which the amount certified for any prior period was greater or less than the amount which should have been paid to the State under this subsection for such period; and the Managing Trustee, prior to audit or settlement by the General Accounting Office, shall make payment from the Trust Fund at the time or times fixed by the Secretary, in accordance with such certification.

"(f) All money paid to a State under this section shall be used solely for the purposes for which it is paid; and any money so paid which is not used for such purposes shall be returned to the Treasury of the United States for deposit in the Trust Fund.

"(g) In the case of individuals in a State which has no agreement under subsection (b), in the case of individuals outside the United States, and in the case of any class or classes of individuals not included in an agreement under subsection (b), the determinations referred to in subsection (a) shall be made by the Secretary in accordance with regulations prescribed by him.

"REFERRAL FOR REHABILITATION SERVICES

"Sec. 222. It is hereby declared to be the policy of the Congress in enacting the preceding section that disabled individuals applying for a determination of disability 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 maximum number of disabled individuals may be restored to productive activity. 57 Stat. 379. 29 USC 41.

42 USC 415. (h) Notwithstanding the provisions of section 215 (f) (1) of the Social Security Act, the amendments made by subsections (a), (b), (c), (d), (e), and (f) of this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after June 1955, and with respect to lump-sum death payments under such title in the case of deaths occurring after June 1955; but no recomputation of benefits by reason of such amendments shall be regarded as a recomputation for purposes of section 215 (f) of the Social Security Act.

42 USC 401-421. ante, pp. 1066-1068.

TERMINATION OF BENEFITS UPON DEPORTATION

42 USC 402; ante, pp. 1073, 1079; post, p. 1085. SEC. 107. Section 202 of the Social Security Act is amended by adding after subsection (m) thereof (added by section 102 (i) of this Act) the following new subsection:

"Termination of Benefits Upon Deportation of Primary Beneficiary

66 Stat. 204. 8 USC 1251. "(n) (1) If any individual is (after the date of enactment of this subsection) deported under paragraph (1), (2), (4), (5), (6), (7), (10), (11), (12), (14), (15), (16), (17), or (18) of section 241 (a) of the Immigration and Nationality Act, then, notwithstanding any other provisions of this title—

"(A) no monthly benefit under this section shall be paid to such individual, on the basis of his wages and self-employment income, for any month occurring (i) after the month in which the Secretary is notified by the Attorney General that such individual has been so deported, and (ii) before the month in which such individual is thereafter lawfully admitted to the United States for permanent residence.

"(B) if no benefit could be paid to such individual (or if no benefit could be paid to him if he were alive) for any month by reason of subparagraph (A), no monthly benefit under this section shall be paid, on the basis of his wages and self-employment income, for such month to any other person who is not a citizen of the United States and is outside the United States for any part of such month, and

"(C) no lump-sum death payment shall be made on the basis of such individual's wages and self-employment income if he dies (i) in or after the month in which such notice is received, and (ii) before the month in which he is thereafter lawfully admitted to the United States for permanent residence.

ante, pp. 1073, 1078. Section 203 (b) and (c) of this Act shall not apply with respect to any such individual for any month for which no monthly benefit may be paid to him by reason of this paragraph.

"(2) As soon as practicable after the deportation of any individual under any of the paragraphs of section 241 (a) of the Immigration and Nationality Act enumerated in paragraph (1) in this subsection, the Attorney General shall notify the Secretary of such deportation."

INSURED STATUS

42 USC 414; ante, p. 1079. SEC. 108. (a) Section 214 (a) of the Social Security Act is amended by redesignating paragraph (3) as paragraph (4) and inserting after paragraph (2) the following new paragraph:

"(3) In the case of any individual who did not die prior to January 1, 1955, the term 'fully insured individual' means any individual who meets the requirements of paragraph (2) and, in addition, any individual with respect to whom all of the quarters elapsing after 1954 and prior to (i) July 1, 1956, or (ii) if later, the quarter in which he

attained retirement age or died, whichever first occurred, are quarters, but only if there are not fewer than six of such quarters so elapsing."

(b) Subparagraph (B) of section 213 (a) (2) of such Act is Ante, pp. 1078, amended by inserting "(except wages for agricultural labor paid after 1954)" after "\$50 or more in wages" in that part of such subparagraph which precedes clause (i), and by striking out clause (iv) and inserting in lieu thereof the following:

"(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 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.

If, in the case of any individual who has attained retirement age or died or is under a disability and who has been paid wages for agricultural labor in a calendar year after 1954, the requirements for insured status in subsection (a) or (b) of section 214, the requirements for Ante, pp. 1079, entitlement to a computation or recomputation of his primary 1083, insurance amount, or the requirements of paragraph (3) of section 216 (i) are not met after assignment of quarters of coverage to quarters Ante, p. 1080. 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."

BENEFITS IN CERTAIN CASES OF DEATHS BEFORE SEPTEMBER 1950

SEC. 109. (a) In the case of any individual—

(1) who died prior to September 1, 1950, and was not a fully insured individual (under title II of the Social Security Act), 42 USC 401-421. when he died, and

(2) who had not less than six quarters of coverage (as defined in such title),

such individual shall, except for purposes of determining entitlement of a former wife divorced to benefits under section 202 (g) of the Post, p. 1085. Social Security Act, be deemed to have died a fully insured individual.

Such individual's primary insurance amount shall be computed under subsection (a) (2) of section 215 of such Act. For the purpose of Ante, p. 1062. such computation, the provisions of section 215 (d) (3) of such Act 42 USC 415. shall apply if such individual died a currently insured individual

(under title II of such Act) and any other person was entitled on the basis of his wages to monthly benefits or a lump-sum death payment under section 202 of such Act; in all other cases the provisions of Ante, pp. 1073,

section 215 (d) (4) shall be applicable, except that such individual's 1079, 1083; closing date shall be the first day of the quarter in which he died. In post, p. 1085.

the case of any such individual, the requirement in subsection (h) Ante, p. 1065. of section 202 of such Act that proof of support be filed within two

years of the date of his death shall not apply if such proof is filed before September 1956.

(b) The provisions of subsection (a) shall be applicable only in the case of monthly benefits under section 202 of the Social Security Act for months after August 1954, on the basis of applications filed after such month.

ELIMINATION OF REQUIRMENT OF FILING APPLICATION
IN CERTAIN CASES

42 USC 402. SEC. 110. (a) Section 202 (e) (1) (C) of the Social Security Act is amended to read as follows:

"(C) (i) has filed application for widow's insurance benefits or was entitled, after attainment of retirement age, 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, 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 retirement age,".

(b) Section 202 (g) (1) (D) of such Act is amended to read as follows:

"(D) has filed application for mother'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,".

(c) The third sentence of section 202 (i) of such Act is amended by inserting immediately before the period at the end thereof the following: "or unless such person was entitled to wife's or husband's insurance benefits, on the basis of the wages and self-employment income of such insured individual, for the month preceding the month in which such individual died"

TECHNICAL AMENDMENTS

42 USC 404. SEC. 111. (a) The second sentence of section 204 (a) of the Social Security Act is amended by inserting "and self-employment income" after "wages".

42 USC 408. (b) Section 208 of the Social Security Act is amended by inserting "or as to the amount of net earnings from self-employment derived or the period during which derived" after "as to the amount of any wages paid or received or the period during which earned or paid".

REPEAL OF REQUIREMENT OF CERTAIN DEDUCTIONS

42 USC 403. SEC. 112. (a) No deductions shall be made pursuant to subsection (i) of section 203 of the Social Security Act from any benefits for any month after August 1954; and, effective September 1, 1954, such subsection is repealed.

26 USC 1400 note. (b) No deductions shall be made pursuant to section 907 of the Social Security Act Amendments of 1939 (53 Stat. 1360, 1402), with respect to wages for services performed in 1939, from any benefits for any month after August 1954; and, effective September 1, 1954, such section is amended by striking out "1 per centum of any wages paid him for services performed in 1939, and subsequent to his attaining age sixty-five, and".

PROOF OF SUPPORT BY HUSBAND OR WIDOWER IN CERTAIN CASES

SEC. 113. (a) For the purpose of determining the entitlement of any individual to husband's insurance benefits under subsection (c) of section 202 of the Social Security Act on the basis of his wife's wages and self-employment income, the requirements of paragraph (1) (D) of such subsection shall be deemed to be met if—

(1) such individual was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary of Health, Education, and Welfare, from his wife on the first day of the first month (A) for which she was entitled to a monthly benefit under subsection (a) of such section 202, and (B) in which an event described in paragraph (1) or (2) of section 203 (b) of such Act (as in effect before or after the enactment of this Act) did not occur, *Ante*, pp. 1073, 1078.

(2) such individual has filed proof of such support within two years after such first month, and

(3) such wife was, without the application of subsection (j) (1) of such section 202, entitled to a primary insurance benefit under such Act for August 1950. *Ante*, p. 1079.

(b) For the purpose of determining the entitlement of any individual to widower's insurance benefits under subsection (f) of section 202 of the Social Security Act on the basis of his deceased wife's wages and self-employment income, the requirements of paragraph (1) (E) of such subsection shall be deemed to be met if—

(1) such individual was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary of Health, Education, and Welfare, from his wife, and she was a currently insured individual, on the first day of the first month (A) for which she was entitled to a monthly benefit under subsection (a) of such section 202, and (B) in which an event described in paragraph (1) or (2) of section 203 (b) of such Act (as in effect before or after the enactment of this Act) did not occur, *Ante*, pp. 1073, 1078.

(2) such individual has filed proof of such support within two years after such first month, and

(3) such wife was, without the application of subsection (j) (1) of such section 202, entitled to a primary insurance benefit under such Act for August 1950. *Ante*, p. 1079.

(c) For purposes of subsection (b) (1) of this section, and for purposes of section 202 (c) (1) of the Social Security Act in cases to which subsection (a) of this section is applicable, the wife of an individual shall be deemed a currently insured individual if she had not less than six quarters of coverage (as determined under section 213 of the Social Security Act) during the thirteen-quarter period ending with the calendar quarter in which occurs the first month (1) for which such wife was entitled to a monthly benefit under section 202 (a) of such Act, and (2) in which an event described in paragraph (1) or (2) of section 203 (b) of such Act (as in effect before or after the enactment of this Act) did not occur. *Ante*, pp. 1078, 1079, 1084.

(1) for which such wife was entitled to a monthly benefit under section 202 (a) of such Act, and (2) in which an event described in paragraph (1) or (2) of section 203 (b) of such Act (as in effect before or after the enactment of this Act) did not occur. *Ante*, pp. 1073, 1078.

(d) This section shall apply only with respect to husband's insurance benefits under section 202 (c) of the Social Security Act, and widower's insurance benefits under section 202 (f) of such Act, for months after August 1954, and only with respect to benefits based on applications filed after such month.

DEFINITION

SEC. 114. As used in the provisions of the Social Security Act amended by this title, the term "Secretary" means the Secretary of Health, Education, and Welfare.

COVERED EMPLOYMENT NOT COUNTED UNDER OTHER FEDERAL
RETIREMENT SYSTEMS

SEC. 115. Notwithstanding any other provision of law, in determining eligibility for or the amount of any benefit (other than a benefit under title II of the Social Security Act or under the Railroad Retirement Act of 1937, as amended) under any retirement system established by the United States or any instrumentality thereof, there shall not be taken into account any service which, by reason of the amendments to section 210 (a) of the Social Security Act made by section 101 (c) of this Act, constitutes employment as defined in such section 210 (a).

42 USC 401-421,
45 USC 228a-
228y; ante, p.
1081; post, pp.
1097, 1098.
Ante, p. 1053.

TITLE II--AMENDMENTS TO INTERNAL REVENUE
CODES OF 1939 AND 1954

AMENDMENTS TO DEFINITIONS OF SELF-EMPLOYMENT INCOME AND
RELATED DEFINITIONS

68A Stat. 353. SEC. 201. (a) (1) Paragraph (1) of section 1402 (a) of the Internal Revenue Code of 1954 is amended to read as follows:

"(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;"

Post, p. 1089.

(2) Subsection (a) of section 1402 of the Internal Revenue Code of 1954 is amended by striking out paragraph (2) and redesignating paragraphs (3), (4), (5), (6), (7), and (8), and any references thereto contained in such code, as paragraphs (2), (3), (4), (5), (6), and (7), respectively, and by adding at the end of such subsection the following new sentence: "In the case of any trade or business which is carried on by an individual who reports his income on a cash receipts and disbursements basis, and in which, if it were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 3121 (g), (i) if the gross income derived from such trade or business by such individual is not more than \$1,800, the net earnings from self-employment derived by him therefrom may, at his option, be deemed to be 50 percent of such gross income in lieu of his net earnings from self-employment from such trade or business computed as provided under the preceding provisions of this subsection, or (ii) if the gross income derived from such trade or business by such individual is more than \$1,800 and the net earnings from self-employment derived by him therefrom, as computed under the preceding provisions of this subsection, are less than \$900, such net earnings may instead, at the option of such individual, be deemed to be \$900. For the purpose of the preceding sentence, gross income derived from such trade or business shall mean 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 preceding provisions of this subsection."

68A Stat. 424.

(b) (1) Paragraph (1) of section 1402 (b) of the Internal Revenue Code of 1954 is amended to read as follows:

“(1) that part of the net earnings from self-employment which is in excess of—

“(A) for any taxable year ending prior to 1955, (i) \$3,600, minus (ii) the amount of the wages paid to such individual during the taxable year; and

“(B) for any taxable year ending after 1954, (i) \$4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; or”.

(2) Section 1402 (b) of the Internal Revenue Code of 1954 is amended by inserting after “employees” the following: “, or 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),” *Post*, p. 1094.

(c) (1) Section 1402 (c) (2) of the Internal Revenue Code of 1954 is amended by inserting after “18” the following: “and other than service described in paragraph (4) of this subsection”.

(2) Section 1402 (c) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new sentences: “The provisions of paragraph (4) 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 during the period for which a certificate filed by such individual under subsection (e) is in effect. The provisions of paragraph (5) shall not apply to service performed by an individual in the exercise of his profession as a Christian Science practitioner during the period for which a certificate filed by him under subsection (e) is in effect.” *Infra*.

(3) Section 1402 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

“(e) **MINISTERS, MEMBERS OF RELIGIOUS ORDERS, AND CHRISTIAN SCIENCE PRACTITIONERS.**—

“(1) **WAIVER CERTIFICATE.**—Any individual who is (A) a duly ordained, commissioned, or licensed minister of a church or a member of a religious order (other than a member of a religious order who has taken a vow of poverty as a member of such order) or (B) a Christian Science practitioner 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 he elects to have the insurance system established by title II of the Social Security Act extended to service described in subsection (c) (4), or service described in subsection (c) (5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner, as the case may be, performed by him. *42 USC 401-421.*

“(2) **TIME FOR FILING CERTIFICATE.**—Any individual who desires to file a certificate pursuant to paragraph (1) must file such certificate on or before the due date of the return (including any extension thereof) for his second taxable year ending after 1954 for which he has net earnings from self-employment (computed, in the case of an individual referred to in paragraph (1) (A), without regard to subsection (c) (4), and, in the case of an individual referred to in paragraph (1) (B), without regard to subsection (c) (5) insofar as it relates to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner) of \$400 or more, any part of which was derived from the performance of service described in subsection (c) (4), or from the performance of service described in subsection (c) (5) insofar as it relates to the performance of service

by an individual in the exercise of his profession as a Christian Science practitioner, as the case may be.

“(3) EFFECTIVE DATE OF CERTIFICATE.—A certificate filed pursuant to this subsection shall be effective for the first taxable year with respect to which it is filed (but in no case shall the certificate be effective for a taxable year with respect to which the period for filing a return has expired, or for a taxable year ending prior to 1955) and all succeeding taxable years. An election made pursuant to this subsection shall be irrevocable.”

Ante, p. 1087.

(4) Section 1402 (a) of the Internal Revenue Code of 1954 is amended—

(A) by striking out the period at the end of paragraph (7) (as renumbered by subsection (a) (2) of this section) and inserting in lieu thereof a semicolon, and

(B) by inserting after such paragraph (7) thereof a new paragraph as follows:

“(8) an individual who is—

“(A) a duly ordained, commissioned, or licensed minister of a church or a member of a religious order; and

“(B) a citizen of the United States performing service described in subsection (c) (4) as an employee of an American employer (as defined in section 3121 (h))

68A Stat. 425.

shall compute his net earnings from self-employment derived from the performance of service described in subsection (c) (4) without regard to 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).”

68A Stat. 289,
291.

68A Stat. 355.

(5) Section 1402 (c) (5) of the Internal Revenue Code of 1954 is amended to read as follows:

“(5) the performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, or Christian Science practitioner; or the performance of such service by a partnership.”

(d) The amendments made by subsections (a), (b), and (c) of this section shall be applicable only with respect to taxable years ending after 1954.

REFUND OF CERTAIN TAXES DEDUCTED FROM WAGES

68A Stat. 797.

SEC. 202. (a) (1) The first sentence of section 6413 (c) (1) of the Internal Revenue Code of 1954 is amended to read as follows: “If by reason of an employee receiving wages from more than one employer during a calendar year after the calendar year 1950 and prior to the calendar year 1955, the wages received by him during such year exceed \$3,600, 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 1400 of the Internal Revenue Code of 1939 and deducted from the employee’s wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first \$3,600 of such wages received; or if by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1954, the wages received by him during such year exceed \$4,200, 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 and deducted from the employee’s wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first \$4,200 of such wages received.”

68A Stat. 13,
68A Stat. 938,
415.

Post, p. 1094.

(2) Section 1401 (d) (3) of the Internal Revenue Code of 1939 is amended by striking out the period at the end of the second sentence and inserting in lieu thereof "or, in the case of any agreement (or modification thereof) pursuant to section 218 of the Social Security Act which is effective as of a date more than two years prior to the date such agreement (or modification) was agreed to, within two years after the calendar year in which such agreement (or modification) was agreed to by the State and the Secretary of Health, Education, and Welfare." 68A Stat. 938,
797.
Ante, pp. 1053,
1055-1059.

(b) (1) The heading of section 6413 (c) (2) of the Internal Revenue Code of 1954 is amended to read as follows: "APPLICABILITY IN CASE OF FEDERAL AND STATE EMPLOYEES AND EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS.—" 68A Stat. 797.

(2) Section 6413 (c) (2) (A) of the Internal Revenue Code of 1954 is amended by striking out "\$3,600," and inserting in lieu thereof "\$3,600 for the calendar year 1951, 1952, 1953, or 1954, or \$4,200 for any calendar year after 1954."

(3) Section 6413 (c) (2) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subparagraph:

"(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 or his delegate." Post, P. 1094.
Post, P. 1094.
Post, pp. 1091-
1094.

(c) The second sentence of section 3122 of the Internal Revenue Code of 1954 is amended by striking out "\$3,600" and inserting in lieu thereof "\$4,200". 68A Stat. 428.

(d) The amendments made by subsections (a) (1), (b), and (c) shall be applicable only with respect to remuneration paid after 1954. The amendment made by subsection (a) (2) shall be effective as if it had been enacted as a part of section 203 (c) of the Social Security Act Amendments of 1950 which added section 1401 (d) (3) to the Internal Revenue Code of 1939. 64 Stat. 525.

COLLECTION AND PAYMENT OF TAXES WITH RESPECT TO COAST
GUARD EXCHANGES

SEC. 203. (a) Section 3122 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new sentence: "The provisions of this subsection shall be applicable also in the case of 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, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of this subsection the Secretary shall be deemed to be the head of such instrumentality." 68A Stat. 428.

(b) The amendment made by subsection (a) shall become effective January 1, 1955.

AMENDMENTS TO DEFINITION OF WAGES

- 68A Stat. 417. SEC. 204. (a) Paragraph (1) of section 3121 (a) of the Internal Revenue Code of 1954 is amended by striking out "\$3,600" wherever it appears therein and inserting in lieu thereof "\$4,200"
- 68A Stat. 418. (b) (1) Subparagraph (B) of section 3121 (a) (7) of the Internal Revenue Code of 1954 is amended to read as follows:
- Domestic service. " (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) ;"
- (2) Section 3121 (a) (7) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subparagraph:
- Service not in employer's trade, etc. " (C) cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer's trade or business, 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 '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) ;"
- 68A Stat. 418. (3) Section 3121 (a) (8) of the Internal Revenue Code of 1954 is amended by inserting "(A)" after "(8)" and by adding at the end thereof the following new subparagraph:
- Agricultural labor. " (B) cash remuneration paid by an employer in any calendar year to an employee for agricultural labor, if the cash remuneration paid in such year by the employer to the employee for such labor is less than \$100 ;"
- Applicability. (c) The amendments made by subsections (a) and (b) shall be applicable only with respect to remuneration paid after 1954.

AMENDMENTS TO DEFINITION OF EMPLOYMENT

- 68A Stat. 419. SEC. 205. (a) Section 3121 (b) (1) of the Internal Revenue Code of 1954 is amended to read as follows:
- "(1) (A) service performed 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 (46 Stat. 1550 § 3; 12 U. S. C. 1141j) ;
- "(B) service performed by foreign agricultural workers (i) under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended (65 Stat. 119; 7 U. S. C. 1461-1468), or (ii) lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies on a temporary basis to perform agricultural labor ;"
- (b) Section 3121 (b) of the Internal Revenue Code of 1954 is amended by striking out paragraph (3) and redesignating paragraphs (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), and (14), and any references thereto contained in such code, as paragraphs (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), and (13), respectively.
- (c) The paragraph of section 3121 (b) of the Internal Revenue Code of 1954 herein redesignated as paragraph (4) is amended by

striking out "if the individual is employed on and in connection with such vessel or aircraft when outside the United States" and inserting in lieu thereof: "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".

(d) (1) Subparagraph (B) of the paragraph of section 3121 (b) 68A Stat. 419. of the Internal Revenue Code of 1954 herein redesignated as paragraph (6) is amended—

(A) by inserting "by an individual" after "service performed," and by inserting "and if such service is covered by a retirement system established by such instrumentality;" after "December 31, 1950,";

(B) by striking out "or" at the end of clause (iii), by adding "or" at the end of clause (iv), and by adding at the end of the subparagraph the following new clause:

"(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 the Treasury, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard;"

(2) Subparagraph (C) of such paragraph is amended to read as follows:

"(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 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 61 Stat. 727. 1052);

"(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 the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system;" 46 Stat. 468. 5 USC 691 note.

(e) Section 3121 (b) of the Internal Revenue Code of 1954 is further amended by striking out paragraph (15) and redesignating paragraphs (16) and (17), and any references thereto contained in such code, as paragraphs (14) and (15), respectively. 68A Stat. 422.

(f) The amendments made by subsections (c), (d), and (e) shall be applicable only with respect to services performed after 1954. The amendments made by subsections (a) and (b) shall be applicable only with respect to services (whether performed after 1954 or prior to 1955) for which the remuneration is paid after 1954. Applicability.

AMENDMENT RELATING TO COLLECTION OF EMPLOYEE TAX

68A Stat. 415. SEC. 205 A. Section 3102 (a) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new sentence: "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 (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 \$100."

Ante, p. 1091;
68A Stat. 418.

Ante, p. 1091.

AMENDMENT TO DEFINITION OF EMPLOYEE

68A Stat. 424. SEC. 206. (a) Subparagraph (C) of section 3121 (d) (3) of the Internal Revenue Code of 1954 is amended by striking out "if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed".

(b) The amendment made by subsection (a) shall be applicable only with respect to services performed after 1954.

FILING OF SUPPLEMENTAL LISTS OF EMPLOYEES BY CERTAIN
NONPROFIT ORGANIZATIONS

68A Stat. 427. SEC. 207. (a) Paragraph (1) of section 3121 (k) of the Internal Revenue Code of 1954 is amended by striking out the third sentence thereof and inserting in lieu thereof the following: "Such list may be amended at any time prior to the expiration of the twenty-fourth month following the first calendar quarter for which the certificate is in effect, 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."

(b) Paragraph (1) of such section 3121 (k) is further amended by striking out the period at the end of the fifth sentence thereof and inserting in lieu thereof the following: "except that, in the case of service performed by an individual whose name appears on a supplemental list filed after the first month following the first calendar quarter for which the certificate is in effect, the certificate shall be in effect, for purposes of such subsection (b) (8) and for purposes of section 210 (a) (8) of the Social Security Act, only with respect to service performed by such individual after the calendar quarter in which such supplemental list is filed."

42 USC 410.

CHANGES IN TAX SCHEDULES

68A Stat. 353. SEC. 208. (a) Section 1401 of the Internal Revenue Code of 1954 is amended by striking out paragraph (4) and inserting in lieu thereof the following:

"(4) in the case of any taxable year beginning after December 31, 1969, and before January 1, 1975, the tax shall be equal to 5¼ percent of the amount of the self-employment income for such taxable year;

"(5) in the case of any taxable year beginning after December 31, 1974, the tax shall be equal to 6 percent of the amount of the self-employment income for such taxable year."

(b) Section 3101 of the Internal Revenue Code of 1954 is amended 68A Stat. 415. by striking out paragraph (4) and inserting in lieu thereof the following:

"(4) with respect to wages received during the calendar years 1970 to 1974, both inclusive, the rate shall be 3½ percent;

"(5) with respect to wages received after December 31, 1974, the rate shall be 4 percent."

(c) Section 3111 of the Internal Revenue Code of 1954 is amended 68A Stat. 416. by striking out paragraph (4) and inserting in lieu thereof the following:

"(4) with respect to wages paid during the calendar years 1970 to 1974, both inclusive, the rate shall be 3½ percent;

"(5) with respect to wages paid after December 31, 1974, the rate shall be 4 percent."

FOREIGN SUBSIDIARIES OF DOMESTIC CORPORATION

SEC. 209. Section 3121 of the Internal Revenue Code of 1954 is 68A Stat. 417. amended by adding at the end thereof the following new subsection:

"(1) AGREEMENTS ENTERED INTO BY DOMESTIC CORPORATIONS WITH RESPECT TO FOREIGN SUBSIDIARIES.—

"(1) AGREEMENT WITH RESPECT TO CERTAIN EMPLOYEES OF FOREIGN SUBSIDIARIES.—The Secretary or his delegate shall, at the request of any domestic corporation, enter into an agreement (in such form and manner as may be prescribed by the Secretary or his delegate) with any such corporation which desires to have the insurance system established by title II of the Social Security Act extended to service performed outside the United States in the employ of any one or more of its foreign subsidiaries (as defined in paragraph (8)) by all employees who are citizens of the United States, except that the agreement shall not be applicable to any service performed by, or remuneration paid to, an employee if such service or remuneration would be excluded from the term 'employment' or 'wages', as defined in this section, had the service been performed in the United States. Such agreement may be amended at any time so as to be made applicable, in the same manner and under the same conditions, with respect to any other foreign subsidiary of such domestic corporation. Such agreement shall be applicable with respect to citizens of the United States who, on or after the effective date of the agreement, are employees of and perform services outside the United States for any foreign subsidiary specified in the agreement. Such agreement shall provide—

"(A) that the domestic corporation shall pay to the Secretary or his delegate, at such time or times as the Secretary or his delegate may by regulations prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 3101 and 3111 (including amounts equivalent to the interest, additions to the taxes, additional amounts, and penalties which would be applicable) with respect to the remuneration which would be wages if the services covered by the agreement constituted employment as defined in this section; and

"(B) that the domestic corporation will comply with such regulations relating to payments and reports as the Secretary or his delegate may prescribe to carry out the purposes of this subsection.

"(2) EFFECTIVE PERIOD OF AGREEMENT.—An agreement entered into pursuant to paragraph (1) shall be in effect for the period beginning with the first day of the calendar quarter in which such agreement is entered into or the first day of the succeeding calendar quarter, as may be specified in the agreement, but in no case prior to January 1, 1955; except that in case such agreement is amended to include the services performed for any other subsidiary and such amendment is executed after the first month following the first calendar quarter for which the agreement is in effect, the agreement shall be in effect with respect to service performed for such other subsidiary only after the calendar quarter in which such amendment is executed.

"(3) TERMINATION OF PERIOD BY A DOMESTIC CORPORATION.—The period for which an agreement entered into pursuant to paragraph (1) of this subsection is effective may be terminated with respect to any one or more of its foreign subsidiaries by the domestic corporation, effective at the end of a calendar quarter, upon giving two years' advance notice in writing, but only if, at the time of the receipt of such notice, the agreement has been in effect for a period of not less than eight years. The notice of termination may be revoked by the domestic corporation 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 as may be prescribed by regulations. Notwithstanding any other provision of this subsection, the period for which any such agreement is effective with respect to any foreign corporation shall terminate at the end of any calendar quarter in which the foreign corporation, at any time in such quarter, ceases to be a foreign subsidiary as defined in paragraph (8).

Post, p. 1096.

"(4) TERMINATION OF PERIOD BY SECRETARY.—If the Secretary or his delegate finds that any domestic corporation which entered into an agreement pursuant to this subsection has failed to comply substantially with the terms of such agreement, the Secretary or his delegate shall give such domestic corporation not less than sixty days' advance notice in writing that the period covered by such agreement will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Secretary or his delegate by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the domestic corporation. No notice of termination or of revocation thereof shall be given under this paragraph to a domestic corporation without the prior concurrence of the Secretary of Health, Education, and Welfare.

"(5) NO RENEWAL OF AGREEMENT.—If any agreement entered into pursuant to paragraph (1) of this subsection is terminated in its entirety (A) by a notice of termination filed by the domestic corporation pursuant to paragraph (3), or (B) by a notice of termination given by the Secretary or his delegate pursuant to paragraph (4), the domestic corporation may not again enter into an agreement pursuant to paragraph (1). If any such agreement is terminated with respect to any foreign subsidiary, such agreement may not thereafter be amended so as again to make it applicable with respect to such subsidiary.

42 USC 401.

"(6) DEPOSITS IN TRUST FUND.—For purposes of section 201 of the Social Security Act, relating to appropriations to the Federal Old-Age and Survivors Insurance Trust Fund, such remuneration—

“(A) paid for services covered by an agreement entered into pursuant to paragraph (1) as would be wages if the services constituted employment, and

“(B) as is reported to the Secretary or his delegate pursuant to the provisions of such agreement or of the regulations issued under this subsection, shall be considered wages subject to the taxes imposed by this chapter.

“(7) OVERPAYMENTS AND UNDERPAYMENTS.—

“(A) If more or less than the correct amount due under an agreement entered into pursuant to this subsection 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 required by regulations prescribed by the Secretary or his delegate.

“(B) If an overpayment cannot be adjusted under subparagraph (A), the amount thereof shall be paid by the Secretary or his delegate, through the Fiscal Service of the Treasury Department, but only if a claim for such overpayment is filed with the Secretary or his delegate within two years from the time such overpayment was made.

“(8) DEFINITION OF FOREIGN SUBSIDIARY.—For purposes of this subsection and section 210 (a) of the Social Security Act, a foreign subsidiary of a domestic corporation is— *Ante*, pp. 1052-1054, 1061.

“(A) a foreign corporation more than 50 percent of the voting stock of which is owned by such domestic corporation; or

“(B) a foreign corporation more than 50 percent of the voting stock of which is owned by the foreign corporation described in subparagraph (A).

“(9) DOMESTIC CORPORATION AS SEPARATE ENTITY.—Each domestic corporation which enters into an agreement pursuant to paragraph (1) of this subsection shall, for purposes of this subsection and section 6413 (c) (2) (C), relating to special refunds in the case of employees of certain foreign corporations, be considered an employer in its capacity as a party to such agreement separate and distinct from its identity as a person employing individuals on its own account. *Ante*, p. 1090.

“(10) REGULATIONS.—Regulations of the Secretary or his delegate to carry out the purposes of this subsection shall be designed to make the requirements imposed on domestic corporations with respect to services covered by an agreement entered into pursuant to this subsection the same, so far as practicable, as those imposed upon employers pursuant to this title with respect to the taxes imposed by this chapter.”

DEDUCTIONS FROM GROSS INCOME FOR PAYMENTS WITH RESPECT TO EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS

SEC. 210. (a) The Internal Revenue Code of 1954 is amended by 68A Stat. 67, inserting after section 175 thereof the following new section:

“SEC. 176. PAYMENTS WITH RESPECT TO EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS.

“In the case of a domestic corporation, there shall be allowed as a deduction amounts (to the extent not compensated for) paid or incurred pursuant to an agreement entered into under section 3121 (1) with respect to services performed by United States citizens employed by foreign subsidiary corporations. Any reimbursement of any *Ante*, p. 1094.

- amount previously allowed as a deduction under this section shall be included in gross income for the taxable year in which received.”
- 68A Stat. 45. (b) The table of sections to part VI of subchapter B of chapter 1 of subtitle A of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following:
- “Sec. 176. Payments with respect to employees of certain foreign corporations.”

TITLE III—PROVISIONS RELATING TO PUBLIC ASSISTANCE

TEMPORARY EXTENSION OF 1952 MATCHING FORMULA

- 66 Stat. 780.
42 USC 303
note. SEC. 301. Section 8 (e) of the Social Security Act Amendments of 1952 (Public Law 590, Eighty-second Congress) is amended by striking out “September 30, 1954” and inserting in lieu thereof “September 30, 1956”.

TEMPORARY EXTENSION OF SPECIAL PROVISION RELATING TO STATE PLANS FOR AID TO THE BLIND

- 64 Stat. 554.
42 USC 1202a
note. SEC. 302. Section 344 (b) of the Social Security Act Amendments of 1950 (Public Law 734, Eighty-first Congress) is amended by striking out “June 30, 1955” and inserting in lieu thereof “June 30, 1957”.

TECHNICAL AMENDMENTS

- 42 USC 303,
603, 1203. SEC. 303. (a) Sections 3 (b) (1), 403 (b) (1), and 1003 (b) (1) of the Social Security Act are each amended by striking out “one-half” and inserting in lieu thereof “the State’s proportionate share”.
(b) Section 3 (b) of such Act is amended (1) by striking out “clause (1) of subsection (a)” wherever it appears and inserting in lieu thereof “subsection (a)”, (2) by striking out “such clause” in paragraph (1) and inserting “such subsection” in lieu thereof, and (3) by striking out “increased by five per centum” immediately before the period at the end of paragraph (3).

TITLE IV—MISCELLANEOUS PROVISIONS

AMENDMENTS PRESERVING RELATIONSHIP BETWEEN RAILROAD RETIREMENT AND OLD-AGE AND SURVIVORS INSURANCE

- 66 Stat. 777.
45 USC 228a. SEC. 401. (a) Section 1 (q) of the Railroad Retirement Act of 1937, as amended, is amended by striking out “1952” and inserting in lieu thereof “1954”.
45 USC 228b. (b) Section 2 (c) of the Railroad Retirement Act of 1937, as amended, is amended by striking out “six” and inserting in lieu thereof “twelve”; and subsection (5) (j) of such Act, as amended, is amended by striking out “sixth” and inserting in lieu thereof “twelfth”. The amendments made by this subsection shall be applicable only in the case of applications for annuities under the Railroad Retirement Act filed after August 1954; except that no individual shall, by reason of such amendment, be entitled to any annuity for any month prior to February 1954.
45 USC 228e. (c) Section 5 (1) (9) of the Railroad Retirement Act of 1937, as amended, is amended by striking out “\$3,600” the second time it appears and inserting in lieu thereof “\$4,200”.

(d) Section 5 (i) (1) (ii) of the Railroad Retirement Act of 1937, as amended, is amended to read as follows: 60 Stat. 729.
45 USC 228e.

“(ii) will have been under the age of seventy-two and for which month he is charged with any earnings under section 203 (e) of the Social Security Act or in which month he engaged on seven or more different calendar days in noncovered remunerative activity outside the United States (as defined in section 203 (k) of the Social Security Act); and for purposes of this subdivision the Board shall have the authority to make such determinations and such suspensions of payment of benefits in the manner and to the extent that the Secretary of Health, Education, and Welfare would be authorized to do so under section 203 (g) (3) of the Social Security Act if the individuals to whom this subdivision applies were entitled to benefits under section 202 of such Act;” Ante, pp. 1073,
1074, 1082.
Ante, p. 1077.
Ante, p. 1076,
Ante, pp. 1073,
1079, 1083,
1085.

CROSS REFERENCES TO REDESIGNATED PROVISIONS

SEC. 402. References in the Internal Revenue Code of 1939, the Internal Revenue Code of 1954, the Railroad Retirement Act of 1937, or any other law of the United States to any section or subdivision of a section of the Social Security Act redesignated by this Act shall be deemed to refer to such section or subdivision of a section as so redesignated. 26 USC; 68A
Stat.; 45 USC
228a-228y.

SERVICE FOR CERTAIN TAX-EXEMPT ORGANIZATIONS PRIOR TO ENACTMENT OF THIS ACT

SEC. 403. (a) In any case in which—

(1) an individual has been employed, at any time subsequent to 1950 and prior to the enactment of this Act, by an organization which is exempt from income tax under section 101 (6) of the Internal Revenue Code of 1939 but which has failed to file prior to the enactment of this Act a waiver certificate under section 1426 (1) (1) of the Internal Revenue Code of 1939; 68A Stat. 932,
163.
68A Stat. 938;
ante, p. 1094.

(2) the service performed by such individual as an employee of such organization during the period subsequent to 1950 and prior to 1955 would have constituted employment (as defined in section 210 of the Social Security Act and section 1426 (b) of the Internal Revenue Code of 1939) if such organization had filed prior to the performance of such service such a certificate accompanied by a list of the signatures of employees who concurred in the filing of such certificate and such individual's signature had appeared on such list; 42 USC 410;
ante, pp. 1052-
1054, 1061.
68A Stat. 938;
ante, pp. 1091,
1092.

(3) the taxes imposed by sections 1400 and 1410 of the Internal Revenue Code of 1939 have been paid with respect to any part of the remuneration paid to such individual by such organization for such service; 68A Stat. 938,
415, 416;
ante, p. 1094.

(4) part of such taxes have been paid prior to the enactment of this Act:

(5) so much of such taxes as have been paid prior to the enactment of this Act have been paid by such organization in good faith and upon the assumption that a waiver certificate had been filed by it under section 1426 (1) (1) of the Internal Revenue Code of 1939; and 68A Stat. 938;
ante, p. 1094.

(6) no refund of such taxes has been obtained, the amount of such remuneration with respect to which such taxes have been paid shall, upon the request of such individual (filed in such form and manner, and with such official, as may be prescribed by

26 USC 1400-
1432.
68A Stat. 938,
415.
42 USC 410;
ante, pp. 1052-
1054, 1061.

regulations made under subchapter A of Chapter 9 of the Internal Revenue Code of 1939), be deemed to constitute remuneration for employment as defined in section 210 of the Social Security Act and section 1426 (b) of the Internal Revenue Code of 1939.

(b) In any case in which—

(1) an individual has been employed, at any time subsequent to 1950 and prior to the enactment of this Act, by an organization which has filed a waiver certificate under section 1426 (1) of the Internal Revenue Code of 1939;

(2) the service performed by such individual during the time he was so employed would have constituted employment (as defined in section 210 of the Social Security Act and section 1426 (b) of the Internal Revenue Code of 1939) if such individual's signature had appeared on the list of signatures of employees who concurred in the filing of such certificate;

(3) the taxes imposed by sections 1400 and 1410 of the Internal Revenue Code of 1939 have been paid prior to the enactment of this Act with respect to any part of the remuneration paid to such individual by such organization for such service; and

(4) no refund of such taxes has been obtained,

the amount of such remuneration with respect to which such taxes have been paid shall, upon the request of such individual (filed on or before January 1, 1957, and in such form and manner, and with such official, as may be prescribed by regulations made under subchapter A of chapter 9 of the Internal Revenue Code of 1939), be deemed to constitute remuneration for employment as defined in section 210 of the Social Security Act and section 1426 (b) of the Internal Revenue Code of 1939, and such individual shall be deemed to have concurred in the filing of the waiver certificate filed by such organization under section 1426 (1) of the Internal Revenue Code of 1939.

STUDY OF FEASIBILITY OF PROVIDING INCREASED MINIMUM BENEFITS UNDER TITLE II

Study by HEW.

SEC. 404. (a) The Secretary of Health, Education, and Welfare shall conduct a full and complete study with a view to determining the feasibility of increasing the minimum old-age insurance benefit under title II of the Social Security Act to (1) \$55 per month, (2) \$60 per month, and (3) \$75 per month.

42 USC 401-421.

(b) Such study shall include (1) a detailed analysis of the estimated increase in cost, if any, involved in increasing such minimum benefit to each of the above referred to amounts, (2) estimates of the financial impact such increase would have upon the Old Age and Survivors Insurance Trust Fund, and (3) an estimate of the amount, if any, by which Federal grants to the States for public assistance would be reduced by reason of such increase in minimum old-age insurance benefits.

Report to Congress.

(c) The Secretary shall report to the Congress at the earliest practicable date the results of the study provided for by this section.

Approved September 1, 1954.

U. S. DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE
Office of the Secretary
Washington 25, D.C.

ADVANCE RELEASE

HEW--B41

(PLEASE HOLD FOR RELEASE UNTIL H.R. 9366 HAS BEEN SIGNED BY THE PRESIDENT)

The social security amendments of 1954, which became law with the signature of President Eisenhower, represent the most significant advance for the social security system since the inception of survivors insurance fifteen years ago, Secretary of Health, Education, and Welfare Oveta Culp Hobby said today.

"The American people have, for the first time, a social security program that covers nine out of ten gainfully employed workers," Mrs. Hobby said. "The passage by the Congress of President Eisenhower's recommendations for extension of the program brings under the system 10 million more workers and represents a social gain for the nation of important dimensions."

Secretary Hobby pointed out that the inclusion of self-employed farmers, numbering 3,600,000 and numerically the largest group to be covered by the amendments, affords farmers the same opportunity to provide a measure of economic security for themselves and their families as the self-employed in industrial areas have enjoyed since 1950. Many more farm workers are also included in the new amendments.

"A comparison between 50 farm and 50 non-farm counties which we made in the Department illustrates clearly the important economic relationship between insurance and old age assistance," Mrs. Hobby said. "The percentage of those receiving assistance in farm counties was 31 percent of the total population over 65. The percentage of those receiving assistance in the non-farm counties was only 17 percent. The new amendments will have the eventual effect of reducing materially the need for public assistance in rural areas just as it has in urban areas throughout the United States.

(More)

"This is in the American tradition," Mrs. Hobby went on to say, "of making it possible for every American to contribute to his own security."

The Department of the Treasury and the Department of Health, Education, and Welfare are working on an emergency basis to insure that the 6,600,000 who are to receive higher payments as the result of the amendments will receive them on schedule early in October, Secretary Hobby said. The retired worker benefits voted by the Congress range from \$30 to \$98.50 per month. Families of retired workers and survivors of those who have died will also get increases.

The monthly rate of benefit payments to these 6,600,000 beneficiaries will rise from \$282,900,000 during August to \$318,731,000 for September, an increase of something over \$35,000,000 or slightly more than 12 and one half percent.

Among other significant changes brought about by the new amendments, Mrs. Hobby pointed out, is a provision that permits retired workers to earn more money than heretofore to supplement their incomes without loss of monthly social security payments. Beginning in 1955 beneficiaries may earn at least \$1,200 a year without loss of any monthly checks. Under the old law they were permitted to earn only \$75.00 a month.

Another change permits the elimination of up to five years of low or no earnings, in computing the average earnings on which social security payments are based.

"The expansion of the social security system as a result of these important amendments," Mrs. Hobby concluded, "will contribute materially to building a stronger and better America."

(More)

Other groups of American workers covered by the amendments are household workers earning more than \$50 in a calendar quarter, employees of State and local governments now covered by retirement systems, except police and firemen, under voluntary agreements between the States and the Federal government if the majority of the system's members favor the agreement; ministers, Christian Science practitioners and members of religious orders who elect coverage as self-employed persons; self-employed architects, engineers, accountants and funeral directors; American citizens employed outside the United States by foreign subsidiaries of American companies--under voluntary agreements between the Federal government and the parent company; home workers previously excluded because their services were not subject to State licensing laws; and employees engaged in fishing and related activities on vessels of 10 tons or less or on shore.

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IMMEDIATE RELEASE

SEPTEMBER 1, 1954

JAMES C. HAGERTY, PRESS SECRETARY TO THE PRESIDENT

THE WHITE HOUSE OFFICE

LOWRY AIR FORCE BASE
DENVER

STATEMENT BY THE PRESIDENT

I am very happy to sign the Social Security Amendments of 1954. By enabling some 10,000,000 more Americans to participate in the Old-Age and Survivors Insurance Program, it gives them an opportunity to establish a solid foundation of economic security for themselves and their families.

Beyond broadening the coverage of this program, this new law contains four other important provisions:

First, it raises payments to all retired workers by at least five dollars a month. It also raises -- by \$13.50 a month for retired workers and by \$31.25 a month for families -- the ceiling on payments to people now receiving monthly checks. People becoming eligible in the future will also receive higher payments, including increases that result from raising from \$3600 to \$4200 the maximum wage base from which the amount of their benefit checks is determined.

Second, the law eliminates the four or five lowest years of earnings from the computation of the OASI checks of workers who retire in the future. This provision is of great importance to many people whose years of unusually low earnings -- for reasons of unemployment, illness, or otherwise -- would sharply reduce their benefits.

Third, all retired workers under the program are permitted to earn more without forfeiting OASI checks. The amount of exempt earnings is increased to \$1200 a year, and this annual exemption is applied equally to wage earners and self-employed workers.

Fourth, the Act preserves the benefits rights, under Old-Age and Survivors Insurance, of those workers regularly covered under the program who become totally disabled for long and indefinite periods.

This new law is an important part of the broad program of the Administration and the Eighty-third Congress to improve the well-being of our people. In the past month I have signed into law a number of other Acts directly affecting the human problems of each family in the land. These include:

1. More hospitals and nursing homes for persons who are chronically ill, special medical facilities for people not requiring hospitalization, and rehabilitation facilities for disabled people.

2. A start toward increasing from 60,000 to 200,000 by 1959, the number of disabled people rehabilitated each year.

3. Three Acts helping the States and local communities meet the nation's educational problems.

4. Help to provide and improve housing, to prevent and eliminate slums, and to conserve and develop urban communities.

5. Extension of the unemployment insurance program to almost 4,000,000 more workers.

These Acts and the Social Security amendments I have approved today will bolster the health and economic security of the American people. They represent one of the cornerstones of our program to build a better and stronger America.

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FACT SHEET

Social Security Amendments of 1954

H. R. 9366

The Social Security Amendments of 1954 were based on recommendations made by the President in his special message to the Congress on January 14, 1954. The extension of coverage amendment was also recommended to the 83rd Congress during the latter part of the first session. The amendments include the following improvements in the old law:

1. Extend coverage to about 10 million more workers.
2. Increase benefit payments to all present and future retired workers and most other beneficiaries.
3. Determine benefits on a more advantageous basis by permitting a worker to drop as many as 5 years of low or no earnings and by increasing to \$4,200 the amount of annual earnings that can be counted toward benefits.
4. Preserve the rights of totally disabled workers to any benefits they may have earned.
5. Liberalize the retirement test by permitting employed and self-employed beneficiaries under age 72 to have earnings up to \$1,200 in a year without loss of benefits.
(A beneficiary 72 or over will be able to receive the payments regardless of the amount he is earning.)

Extension of Coverage

Over 2 million additional farm employees will be brought under the law through the abolition of the former requirement that farm workers be regularly employed by one employer to be covered. Self-employed farm operators numbering $3\frac{1}{2}$ million are also covered, as are professional engineers, architects, accountants and funeral directors.

About 200,000 more domestic employees in private households will be covered by the law because the amended law removes the former requirement that the domestic employee work 24 days in each calendar quarter in any one household to be covered.

Approximately 3,500,000 employees of State and local governments, heretofore excluded from coverage because they are under a retirement system, may now be brought under social security subject to a referendum.

Clergymen, whether employees or self-employed, may be covered as though they were self-employed persons but on an individual election basis. Clergymen will have two years within which to elect coverage; those who elect will be compulsorily covered after that time.

About 10,000,000 additional persons who work for a living will be eligible for the protection of the old-age and survivors insurance system. About 6.75 million of these will be brought into the system on January 1, 1955. Another 3.75 million will need to elect coverage under special arrangements.

Increase in Benefits

Immediately effective is the increase in benefits to persons now on the rolls. This will be reflected in the September checks which will be mailed early in October.

The present minimum payment of \$25 to a retired worker has been raised to \$30, and the maximum of \$85 has gone up to \$98.50. This means an increase in payments to retired workers of \$5 or more a month, depending upon their average monthly earnings upon which benefit amounts are based. Dependents and survivors now receiving monthly payments will get proportionate increases, with every family unit assured of a minimum increase of about \$5 a month to the family. The maximum family payment has been raised from \$168.75 to \$200.

The increases for present beneficiaries are automatic, and do not have to be applied for.

The amended law also provides increases in benefits for persons who become eligible for old-age and survivors insurance benefits in the future. Under the old law the \$3,600 limitation on the amount of annual earnings subject to social security taxes and used in figuring benefits covered the full earnings of only 40 percent of the Nation's regularly employed male workers. By raising the base to \$4,200 in a year, the amended law makes it possible to maintain a closer relationship between the worker's earnings and the benefits he and his dependents will eventually receive.

The maximum benefit payable for workers who earn \$4,200 a year will be \$108.50. Benefit amounts will be computed as 55 percent of the first \$110 of a person's average monthly earnings plus 20 percent of the next \$240.

Improved Computation of Benefits

The level of social security insurance benefits is related to the average of a worker's past earnings. Under the old law, any periods of abnormally low earnings, or no earnings at all, were averaged in with periods of normal earnings, thereby reducing the worker's average monthly earnings on which benefit payments are based. A provision in the new law permits a worker to drop up to 5 years of lowest or no earnings in the computation of his average monthly wage.

This provision in the amended law places the 10 million newly-covered workers in a position comparable to that of persons who were covered by the law for the first time in 1951. Without this provision, their average earnings would have been sharply lowered by including as a period of no covered earnings the years from 1951 through 1954 when their work did not come under the social security law.

This so-called "drop-out" provision applies to all workers becoming eligible after August. Others may qualify for the drop-out if they have $1\frac{1}{2}$ years of covered work after June 1953, or meet certain specified requirements for a recomputation of their benefits.

Liberalization of "Retirement Test"

The so-called "retirement test" has been liberalized and its discrimination against the wage earner as compared to the self-employed has been removed.

Under the old law the retired worker lost his benefit check in any month in which he earned over \$75. The employee is now given the

advantage of an exemption on an annual basis just as the self-employed have had since 1951. That exemption is \$1,200 a year under the new law, so that all retired persons under age 72 may now have earnings up to \$1,200 in a year without loss of any benefits. Only 1 month's benefit will be deducted for each additional \$80 (or part thereof) earned.

The provision in the amended law enables a person getting benefit payments to take, for example, a \$200-a-month job for 6 months in the year without losing any benefits, whereas under the old law he would have lost 6 months' benefits. In no case would a person lose a benefit for any month in which he neither earned more than \$80 in covered wages nor rendered substantial services as a self-employed person.

The amended law also exempts beneficiaries from the provisions of the earnings test entirely when they reach age 72. Under the previous law, effective since 1950, restrictions on earnings applied to all beneficiaries until they reached their 75th birthday.

Preservation of Rights of Disabled

The amended Act also provides that the benefit rights of the totally disabled be preserved. Under this provision, a worker who has a substantial work record in covered employment or self-employment will not have his old-age and survivors insurance benefits reduced--or lose his rights--because of an extended period of no earnings due to total disability.

A worker's wage record can be "frozen" if his disability has lasted six months and is expected to be of long-continued and indefinite duration. To be eligible for a "disability freeze" a worker must have acquired at least 5 years of covered work out of the last 10 years before the disability began. In addition, he must have been in covered work

for at least $1\frac{1}{2}$ years out of the 3-year period before his disability forced him to give up gainful work.

Individuals who are already over 65 and receiving old-age benefits may have their benefits refigured to exclude periods of disability in the past, if they meet the requirements.

The increases in benefits for the disabled under this provision are effective after June 1955.

No application for the "disability freeze" may be accepted by the Social Security Administration before January 1, 1955.

Contributory and Self-sustaining Principles

The 1954 amendments to the social security law preserve the contributory and self-sustaining principles of the old-age and survivors insurance system, as well as the wage-related character of its benefits.

All benefit payments and costs of administering the program are paid out of the Trust Fund consisting of the social security taxes paid by employees, employers, and the self-employed.

The tax rate is now scheduled to reach a maximum of 4 percent each for employee and employer in 1975. It remains at the present 2 percent each until 1960, with intermediate steps between 1960 and 1975. Self-employed persons pay at $1\frac{1}{2}$ times the employee rate.

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Social Security Act Amendments of 1954: A Summary and Legislative History

by WILBUR J. COHEN, ROBERT M. BALL, and ROBERT J. MYERS*

The Eighty-third Congress enacted amendments to the Social Security Act that make significant improvements in the old-age and survivors insurance program and also affect public assistance. The article that follows summarizes the major changes; articles on specific aspects of the amendments will appear in future issues of the Bulletin.

tended 24 months, to September 30, 1956.

(2) Approval of the Pennsylvania and Missouri laws for aid to the blind is extended for 2 additional years.

Old-Age and Survivors Insurance

Extension of Coverage

At the end of 1953 the old-age and survivors insurance program covered about 8 out of 10 of the Nation's jobs; under the new law about 9 out of 10 jobs will be covered at the beginning of 1955. The act extends coverage to about 10 million persons who, in the course of a year, work in jobs that were not covered under previous law.

Under the new law, coverage is extended to farmers, members of State and local retirement systems (other than policemen and firemen), additional farm workers and domestic workers, ministers and members of religious orders, and certain other smaller groups, including some professional self-employed persons. The exclusion in the earlier law of self-employed lawyers and of self-employed physicians, dentists, and members of several other medically related professions is continued. Other major groups that are still excluded are members of the Armed Forces, most Federal civilian employees, and policemen and firemen covered by a State or local government retirement system. (A temporary provision enacted earlier grants free wage credits of \$160 a month for periods of service in the Armed Forces.)

Farm operators.—The amendments extend coverage to about 3.6 million self-employed farm operators. One of the major stumbling blocks to their coverage has been the apparent necessity of requiring low-income farm operators, who may have no income-tax liability, to keep records that they would not ordinarily maintain. The new legislation includes a

THE Social Security Amendments of 1954 became Public Law No. 761 (Eighty-third Congress), on September 1, 1954, when President Eisenhower affixed his signature to H.R. 9366.

The amendments were characterized by Oveta Culp Hobby, Secretary of Health, Education, and Welfare, as representing "the most significant advance for the social security system since the inception of survivors insurance 15 years ago." The inclusion of self-employed farmers—the largest group covered by the amendments—will have the "eventual effect of reducing materially the need for public assistance in rural areas just as it has in urban areas. . . . The expansion of the social security system as a result of these important amendments will contribute materially to building a stronger and better America."

The new law amends the Federal old-age and survivors insurance provisions of the Social Security Act, the corresponding provisions of the Internal Revenue Code, the public assistance titles of the Social Security Act, and the Railroad Retirement Act. Eight major amendments to the Social Security Act and other important modifications were adopted.

The major changes in the old-age and survivors insurance program are as follows:

(1) Coverage is extended, effective January 1, 1955, to approximately 10

million persons who in the course of a year work in jobs that have not previously been covered. Approximately 6 million of these persons are covered on a compulsory basis and about 4 million on an elective basis. The largest groups are farmers, members of State and local government retirement systems (under voluntary agreement), additional farm and domestic workers, ministers and members of religious orders (on a voluntary basis), and self-employed members of specified professions.

(2) Primarily to overcome the handicap of the late entry into the system for these newly covered workers, up to 5 years of lowest or no earnings are dropped in computing benefits and the insured-status requirements are liberalized.

(3) The total annual earnings on which benefits and contributions are based is raised from \$3,600 to \$4,200.

(4) Benefits are increased, on the average, about \$6 a month for persons now receiving old-age benefits, with proportionate increases for dependents and survivors; the minimum old-age benefit is \$30.00 and the maximum \$98.50. The increase is effective with the September benefit payments. For those coming on the rolls in the future the range will be from \$30.00 to \$108.50 for an individual and to \$200 for a family.

(5) The retirement test is liberalized and improved.

(6) The benefit rights of disabled persons are protected.

There are two major amendments in the public assistance program:

(1) The present Federal matching formula for public assistance is ex-

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simplified reporting procedure for the use of the low-income farmer. The farm operator with gross income of not more than \$1,800 in a year who reports his income tax on a cash basis may report either his actual net earnings from farm self-employment, as determined on his income-tax return, or 50 percent of his gross income. If his gross income is more than \$1,800, he must compute his net earnings, although he may report an assumed income of \$900 if his actual net income is less than that amount.

Employees of State and local governments under retirement systems.—In the course of a year about 3.5 million employees (other than policemen and firemen) are in positions covered by State and local retirement systems.¹ The 1950 law provided for covering State and local government employees under voluntary agreements between the individual States and the Federal Government. It excluded from coverage under such an agreement, however, employees in positions covered by a State or local retirement system on the date the agreement was made applicable to the coverage groups to which they belong.²

Under the 1950 law the only way in which employees under a retirement system could be covered was by dissolving the system before the group was brought under the Federal-State agreement. Several States and a large number of local governments have secured old-age and survivors insurance coverage for employees by this method. In all but a few cases, where old-age and survivors insurance alone provides greater protection than the dissolved system, a supplemental system has then been established to replace the one abandoned.

Under the new law, a State may bring members of a State or local retirement system (except policemen and firemen) under its old-age and

¹ Of this number, about 300,000 employees were already covered under old-age and survivors insurance in December 1953. In addition, about 500,000 employees were in State and local government employment covered by old-age and survivors insurance but not by State or local retirement systems.

² Coverage was made available for members of the Wisconsin retirement fund by special provisions enacted in 1953.

survivors insurance agreement, if a referendum by secret written ballot is held among the members of the system and a majority of those eligible to vote in the referendum vote in favor of coverage.

The law continues the present exclusion of policemen and firemen who are covered by a State or local retirement system. These two groups, because of the special demands of their work, usually have special provisions in their retirement systems (lower retirement ages, for example), and most of the organizations representing policemen and firemen were opposed to the coordination of their provisions with the provisions of the old-age and survivors insurance system.

It is the policy of Congress, the law states, that the protection of members and beneficiaries of the retirement systems should not be impaired as a result of coverage of the members under old-age and survivors insurance. This statement of policy was designed by Congress to make clear its intent in providing for coverage of this group; it does not have the effect of requiring that the provisions of the retirement system be subject to Federal review. The law also removes the possibility that members of a system (other than firemen and policemen) may be covered without a referendum by dissolving the retirement system.

A State may cover without a referendum employees who are in positions covered by a retirement system but who are not themselves eligible for membership. A State may also cover without a referendum at any time before January 1, 1958, employees who are not now under a retirement system and who could not have been covered when their coverage group was brought in because at that time they were under a retirement system.

A State may hold a referendum among all of the members of a retirement system or, for the purposes of a referendum, it may treat any political subdivision or any combination of political subdivisions as having a separate retirement system. Each public institution of higher learning may also be considered as having a separate retirement system. Special provision is made for the

coverage under a State agreement, at the option of the State, of civilian employees of State National Guard units and certain inspectors of agricultural products. Special provision is also made for coverage under the Utah agreement of employees of certain educational institutions in positions covered by a retirement system and for retroactive coverage of members of the Arizona Teachers' Retirement System.

Farm workers.—Under the 1950 law, to be covered a farm worker needed to be "regularly employed" by one employer and to receive cash wages of \$50 or more in a calendar quarter from that employer. The definition of "regularly employed" was complicated and difficult to apply. In general, after a farm worker had worked for one employer continuously for an entire calendar quarter, he was "regularly employed" in succeeding quarters if he worked for that employer on a full-time basis on at least 60 days during the quarter. Records must have been kept over a substantial period before it was clear whether or not an individual was covered.

The new law substitutes a simple coverage test for the old test. A farm worker is covered with respect to his work for an employer if he is paid at least \$100 in cash wages by that employer in a calendar year. The new test continues to exclude from coverage intermittent and short-term workers and to avoid nuisance reporting of small amounts of wages but will result in the coverage of most workers who make a living from farm work. These workers will be credited with 1 quarter of coverage for \$100 of annual wages, 2 quarters for \$200, 3 for \$300, and 4 for \$400. Coverage is extended to cotton gin workers.

The specific exclusion of turpentine workers remains effective. Mexican contract farm workers also continue to be excluded, and a new provision excludes workers brought in from the British West Indies (under certificates of the Department of Agriculture) for short-term farm work.

The law as amended covers a total of approximately 2.1 million additional farm workers over the course of a year.

Accountants, architects, engineers, and funeral directors.—The earlier extension of coverage to the self-employed specifically excluded certain professions. The 1954 amendments bring under coverage some 100,000 accountants, architects, engineers, and funeral directors on the same basis as that on which other nonfarm self-employed persons are covered.

Civilian employees of the Federal Government not covered by a retirement system.—The new law extends coverage to about 150,000 civilian employees of the Federal Government and its instrumentalities who are not now covered by retirement systems. Services of Federal employees covered by old-age and survivors insurance under the former provisions are also creditable retroactively under the civil-service retirement system for those individuals who are later covered by the civil-service retirement system. The amendments prohibit, for the newly covered Federal employees, the crediting of the same period of Federal service under any other Federal retirement system.

Domestic workers in private homes and others who perform work not in the course of the employer's business.—The new law covers all domestic workers who work in nonfarm private homes and who are paid \$50 in cash wages by an employer in a calendar quarter. It deletes the time requirement of the 1950 legislation limiting the coverage of domestic workers to those who work for a single employer on at least 24 days during a calendar quarter. The simplified test means coverage during the course of a year for about 200,000 more household workers than does the old law. It also affords additional coverage for 50,000–100,000 workers who under the old law were covered on some but not all of their domestic jobs. Most of the domestic workers still excluded from coverage are students, housewives, and others who spend comparatively little time working for pay. Almost 90 percent of the persons whose major activity is domestic employment are covered by the law as amended.

Persons performing other types of service not in the course of the employer's trade or business will, like

domestic workers, be covered if they are paid \$50 in cash wages by an employer in a calendar quarter. They may number as many as 50,000 in the course of a year. The provision retains the principle in the old law of applying the same coverage test for these nonbusiness services that is applied to domestic services performed in private homes. Congress believed it was important to establish uniform tests for these two types of work because there are certain kinds of nonbusiness services that are not, strictly speaking, domestic service in private homes but that are difficult to distinguish from domestic service.

Ministers and members of religious orders.—The old law excluded from coverage any service performed by a minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of the duties required by the order. The amendments permit ministers, Christian Science practitioners, and those members of religious orders who have not taken a vow of poverty to obtain coverage by filing a certificate indicating their desire to be covered as self-employed persons. In general, application can be filed within 2 years after coverage becomes available or after the individual has become a minister, a Christian Science practitioner, or a member of a religious order. An election of coverage will be effective for the taxable year with respect to which it is filed, and for all subsequent years.

It was believed by Congress that voluntary coverage on an individual basis, while not generally desirable, was justified for this group. Some churches have expressed the fear that their participation in the program as employers of ministers might interfere with the principle of separation of church and State. Many church representatives also believe that individual ministers who do not want coverage, on grounds of conscience, should not be required to participate. About 250,000 ministers and members of religious orders are affected.

A special provision, designed primarily to take care of missionaries working in a foreign country, permits ministers and members of re-

ligious orders working in a foreign country or in a possession of the United States to compute their net earnings from self-employment without regard to the "earned income" deduction provisions in the Internal Revenue Code. Without such a provision they would not be able to include their wages and salaries in computing their self-employment earnings for purposes of social security coverage.

Lay employees of nonprofit organizations.—The amendments contain three provisions that make coverage possible for additional lay employees of religious and other nonprofit organizations (whose coverage is on a voluntary group basis) and so afford relief for certain employees who have suffered hardship under the provisions previously in effect.

One of these provisions extends the period allowed for election of coverage by additional employees of a nonprofit organization that, with the concurrence of at least two-thirds of the lay employees, has elected coverage. The other two provisions permit retroactive coverage in certain cases where coverage was not secured because of a mistake or misunderstanding on the part of either the organization or the individual.

United States citizens employed outside the United States by foreign subsidiaries of American employers.—The 1950 law covered United States citizens working outside the United States for American employers. The new law extends this coverage to include United States citizens working for foreign subsidiaries of American companies, at the option of the American company involved. These provisions make coverage available to roughly 100,000 United States citizens.

American employers frequently find it necessary to carry on their operations in other countries through subsidiaries established under the laws of a foreign country. The United States citizens working for such subsidiaries are likely to have the same close economic and personal ties with the United States, and the same expectation of returning to the United States, as do United States citizens working abroad for American employers. Their coverage will prevent

the gaps in protection under old-age and survivors insurance that would otherwise occur.

Because the United States cannot levy the employer tax of the old-age and survivors insurance program upon foreign subsidiaries of American employers, the United States citizens employed by these subsidiaries must be covered under voluntary provisions. Accordingly, the American employer involved must make an agreement with the Secretary of the Treasury to pay the social security taxes for all the United States citizens employed abroad by the foreign subsidiary. To avoid adverse selection the law provides that all the American citizens employed by a given subsidiary would have to be covered if any were covered.

Home workers.—The new law extends employee coverage to about 100,000 additional home workers. Home workers who have the status of employees under the usual common-law rules applicable in determining employer-employee relationship have been covered since 1937. In addition, under the 1950 amendments, home workers who do not have employee status under the usual common-law rules are covered as employees if (1) they work according to the specifications of the person for whom the work is done on materials or goods furnished by that person and required to be returned to him or the person he designates; (2) they are paid cash wages of \$50 or more during a calendar quarter by a given employer; and (3) they are subject to State licensing laws. The 1954 amendments cover as employees those home workers who meet the first two conditions but not the third. By eliminating the licensing requirement, the law provides employee coverage to all home workers who perform service under substantially the same conditions, irrespective of the State in which they are located. On the other hand, any home worker in a rural area, for example, who is not subject to any supervision or control by any person, and who buys raw materials and makes and completes any article and sells the same to any person, even though it is made according to the specifications and

requirements of some single purchaser, continues to be excluded from coverage as an employee.

Home workers who are not covered as employees would continue to be covered as self-employed persons if they meet the requirement of \$400 in net income from self-employment.

Employees engaged in fishing and related activities.—Employees engaged in the catching of fish, shellfish, and other aquatic species (except salmon and halibut), either from the shore or as officers or crew members of vessels of 10 net tons or less, were excluded from coverage by the 1939 amendments. The protection of the program has thus been denied to many of the lower-paid workers in the fishing industry. This gap in protection has been particularly evident since 1951, when self-employed owners of fishing vessels were covered. The 1954 law covers employees, such as fishermen and clam diggers, who have been excluded. About 50,000 additional people will be covered in the course of a year under this provision.

United States citizens employed by American employers on vessels and aircraft of foreign registry.—The 1950 amendments extended coverage to United States citizens employed abroad by American employers, but not to United States citizens employed by American employers on vessels and aircraft of foreign registry. The new law corrects the situation by covering this small group of American citizens on the same basis as other American citizens working outside the United States for American employers.

Computation of Average Monthly Earnings

The 1954 amendments change the method for computing the average monthly wage, on which the primary insurance amount (and thus the amount of every dependent's and survivor's benefit) is based. For individuals who qualify for benefits after the effective date of the new law, or who meet certain other conditions after that date, computation of their average monthly wage will ignore up to 5 years in which their earnings were lowest (or nonexistent). In general, every individual

who first qualifies for benefits after the effective date, or who had at least 6 quarters of coverage after June 1953, or who qualifies for certain types of benefit recomputations after the effective date, can eliminate up to 4 years of lowest or no earnings from the computation. If, in addition to meeting these requirements, he has at least 20 quarters of coverage (acquired at any time), he can eliminate an additional low year.

This "dropout" of years of low earnings will benefit both those individuals to whom coverage is extended by the new law and those who were covered in the past. Without such a provision, individuals first brought under coverage on January 1, 1955, would be under a severe handicap, since all the months in the years 1951-54, during which they had no covered earnings, would be included as divisor months in the computation of their average monthly wage. Under the change, as newly covered persons qualify for benefits, their benefit amounts will be based entirely on their covered earnings after 1954 and the years 1951-54 dropped out in the computations. After 20 quarters of work in covered employment they can drop an additional year, which would be the year in which their covered earnings were lowest. Individuals who are already covered by the program can also drop the 4 or 5 years of lowest or no covered earnings whenever they occurred. Years in which their earnings were low because of sickness or unemployment will no longer reduce their average monthly wage and benefit amount unless such years exceed five.

The computation of the average monthly wage is also simplified by providing for the use of standard first-of-the-year closing and end-of-the-year starting dates, with all computations generally based on calendar years for both wage earners and self-employed persons.

Maximum Earnings Base

Under the new law the maximum amount of covered earnings considered for both tax and benefit purposes is raised from \$3,600 to \$4,200 a year, effective January 1, 1955. It is estimated that, as a result of this

amendment, some 20 million persons will receive additional credits in 1955.

Old-age and survivors insurance benefits, within limits, vary with the individual's previous earnings. Since benefits are related to past earnings, it follows that the basic factor in the determination of benefit amounts is the level of previous earnings. More than three-fifths of the male workers regularly covered by the program now earn more than \$3,600, the maximum amount counted for benefit purposes under the 1950 amendments. The congressional committees took the position that, if the principle that benefits should vary with earnings is to be maintained, earnings above the \$3,600 limit must be counted toward benefits in the future.

Raising the earnings base to \$4,200

restores approximately the same relationship between general earnings levels and the maximum earnings base that existed in 1951. In 1953, approximately 43 percent of the regularly employed male workers covered by old-age and survivors insurance had earnings of more than \$4,200, and in 1951 about 48 percent had earnings in excess of \$3,600.

Increase in Benefits

A general increase in the benefit levels will result from the provisions already discussed and from the provision, discussed later, preserving the benefit rights of persons with extended total disability. In addition, the new law provides for an increase in the percentage of average monthly earnings yielded by the benefit formula.

Benefit payments are increased for

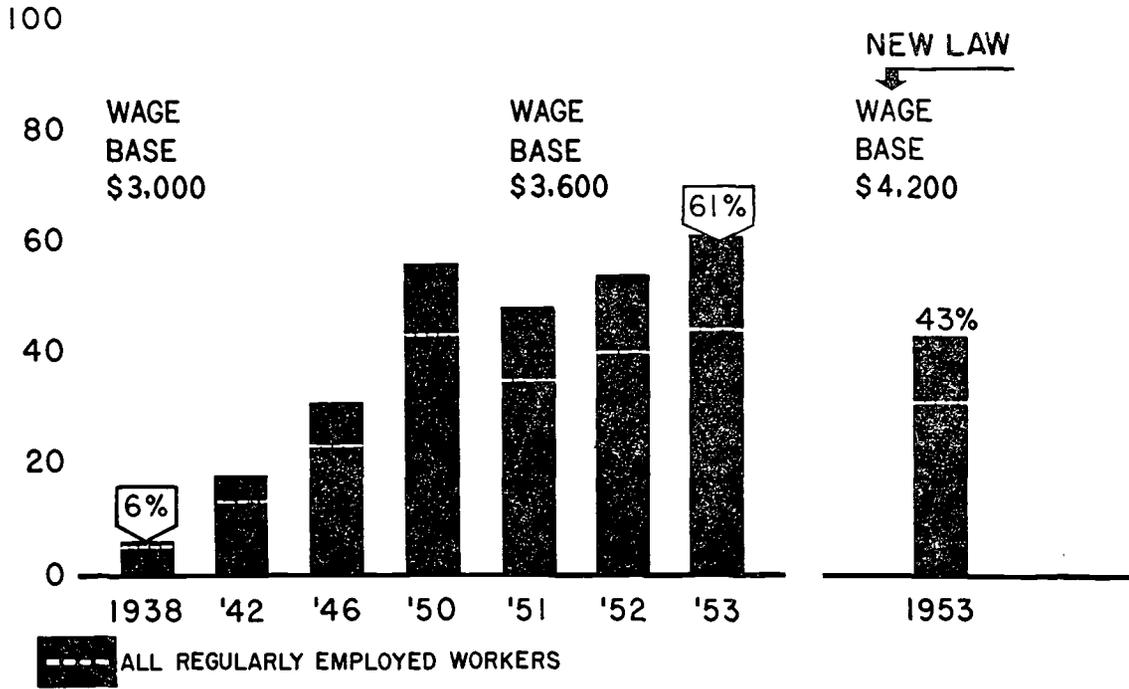
beneficiaries presently on the rolls as well as for those qualifying in the future. For workers now retired, monthly payments will range from \$30.00 to \$98.50, compared with \$25.00 to \$85.00 under the old law; the average increase will be about \$6.00. For those coming on the rolls in the future, the range of benefit payments, taking into account the higher earnings base, will be from \$30.00 to \$108.50.

Revised benefit formula.—The new law raises from \$100 to \$110 the amount of average earnings to which the 55-percent factor in the formula is applicable.

A further amendment in the formula is made by increasing the factor for the second step from 15 percent to 20 percent and raising the maximum earnings to which the formula applies from \$300 a month to \$350,

MAXIMUM EARNINGS BASE RAISED TO \$4,200 RESTORES 1951 RELATIONSHIP

PERCENT OF MALE 4-QUARTER WORKERS
EARNING OVER WAGE BASE



in line with the increase in the annual earnings base from \$3,600 to \$4,200. Table 1 compares illustrative benefits for a retired worker under the new law and under the old law.

The revised formula, which is applicable to average earnings computed over the period since 1950, will be used for workers coming on the rolls in the future who are eligible for dropping out low years of earnings from the average wage computation. If, however, the individual's benefit would be larger without the dropout and with computation made by means of the conversion table, which will be used to raise the benefits of persons now on the rolls, he will receive the larger amount.

Increase for present beneficiaries.—The new law increases benefits for the 6.6 million beneficiaries on the rolls in September. It thus follows the precedent of the 1950 and 1952 amendments. The purpose of helping beneficiaries to meet their current living needs through their benefit payments is served only if the value of the benefits is kept adjusted to changes in economic conditions.

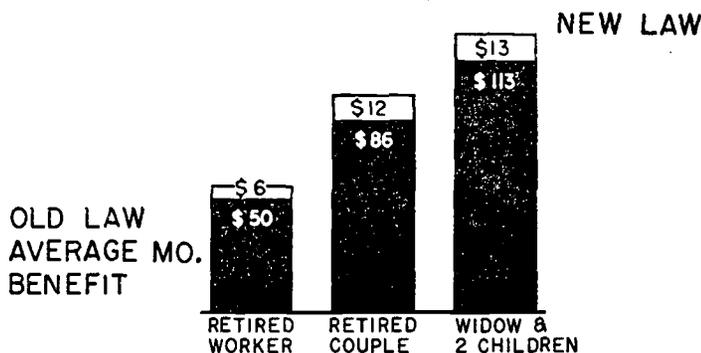
Table 1.—Illustrative monthly benefits for retired workers

Average monthly wage		Old law		New law	
On basis of old law	With drop-out	Single	Married ¹	Single	Married ¹
Assuming level earnings					
\$50.....	\$50.....	\$27.50	² \$41.30	³ \$30.00	⁴ \$45.00
100.....	100.....	55.00	² 80.00	³ 65.00	⁴ 92.50
150.....	150.....	62.50	93.50	68.50	102.80
200.....	200.....	70.00	105.00	78.50	117.80
250.....	250.....	77.50	116.30	88.50	132.80
300.....	300.....	85.00	127.50	98.50	147.80
350.....	350.....	(⁵)	(⁵)	108.50	162.80
Assuming specified increase in earnings arising from dropout					
\$50.....	\$70.....	\$27.50	² \$41.30	\$38.50	⁴ \$57.80
100.....	120.....	55.00	² 80.00	62.50	93.80
150.....	170.....	62.50	93.50	72.50	108.80
200.....	220.....	70.00	105.00	82.50	123.80
250.....	270.....	77.50	116.30	92.50	138.80
300.....	310.....	85.00	127.50	100.50	150.80
350.....	350.....	(⁵)	(⁵)	108.50	162.80

* Amounts produced by use of new formula; with level average monthly wage amounts of less than \$130, slightly higher benefits result from use of 1952 formula and conversion table.

- ¹ With wife aged 65 or over.
- ² Application of 80-percent maximum may not reduce benefit to less than \$45.
- ³ Reduced to 80 percent of average wage.
- ⁴ Application of 80-percent maximum may not reduce benefits to less than the larger of 1½ times primary insurance amount or \$50.
- ⁵ Old law included earnings only up to \$300 a month.

BENEFIT INCREASES FOR 6,600,000 PRESENT BENEFICIARIES



For persons now on the rolls, the increase in old-age insurance benefits (or primary insurance amounts on which dependents' and survivors' benefits are based) is determined by use of a conversion table. Selected primary insurance amounts under the old law and the new, higher amounts are shown below.

Under old law	Under new law
\$25.00.....	\$30.00
30.00.....	35.00
40.00.....	45.00
50.00.....	55.00
60.00.....	65.10
70.00.....	78.50
80.10.....	91.90
85.00.....	98.50

The new amounts approximate the results that would be obtained by applying the new formula to the average monthly earnings on which the previous benefit was based, and by providing also a guarantee of a benefit of at least \$5.00 more than was payable under the old law. The minimum benefit is now \$30.00. The new maximum of \$98.50 is the result of the application of the new formula to the maximum average earnings of \$300.00 considered under the previous law.

The conversion table may also be applicable for some workers coming on the rolls in the future—those who

are not eligible for dropping out low years from the computation of their average monthly wage, as well as those who do not have their benefits increased by at least \$5 by use of the dropout and the new benefit formula. For the relatively few workers eligible for the dropout who would get a higher benefit on the basis of average earnings computed over the period since 1936, the low 4 or 5 years may be dropped from the computation based on the modified 1939 act formula and the conversion table applied.

Family benefits.—Dependents' and survivors' monthly benefits will be increased automatically in line with the increase in primary insurance amounts, since they are computed as percentages of that amount. The maximum amount of benefits that may be paid on an individual's record is raised from \$168.75 to \$200.00.

The former provision that family benefits may not exceed 80 percent of the average monthly earnings on which they are based is retained. In no case, however, can application of this maximum reduce total benefits below the larger of 1½ times the primary insurance amount, or \$50.00. In this way the benefits for a retired worker and his wife, as well as for any two survivor beneficiaries, will

always be payable in their full proportions. Under the old law, application of the 80-percent maximum sometimes prevented a wife from getting the full one-half of the husband's benefit amount. The new provision replaces the former stipulation that family benefits may not be reduced below \$45.00.

The minimum amount payable when only one survivor beneficiary is drawing payments on an individual's record is \$30.00 a month, the same as the minimum old-age insurance benefit. This amount accordingly becomes the minimum payment for any single surviving widow, widower, child, or parent, instead of a proportion of the minimum primary amount as provided under the old law. Table 2 presents illustrative survivor benefits under the old law and under the new law.

Lump-sum death payment.—The new law retains the former provision setting the lump-sum death payment at three times the primary insurance amount but places a maximum of \$255 on the amount that can be paid.

Improvement of the Retirement Test

Monthly benefits under the old-age and survivors insurance system are paid upon the retirement or death of the family earner. The law provides that benefits are not payable to persons otherwise eligible for benefits if they have substantial employment or self-employment earnings, as determined under the retirement test set out in the act. The new law maintains this principle, but changes have been made to increase the equity of the retirement test and to afford greater opportunities to retired individuals to supplement their benefits through earnings from part-time or intermittent work.

Age.—Under the old law, benefits were payable at age 75 without regard to the test of retirement. The amendments reduce the "age 75" provision to age 72. The reduction in the age at which benefits are paid as a straight annuity rather than as a retirement benefit was made largely in recognition of the typically later retirement ages of some of the newly covered groups, particularly farmers.

Table 2.—Illustrative monthly benefits for survivors of insured workers

Average monthly wage		Aged widow or widower ¹		Widow and 1 child ²		Widow and 2 children		Widow and 3 children	
On basis of old law	With drop-out as provided in new law	Old law	New law	Old law	New law	Old law	New law	Old law	New law
Assuming level earnings									
\$50-----	\$50-----	\$20.70	*\$30.00	†\$41.30	*‡\$45.00	§\$45.00	*§\$50.00	¶\$45.00	‡\$50.00
100-----	100-----	41.30	*41.30	†80.00	*‡82.50	§80.00	*§82.50	¶80.00	‡82.50
150-----	150-----	46.90	51.40	†93.80	102.80	§120.00	*§120.00	¶120.00	‡120.00
200-----	200-----	52.50	58.90	†105.00	117.80	§140.00	*§157.00	¶160.00	‡160.00
250-----	250-----	58.20	66.40	†116.30	132.80	§155.00	*§177.00	¶168.80	‡200.00
300-----	300-----	63.80	73.90	†127.50	147.80	§168.80	*§197.00	¶168.80	‡200.00
350-----	350-----	(*)	81.40	†(†)	162.80	§(†)	*§200.00	¶(†)	‡200.00
Assuming specified increase in earnings arising from dropout									
\$50-----	\$70-----	\$20.70	*\$30.00	†\$41.30	‡\$57.80	§\$45.00	¶\$57.80	‡\$45.00	‡\$57.80
100-----	120-----	41.30	46.90	†80.00	93.80	§80.00	*§96.00	¶80.00	*§96.00
150-----	170-----	46.90	54.40	†93.80	108.80	§120.00	*§136.00	¶120.00	*§136.00
200-----	220-----	52.50	61.90	†105.00	123.80	§140.00	*§165.00	¶160.00	*§176.00
250-----	270-----	58.20	69.40	†116.30	138.80	§155.00	*§185.00	¶168.80	*§200.00
300-----	310-----	63.80	75.40	†127.50	150.80	§168.80	*§200.00	¶168.80	*§200.00
350-----	350-----	(*)	81.40	†(†)	162.80	§(†)	*§200.00	¶(†)	‡200.00

* Amounts produced by use of new formula; with level average monthly wage amounts of less than \$130, slightly higher benefits result from use of 1952 formula and conversion table.
 † Same for single surviving parent or child.
 ‡ Same for 2 aged parents.
 § Application of \$30 minimum family benefit.
 ¶ Application of 80-percent maximum may not reduce benefits below \$45.

‡ Application of 80-percent maximum may not reduce benefits below \$50.
 * Reduced to 80 percent of average wage.
 † Application of 80-percent maximum may not reduce benefits below 1½ times the primary insurance amount.
 ‡ Dollar maximum on benefits.
 § Maximum average wage under old law is \$300.

Establishment of uniform annual test for wage earners and self-employed persons.

Two separate tests of earnings were provided under the old law, applicable to beneficiaries under age 75. Wage earners were subject to an "all-or-none" monthly test, under which benefits for the individual and for any dependents drawing benefits on his record were withheld for any month in which he earned covered wages of more than \$75. The test for self-employed persons was on an annual basis; 1 month's benefit was withheld for each \$75 (or fraction thereof) of self-employment earnings in excess of \$900 in a year, except that no benefit was withheld for any month in which the self-employed person did not render substantial services in his trade or business.

The new law puts the test on an annual basis for both wages and self-employment earnings, and the two types of income are combined for purposes of determining the individual's total earnings. The amount of earnings that individuals may have without loss of benefits is raised to \$1,200. One month's benefit will be

withheld for each \$80 (or for each fraction of that amount) in excess of \$1,200, but no benefit will be suspended for any month in which the individual neither earned wages of more than \$80 nor rendered substantial services as a self-employed person in his trade or business.

Wage earners will no longer lose a benefit each month they earn more than a specified amount. They will be able to take intermittent full-time work or more regular part-time work than was possible in the past without the loss of benefits or with the loss of only a few months' benefits, depending on what they earn. A beneficiary may work throughout the year at \$110 a month, for example, and lose only 2 months' benefits; under previous law he would lose all 12. As another example, a beneficiary may earn \$300 a month for 3 months without losing any benefits, while under previous law he would lose 3 months' benefits.

The combination of wages and self-employment earnings for retirement-test purposes eliminates the discriminatory dual exemption that had been possible for some individuals

having both types of earnings, because of the separate tests formerly contained in the law.

Earnings in noncovered work.—For administrative reasons the retirement test under the old law applied only to earnings in work covered by the old-age and survivors insurance program, and individuals who worked in noncovered employment could continue to draw benefits regardless of their earnings. The new law eliminates this anomaly by providing that earnings from any type of employment or self-employment in the United States, whether or not covered by the system, be taken into account in determining if benefits should be withheld. Such a provision is now administratively feasible, since coverage of the system will be nearly universal.

Employment outside the United States.—The retirement test under the new law continues to apply to covered earnings outside the United States in the same way as in this country. In addition, a test is established for employment in noncovered work outside the United States. Beneficiaries residing abroad will thus be on a generally comparable basis with those living in the United States.

No specific earnings amount could possibly differentiate between full-time and part-time work in all the countries where beneficiaries might be working. For this reason a different type of test is provided; benefits are withheld for any month in which a beneficiary under age 72 engages in noncovered remunerative activity (either employment or self-employment) outside the United States on seven or more different calendar days. For administrative reasons, the monthly test, rather than the annual test, is provided.

Eligibility Conditions

The new law makes three important changes in the eligibility conditions of the program. They are (1) including, as an alternative for acquiring fully insured status, a transitional provision for persons continuously employed during 1955–58; (2) making survivor benefits payable in cases of deaths between December 1939 and September 1950 if the

deceased individual had 6 quarters of coverage; and (3) making individuals eligible for the disability “freeze” when they had 6 quarters of coverage out of the previous 13 quarters and 20 quarters of coverage during the previous 40-quarter period ending with the quarter in which the disability started.

Continuous employment.—The 1950 amendments greatly liberalized the requirements for insured status by granting a “new start,” whereby an individual was fully insured if he had quarters of coverage, acquired at any time, equal in number to half the calendar quarters elapsing after 1950 (rather than 1936) and before age 65 or death. The congressional committees concerned with the 1954 legislation believed that it was unnecessary to provide for another new start in the requirements for insured status. In their opinion, successive new starts, reducing the insured-status requirements to the minimum of 6 quarters of coverage, “tend to weaken the principle that benefits should be payable only on the basis of a substantial degree of attachment to employment covered by the system.”

The committees believed, however, that there was “good reason to grant a temporary liberalization to benefit those newly covered workers who, although they are continuously engaged in covered work after 1954, die or retire before they can meet the requirements for insured status.” For this reason, an individual is now deemed to be fully insured at the time of his death or attainment of age 65, whichever is earlier, if all the quarters elapsing after 1954 and up to that time are quarters of coverage, provided that he has had at least 6 quarters of coverage after 1954. The transitional provision ceases to be applicable to those reaching age 65 or dying after the third quarter of 1958, since any newly covered individual who works continuously in covered employment after 1954 and through the third quarter of 1958 will meet the insured-status requirements as in the 1950 law.

Deaths before September 1950.—The new law makes benefits payable to about 200,000 persons on the basis of earnings of certain individuals who died after 1939 and be-

fore September 1950. Any deceased worker who was not fully insured under the law in effect at that time but who had at least 6 quarters of coverage is deemed to have been fully insured at the time of his death, except for purposes of determining the entitlement of a widower or of a former wife (divorced) to mother's insurance benefits.³ This amendment makes the new-start provisions of the 1950 law applicable for survivors of insured individuals who had died before September 1950, just as the 1950 law had made those provisions applicable to persons who had retired before September 1950.

The primary insurance amount of such a deceased worker will be computed only through the use of the conversion table in the 1954 law, using the closing and starting dates contained in the law as it was in effect before September 1950. Proof of support, when required, may be filed any time before September 1956. Monthly benefits will be payable only for months after August 1954 on the basis of applications filed after that month.

Persons deported from the United States.—The legislation provides that old-age insurance benefits shall not be payable to any person deported from the United States after August 1954 because of illegal entry, conviction of a crime, or subversive activity. Dependents' or survivors' benefits based on the record of a deportee are payable unless the beneficiaries are noncitizens who leave the United States. A deported person who is later lawfully readmitted to this country for permanent residence here will be able to receive old-age and survivors insurance benefits for months following his reentry.

Disability freeze.—The eligibility conditions for the disability freeze are discussed in the following section. There are, however, two eligibility conditions for the freeze that are in the nature of insured-status conditions, although the law does not

³ Before the 1950 amendments, benefits were not payable to the widower or to the former wife (divorced). Moreover, survivor benefits were not payable on the earnings of persons who died before 1940, since such benefits were not included in the program until that date.

so characterize them: a requirement identical with that for currently insured status (6 quarters of coverage out of the last 13 quarters) and a longer requirement (20 quarters of coverage out of the last 40 quarters) to test a reasonably substantial as well as recent attachment to the labor force.

Preservation of Benefit Rights for the Disabled

Under the old law, a worker's rights to old-age and survivors insurance benefits might be impaired or lost entirely if he had periods of total disability before reaching retirement age.⁴ Unless the worker was already permanently insured when he became disabled, he lost his fully insured status when he reached retirement age because the entire period of his disability was included in the elapsed time that was the basis for determining his insured status. Benefit amounts, whether for retirement or survivor benefits, were based on the average monthly wage, which was computed by taking an individual's total earnings from a specified starting date up to age 65 or death and dividing that total by the full elapsed time, including any periods of total disability. The 1954 amendments, freezing old-age and survivors insurance status during extended total disability, remove this disadvantage by preventing such periods of disability from reducing or wiping out retirement and survivor benefits. In addition, there is available to the disabled individual the 4- or 5-year dropout period provided by the new law for all persons.

The freeze provision is analogous to the "waiver of premium" commonly used in life insurance and endowment annuity policies to maintain the protection of these policies for the duration of the policyholder's disability. About 375 life insurance companies, including all of the largest, offer a waiver-of-premium clause to individuals purchasing ordinary life insurance. About half the

standard ordinary life insurance issued currently carries this waiver.

Great advances have been made in rehabilitation techniques and efforts in recent years. It is recognized that prompt referral of disabled persons for appropriate vocational rehabilitation services increases the effectiveness of such services and enhances the probability of their success. The new law specifically states that it is the policy of Congress that disabled individuals applying for disability determinations are to be promptly referred to State vocational rehabilitation agencies, to the end that as many as possible may be restored to gainful work.

The disabled individual, to qualify for the new disability freeze, must have not less than 6 quarters of coverage during the 13-quarter period that ends with the quarter in which the period of disability begins, and 20 quarters of coverage during the 40-quarter period that ends with such quarter. These requirements are intended to limit the application of the provisions to individuals who have had a reasonably long, as well as recent, record of earnings in covered work. They operate to screen out those individuals who had voluntarily retired from gainful activity and had not been compelled to leave the labor force because of their disability.

Disability must have lasted for 6 months before it may be considered. This provision is intended to exclude from consideration temporary conditions. The law also states that an individual filing an application for a disability determination must submit such proof of the existence of his disability as may be required.

Disability is defined in the new law as the inability to engage in any substantial gainful activity because of any medically determinable physical or mental impairment that can be expected to result in death or to be of long-continued and indefinite duration.

Blindness also constitutes disability and is defined in the law as central visual acuity of 5/200 or less in the better eye with a correcting lens; an eye in which the visual field is reduced to 5° or less concentric contraction is considered as having a central visual acuity of 5/200 or less.

A medical finding of blindness, as defined, would alone be sufficient proof that an individual is disabled. Individuals with a visual handicap that does not meet this definition may nevertheless meet the general definition of disability if they are found unable to engage in any substantial gainful activity because of visual impairment that can be expected to be of long-continued and indefinite duration.

The law sets forth the conditions under which disability determinations will be made. The State vocational rehabilitation agencies or other appropriate State agencies, will, under agreements with the Secretary of Health, Education, and Welfare, determine if the individual is suffering from a disability and the day the disability began and the day it ceases. Their determinations will be considered as the determinations of the Secretary, with the following exceptions.

The Secretary is authorized to review, on his own motion, any determination made by a State agency that a disability exists and, as a result of such review, to make a finding that no disability exists or that the disability began later than determined by the State agency, or that the disability ceased earlier than determined by the State agency. The law also gives an individual, dissatisfied with a determination by a State or the Secretary, the right to a hearing by the Secretary and to judicial review of the final decision of the Secretary after such hearing, to the same extent as provided in section 205 (b) and section 205 (g) of the 1950 law.

An agreement may cover all persons in the State or only certain classes of individuals, as may be designated in the agreement at the State's request. In the relatively few cases where there is no agreement with a State, then the disability determinations will be made by the Secretary. Such determination will also be made for the types or classes of cases that, because of their characteristics or their volume, the State has asked to have excluded from the agreement.

Standards for evaluating disability are to be worked out in consultation

⁴ The Social Security Act Amendments of 1952 contained provisions for a disability freeze that never became operative and that differ in many respects from the 1954 provisions. For a summary of the 1952 provisions, see the *Bulletin*, September 1952.

with the State agencies, and both the State agencies and The Bureau of Old-Age and Survivors Insurance will apply these standards for the purposes of the freeze. Equal treatment of all disabled persons under the old-age and survivors insurance system in all States will thus be promoted.

Disability evaluation has two aspects. There must be (1) medically determinable impairment of serious proportions that is expected to continue indefinitely and for a long time or to result in death, and (2) a present inability to engage in substantial gainful work by reason of such impairment; efforts toward rehabilitation will not, of course, be considered as interrupting a period of disability until the individual has actually been restored to gainful activity. The physical or mental impairment must be of a nature and degree of severity sufficient to justify its consideration as the cause of failure to obtain any substantial gainful work.

The provision that the freeze apply only for impairments that "can be expected to be of long-continued and indefinite duration" is not inconsistent with efforts toward rehabilitation, since it refers only to the duration of the impairment and does not require a prediction of continued inability to work. An individual would not meet the definition of disability if he can, by reasonable effort and with safety to himself, achieve recovery or substantial reduction of the symptoms of his condition.

Payments to the vocational rehabilitation agencies for their services will be met from the old-age and survivors insurance trust fund. The payments may be made in advance or as reimbursement, and before audit or settlement by the General Accounting Office. All payments must be used solely for the purposes for which they are made, and any money not used for such purposes must be returned for deposit in the trust fund.

January 1, 1955, was set as the earliest date a freeze application can be accepted in order to give the Department of Health, Education, and Welfare time to prepare its forms and procedures and negotiate necessary agreements with State agencies. An individual who files before July 1,

1955, must, however, be alive on that date to get credit for a period of disability.

Until July 1, 1957, the application can establish a period of disability beginning on the earliest date the individual was disabled and met the freeze earnings requirements. In other words, an individual who was disabled as early as the fourth quarter of 1941 could have sufficient qualifying earnings and establish a period of disability, provided he has been continuously disabled and has filed an application before July 1, 1957. Despite the administrative difficulties, Congress believed that the large number of persons who have been totally disabled for the years before the enactment of this provision should be included in the group receiving the advantages of the freeze provision, but only for periods of disability continuing to the date of application.

Benefit increases for disabled individuals already on the benefit rolls will be payable beginning July 1955. Newly entitled persons will be able to have their benefits computed with the exclusion of a period of disability beginning with benefits payable for July 1955. Survivors of workers who died after having qualified for a period of disability will receive increased benefits.

The amendments specifically provide that nothing in title II shall be construed as authorizing the Secretary of Health, Education, and Welfare or any other officer or employee of the United States to interfere in any way with the practice of medicine or with relationships between practitioners of medicine and their patients, or to exercise any supervision or control over the administration or operation of any hospital.

Financing Basis and Policy*

Congress carefully considered the problem of cost in determining the old-age and survivors insurance benefit provisions of both the 1950 and 1952 acts. The belief was expressed in the committee reports that the old-age and survivors insurance program should be on a completely self-

*This section was prepared in its entirety by the Chief Actuary of the Social Security Administration.

supporting basis from contributions of covered individuals and employers. Accordingly, the 1950 and 1952 legislation contained a tax schedule that it was believed would, under a level-wage assumption, make the system self-supporting as nearly as could be foreseen under circumstances then existing. The program's actuarial balance was virtually the same under the 1952 act as under the 1950 act; the reason was that the rise in earnings levels in the 3 years preceding the enactment of the 1952 act was taken into account in the estimates for the 1952 act. It was recognized that future experience might differ from the conditions assumed in the estimates, so that any tax schedule, at least in the distant future, might have to be modified.

After enactment of the 1952 act, new cost estimates⁵ were developed to take into account the considerable change in economic conditions during the past few years and the additional actuarial and statistical data available from the program's operations and from the 1950 Census. According to these estimates the level-premium cost of the benefit disbursements and administrative expenses under the 1952 amendments is somewhat more than ½ of 1 percent of payroll higher than the level-premium equivalent of the scheduled taxes (including allowance for interest on the existing trust fund).

This deficiency is of long-range importance. In this connection, the Committee on Ways and Means of the House of Representatives stated in its report on the 1954 amendments:

While we recognize that future costs estimates, particularly if earnings continue to rise, may indicate that a lower schedule of contribution rates will provide for a self-supporting system, we believe that our policy should be one of utmost prudence in this area. Consequently the long-range schedule of old-age and survivors insurance contributions should be adjusted so as to meet the additional costs of the changes now proposed and also to cover fully the deficiency which the new estimates indicate in the financing of the present program. With this in mind we have proposed that the scheduled rates on employer

⁵ Actuarial Study No. 36, June 1953.

Table 3.—Benefit costs and contributions under intermediate-cost estimates, 1952 Act and 1954 bills and law

Item	Level-premium equivalent (percent)			
	1952 Act	House-approved bill	Senate-approved bill	1954 amendments
Benefit cost ¹	6.62	7.34	7.65	7.50
Contributions.....	6.05	7.12	7.12	7.12
Net difference, or lack of actuarial balance.....	.57	.22	.53	.38

¹ Includes adjustments to reflect (a) lower contribution rate for the self-employed, compared with employer-employee rate, (b) the existing trust fund, and (c) administrative expenses.

and employee in 1970 be raised from 3¼ to 3½ percent and that in 1975 and thereafter the rate be increased to 4 percent, with corresponding changes for the self-employed.⁶

The changes made by the Senate Committee on Finance would have made the estimated long-range cost of the program significantly greater than did the bill as it passed the House of Representatives. Thus, the net effect of the benefit changes in the Senate-approved bill would have been to increase the long-range costs of the program by slightly more than 1 percent of payroll as against the corresponding figure of ½ of 1 percent for the House bill. The Senate committee made the following statement in this connection: "Nevertheless, we believe that the long-range schedule of old-age and survivors insurance contributions should be adjusted so as to meet the additional costs of the changes now proposed. On the other hand, we believe that there is no necessity now to attempt to cover fully, or even partially, the deficiency which the new estimates indicate in the financing of the present program."⁷ The Senate accordingly retained the rate schedule approved by the House.

In brief, then, the House-approved bill would be financed by a contribution schedule set so that, under the intermediate-cost estimate, the system would be self-supporting, or, in other words, so that there would be little or no "actuarial insufficiency."

⁶ House Report No. 1698, May 28, 1954.
⁷ Senate Report No. 1937, July 27, 1954.

The policy according to the Senate-approved bill was that any proposed amendments should not add costs that are not offset by increased income and that any existing "insufficiency" as a result of new cost estimates, if relatively small, need not require legislative action until more experience bore out the indications.

The 1½-percent increase in the ultimate combined employer-employee rate, in both the House-approved and Senate-approved bills, represents an equivalent level increase of slightly more than 1 percent of payroll. As indicated by table 3, under the intermediate-cost estimate this amount meets the increased cost of the benefits provided by the Senate-approved bill although it does not appreciably reduce the currently estimated actuarial deficiency of the present system. Under the House-approved bill, on the other hand, the increase in the ultimate contribution rate serves to meet not only the increased cost but also to reduce the lack of actuarial

Table 4.—Estimated progress of trust fund under new law, 2.4-percent interest

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
Actual data					
1953 ¹	\$3,945	\$3,006	\$88	\$414	\$18,707
1953 ²	4,105	3,236	92	424	19,102
Low cost estimate ³					
1954.....	\$5,308	\$3,550	\$88	\$468	\$21,240
1955.....	5,939	4,405	101	526	23,109
1960.....	7,796	7,040	116	667	28,785
1970.....	12,522	10,559	144	1,029	44,831
1980.....	16,247	14,203	173	1,861	80,330
1990.....	17,735	17,144	200	2,647	113,146
2000.....	19,740	18,289	217	3,535	151,432
2020.....	23,262	23,407	268	6,558	279,598
High-cost estimate ³					
1954.....	\$5,149	\$3,722	\$95	\$464	\$20,898
1955.....	5,905	4,994	117	511	22,203
1960.....	7,725	7,950	151	533	23,418
1970.....	12,390	12,020	193	590	22,278
1980.....	15,820	16,071	233	658	29,538
1990.....	16,615	19,534	269	402	15,542
2000.....	17,753	21,231	290	(⁴)	(⁴)
2020.....	18,393	27,998	351	-----	-----

¹ Excludes effect of railroad coverage under financial interchange provisions.

² Includes effect of railroad coverage under financial interchange provisions; partly estimated.

³ All estimates based on high-employment assumptions.

⁴ Funds exhausted in 1995.

Table 5.—Changes in estimated level-premium costs of benefit payments as percent of payroll, by type of change, intermediate-cost estimate

Item	Level-premium cost
Cost of 1952 Act: ¹	
1952 estimate, 2¼-percent interest.....	6.00
Current estimate, 2¼-percent interest.....	6.74
Current estimate, 2.4-percent interest.....	6.62
Effect of changes:	
Extension of coverage.....	-.18
Raising earnings base to \$1,200.....	-.15
Increase in benefits ²	+.82
Liberalization of retirement test.....	+.20
Elimination of lowest years of earnings.....	+.13
"Disability freeze" provision.....	+.07
Cost of 1954 amendments, ¹ 2.4-percent interest.....	7.50

¹ Includes adjustments to reflect (a) lower contribution rates for the self-employed compared with employer-employee rate; (b) the existing trust fund; and (c) administrative expenses.

² Primarily reflects effect of new benefit formula and conversion table but includes effect of revised minimum and maximum benefit provisions and the minor changes in insured-status provisions.

ial balance to the point where, for all practical purposes, it may be said to be sufficiently provided for.

The benefit costs under the new law fall between those of the House-approved bill and those of the bill approved by the Senate. Accordingly, it may be said that under the 1954 amendments the increase in the ultimate contribution rate meets all the additional costs of the benefit changes and a substantial part of the deficiency that the latest estimates indicated in regard to the financing of the 1952 act.

Results of Cost Estimates on Range Basis

The level-premium cost for the benefits provided in the 1954 amendments, on the basis of 2¼-percent interest, is roughly 6.6–8.4 percent of payroll, while at 2½-percent interest the corresponding figures are 6.4 and 8.2 percent, respectively.⁸

Table 4 presents the estimated operations of the trust fund under the 1954 amendments, on the basis of a 2.4-percent interest rate, which is the interest rate used as the appropriate single rate in the estimates for the preceding version of the bill. During

⁸ For more details on the cost estimates see Robert J. Myers, *Actuarial Cost Estimates for the Old-Age and Survivors Insurance System as Modified by the Social Security Amendments of 1954*, prepared for the use of the House Committee on Ways and Means, August 20, 1954.

Table 6.—Estimated cost of benefit payments under 1952 Act and under new law, intermediate-cost estimate¹

Calendar year	Amount (in millions)		Percent of payroll	
	1952 Act	New law	1952 Act	New law
1955.....	\$4.075	\$4.745	3.05	2.94
1960.....	5.716	7.495	4.10	4.46
1970.....	8.318	11.290	5.26	5.94
1980.....	11.116	15.137	6.40	7.27
2000.....	14.812	19.790	7.33	8.11
2020.....	19.475	25.702	8.63	9.50
Level-premium: ²				
2¼-percent interest.....			6.69	7.42
2.4-percent interest.....			6.60	7.32
2½-percent interest.....			6.54	7.25

¹ All estimates based on high-employment assumptions.

² Level-premium contribution rate for benefit payments after 1952 and in perpetuity, not taking into account (a) lower contribution rate for self-employed compared with employer-employee rate, (b) existing trust fund, and (c) administrative expenses; assumes benefits and payrolls remain level after the year 2050.

the past fiscal year, this was the rate being earned. From July 1954 the rate has been only 2.3 percent, since the special issues in the trust fund, constituting almost 90 percent of total investments, now bear a rate of 2¼ percent, in comparison with 2½ percent in the fiscal year ended June 30, 1954. For consistency, the 2.4-percent rate has continued to be used for the trust fund calculations.

Under the low-cost estimate, the trust fund builds up rather rapidly and even in 50 years will be growing at a rate of about \$6 billion a year and will amount to about \$180 billion. In fact, under this estimate, benefit disbursements will not exceed contribution income during the next 65 years, and even in the year 2000 will be about 6 percent smaller.

Under the high-cost estimate the trust fund will build up to a maximum of about \$30 billion in the next 25 years but will then decrease until it is exhausted in 1995. Benefit disbursements will exceed contribution income during 1958-69, and again in 1973-74 and after 1979. Accordingly, the trust fund will remain more or less stable at about \$25 billion during 1955-85 (since interest income offsets the excess of disbursements over contribution income).

Although there is a wide spread in the ultimate estimated amounts in the trust fund under the two estimates, the range offers a reasonable

guide to action. The trust fund is a cumulative item and thus tends over the course of years to move relatively rapidly in one direction or the other, under the necessary assumption that the provisions of the law remain unchanged whether the experience develops as "low cost" or "high cost." The cost as a percentage of payroll—the best measure of cost—has a relative range from the low-cost to the high-cost estimate of only about 10 percent in the early years of operation and about 50 percent ultimately.

The results under the two estimates are consistent and reasonable, since the system on an intermediate-cost estimate basis is intended to be approximately self-supporting. Accordingly, in most instances a low-cost estimate should show that the system is more than self-supporting, and a high-cost estimate should show that a deficiency would eventually arise. In actual practice, under the philosophy in the 1950 and 1952 acts as set forth in the committee reports, assuming no change in benefit provisions, the tax schedule would be adjusted in future years so that neither of the developments of the trust fund shown in table 4 would ever eventuate. Thus, if experience

followed the low-cost estimate, the contribution rates would probably be adjusted downward, or perhaps not be increased in future years according to schedule. If, on the other hand, the experience followed the high-cost estimate, the contribution rates would have to be raised above those scheduled. The high-cost estimate in table 4 does indicate that under the tax schedule adopted there would be ample funds to meet benefit disbursements for several decades, even under relatively high-cost experience. In any event, if a deficiency arises in the financing of the system some years hence, or if subsequent experience and actuarial estimates indicate the imminence of a deficiency, it is believed that the situation can readily and safely be handled by a future Congress when the occasion arises.

Results of Intermediate-Cost Estimate

Intermediate-cost estimates were developed by averaging the low-cost and high-cost estimates (using dollar estimates and then developing the corresponding estimates relative to payroll). This intermediate-cost estimate may not represent the most

Table 7.—Estimated benefit payments as percent of taxable payroll under new law, by type of benefit, intermediate-cost estimate¹

Calendar year	Monthly benefits						Lump-sum death payments	Disability freeze ³	Total benefits
	Old-age	Wife's ²	Widow's ²	Parent's	Mother's	Child's			
	Actual data ⁴								
1951.....	0.99	0.15	0.14	0.01	0.07	0.24	0.05	-----	1.65
1952.....	1.11	.17	.16	.01	.08	.26	.05	-----	1.83
1953.....	1.50	.22	.20	.01	.09	.30	.07	-----	2.39
	Estimated data								
1960.....	2.83	.35	.53	.01	.18	.42	.10	.04	4.46
1970.....	3.80	.40	.97	.01	.18	.39	.11	.06	5.94
1980.....	4.86	.44	1.24	.01	.17	.35	.13	.07	7.27
1990.....	5.71	.44	1.34	.02	.16	.34	.14	.08	8.22
2000.....	5.75	.43	1.25	.02	.15	.32	.14	.08	8.11
2020.....	6.99	.50	1.27	.01	.15	.32	.15	.09	9.50
Level premium: ⁵									
2¼-percent interest.....	5.17	.44	1.10	.01	.16	.34	.13	.07	7.42
2½-percent interest.....	5.03	.44	1.08	.01	.16	.34	.13	.07	7.25

¹ All estimates based on high-employment assumptions.

² Includes excesses of wife's and widow's benefits over old-age benefits for female old-age beneficiaries also eligible for wife's and widow's benefits. Also includes husband's and widower's benefits.

³ Cost of the "disability freeze" shown separately, although in actual practice it is spread among the various types of benefits.

⁴ Excludes effect of railroad coverage under financial interchange provisions; partly estimated.

⁵ Level premium contribution rate for benefit payments after 1952 and in perpetuity, not taking into account (a) lower contribution rate for self-employed compared with employer-employee rate; (b) existing trust fund; and (c) administrative expenses; assumes benefits and payrolls remain level after the year 2050.

probable estimate; it is impossible to develop any such figures. Rather, the intermediate-cost estimate has been set down as a convenient and readily available single set of figures to use for comparative purposes.

Table 5 gives an estimate of the level-premium cost, tracing through the increase in cost from the 1952 law according to the major changes made. Table 6 shows the year-by-year cost of the benefit payments according to the intermediate-cost estimate for the 1952 act and for the 1954 amendments. These figures are based on a future level-earnings assumption and do not consider business cycles, which over a long period of years tend to average out. The 1955 benefit disbursements under the 1954 act are estimated at about \$4.7 billion, with a range of \$4.5 billion to \$5.0 billion (in contrast to contribution income of about \$5.9 billion). In 1955 the cost of the 1954 amendments will be about \$700 million more than that for the 1952 act would have been. The cost as a percentage of payroll is about the same because of the higher payroll resulting from the extension of coverage in the 1954 amendments. In subsequent years the benefit cost of the 1954 amendments, as a percentage of payroll, increasingly exceeds the cost of the 1952 act; the excess will be about 7/8 percent of payroll after 1970.

Table 7 presents the costs of the benefits under the 1954 amendments as a percent of payroll for each of the various types of benefits. Table 8 shows the estimated operation of the trust fund under the 1954 amendments according to the intermediate-cost estimate (using a 2.4-percent interest rate) and is comparable with table 4. According to this estimate, contribution income generally exceeds benefit disbursements for the next 30 years, although in 1959, 1963-64, and 1969 (the years preceding the next three scheduled increases in the contribution rates), there is an excess of benefit outgo over contribution income. This difference is in most instances more than counterbalanced by interest income, so that the fund is expected to grow more or less steadily until reaching a maximum of \$70 billion in 2011, and then to decrease until it is exhausted in the year 2031. The

decline in the far-distant future indicates that the revised tax schedule is not self-supporting under the intermediate-cost estimate with a level-earnings assumption, but this estimate may not represent the most probable estimate or what future experience will be. Any lack of self-support or any deficiency that eventually develops can, of course, be acted upon by Congress in later years.

Public Assistance

The new law extends through September 30, 1956, the provisions of the 1952 amendments, which were scheduled to expire at the close of September 30, 1954, with respect to Federal payments to States for public assistance programs. Until that date the Federal share in old-age assistance, aid to the blind, and aid to the permanently and totally disabled will continue to be four-fifths of the first \$25 of a State's average monthly payment per recipient, plus one-half the remainder, within individual maximums of \$55. For aid to dependent children the Federal share will be four-fifths of the first \$15 of a State's average monthly payment per recipient, plus half the balance, within individual maximums of \$30 for the adult,

Table 8.—Estimated progress of trust fund under new law, intermediate-cost estimate, 2.4-percent interest ¹

[In millions]					
Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
Actual data					
1951-----	\$3,367	\$1,885	\$81	\$417	\$15,540
1952-----	3,819	2,194	88	365	17,442
1953 ² -----	3,945	3,006	88	414	18,707
1953 ³ -----	4,105	3,236	92	424	19,102
Estimated data					
1954-----	\$5,228	\$3,636	\$91	\$466	\$21,069
1955-----	5,922	4,745	109	519	22,656
1960-----	7,760	7,495	134	610	26,102
1965-----	9,947	9,456	151	664	28,506
1970-----	12,456	11,290	168	774	33,554
1975-----	15,090	13,182	186	983	42,810
1980-----	16,034	15,137	203	1,279	54,931
1990-----	17,175	18,339	234	1,525	64,341
2000-----	18,747	19,760	254	1,539	65,056
2020-----	20,828	25,702	310	1,282	52,122

¹ All estimates based on high-employment assumptions.

² Excludes effect of railroad coverage under financial interchange provisions.

³ Includes effect of railroad coverage under financial interchange provisions; partly estimated.

\$30 for the first child, and \$21 for each additional child in a family. The congressional committees stated that this action was taken pending possible consideration of basic amendments in the Federal matching formula and to allow time for States to plan for operations under any revised law. The cost of continuing such increased Federal payments is about \$400 million for the 24-month period from October 1, 1954, to September 30, 1956.

A second public assistance amendment extends for two years—from June 30, 1955, to June 30, 1957—the provision in section 344 of the Social Security Act Amendments of 1950. This section provided that certain State plans for aid to the blind that did not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act could be approved for the period from October 1, 1950, to June 30, 1955. These requirements specify that, in determining need, any other income and resources of a person claiming aid to the blind must be considered, with the exception provided in clause 8. Only Pennsylvania and Missouri are now affected by the provision. Extending the time to June 30, 1957, will give these two States sufficient time to make the necessary modifications in their laws so that they, like all other States, will comply with the income-and-resources provision in the Act as a condition for Federal grants to the States.

Amendments to the Railroad Retirement Act

Four amendments are made in the Railroad Retirement Act, designed to preserve the present relationship between the railroad retirement system and old-age and survivors insurance. These amendments (1) change references in the Railroad Retirement Act to "the Social Security Act of 1952" to "the Social Security Act of 1954," (2) permit the retroactive payment of annuities under the railroad program for up to 12 months before the application is filed, (3) permit wages earned in employment covered by old-age and survivors insurance plus railroad compensation to go as high as \$4,200 for purposes of computing railroad survivor annuities,

and (4) include the amended old-age and survivors insurance retirement test as part of the retirement test applying to survivor annuitants under the railroad program.

Legislative History

President Eisenhower, in his State of the Union Message of February 2, 1953, recommended that the "old-age and survivors insurance law should promptly be extended to cover millions of citizens who have been left out of the social security system."

Shortly thereafter, Oveta Culp Hobby, Secretary of Health, Education, and Welfare, named a group of consultants to consider the extension of old-age and survivors insurance. Their report was submitted on June 24, 1953.⁹ On August 1, 1953, President Eisenhower submitted a special message to Congress, transmitting the Consultants' Report with the recommendation of the Secretary that specific additional groups should be covered. On August 3, Representative Daniel Reed, Chairman of the Ways and Means Committee of the House of Representatives, introduced a bill, H.R. 6812, carrying out the coverage recommendations.

During the fall of 1953, a subcommittee of the House Committee on Ways and Means held public hearings on various aspects of social security under the chairmanship of Representative Carl Curtis, of Nebraska. On January 6, 1954, Representative Curtis introduced a bill, H.R. 6863, which provided for blanketing-in the uninsured aged, widows, and dependent children, for extensive changes in the coverage, benefits, and financing of the old-age and survivors insurance program and for the termination of Federal grants to the States for old-age assistance and aid to dependent children.

On January 14, 1954, the President transmitted to the Congress a special message recommending important changes in the Federal old-age and survivors insurance system and the Federal programs of grants-in-aid for

⁹Consultants on Social Security, *A Report to the Secretary of Health, Education, and Welfare on Extension of Old-Age and Survivors Insurance to Additional Groups of Current Workers*, 1953. For a summary, see the *Bulletin*, September 1953, pp. 3-7.

public assistance. On the same day Representative Reed introduced H.R. 7199 and H.R. 7200, which carried out the President's recommendations on old-age and survivors insurance and public assistance, respectively. The Committee held public hearings on H.R. 7199 and on various other proposals from April 1 to 15. After extensive executive sessions a new bill, H.R. 9366, was introduced by Representative Reed on May 28 that embodied the Committee's recommendations.

The bill was reported favorably by the Committee on the same day and passed the House of Representatives on June 1 by a vote of 355 to 8 (with two members answering "present").

The Senate Committee on Finance held public hearings from June 24 to July 9 and reported the bill favorably, with amendments, on July 27; with nine amendments from the floor it passed the Senate by a voice vote on August 13.

The conferees from the House and Senate completed their report on August 20, and the report was adopted in both Houses on that same date.

The bill was signed by the President on September 1, 1954, and became Public Law No. 761.

House action on H.R. 7199 and H.R. 7200.—The House Committee on Ways and Means made 22 substantive changes in H.R. 7199 and H.R. 7200. These changes, embodied in H.R. 9366 as passed by the House without amendment, were:

1. Self-employed physicians would continue to be excluded.¹⁰

2. Self-employed ministers and Christian Science practitioners would be covered.

3. Coverage of agricultural workers would be on the basis of \$200 cash wages from one employer in a calendar year (instead of \$50 in a calendar quarter).

4. The referendum for State and local government employees would require that there be a majority of eligible employees participating in the referendum, in addition to at least two-thirds of those voting being in favor of coverage.

¹⁰The Committee first tentatively voted on May 20 to include physicians but later voted to exclude them (*Congressional Record*, May 20, 1954, p. D 562).

5. Certain employees in positions covered by a retirement system but not members of a retirement system would be covered.

6. Certain employees of the National Guard would be covered as State and local employees.

7. Coverage would be extended to several additional groups of Federal employees.

8. Coverage would be extended, on an elective basis, to United States citizens employed outside the United States by foreign subsidiaries of American employers.

9. A fifth year of low earnings could be dropped, in computing average monthly earnings, by persons who had 20 quarters of coverage.

10. Persons who had all quarters of coverage in the quarters elapsing after 1954 would be fully insured at the time of retirement or death.

11. Computations of average earnings for benefit purposes would be made on an annual rather than a quarterly basis.

12. The maximum monthly family benefit would be increased from \$190 to \$200.

13. A husband and wife (and a widow and 1 child) would receive 1½ times the primary insurance amount even though the combined amount would exceed 80 percent of the average monthly earnings.

14. The minimum monthly benefit of \$30 for a retired worker would be applied to any sole survivor beneficiary (widow, widower, child, or parent).

15. The maximum lump-sum death payment would be \$255.00 instead of \$325.50.

16. Certain survivors of individuals who died before the insured status provisions were liberalized in 1950 would be eligible for benefits if the wage earner had enough quarters of coverage so that he would have been insured had he died after the provisions were liberalized.

17. Benefits would be withheld from dependents and survivors for months in which the beneficiary resided outside the United States unless the beneficiary met certain requirements as to earlier residence in the United States or the insured person was currently insured, at death or at the attainment of age 65, on the basis

of military service wage credits or employment outside the United States.

18. Earnings during periods of unlawful residence could not be used in determination of insured status or benefit amounts.

19. All benefits payable on an individual's record would be terminated if he was deported because of illegal entry, conviction of a crime, or subversive activity.

20. A revised schedule of contribution rates would be established, with increases to 3½ percent each for employer and employee in 1970 and 4 percent each in 1975 and thereafter, and corresponding increases for the self-employed.

21. The Federal matching provisions for public assistance would be extended 1 year, rather than on the new basis proposed in H.R. 7200.

22. Period for approval of Pennsylvania and Missouri plans for aid to the blind would be extended 2 additional years.

Senate action on H.R. 9366.—The Senate Committee on Finance made major changes in the bill as passed by the House.

1. Farmers and all self-employed professional persons would be excluded.¹¹

2. Ministers would be allowed to elect coverage as self-employed persons within 2 years; those electing such coverage would be compulsorily covered thereafter.

3. Christian Science practitioners would be excluded.

4. Coverage of farm workers would be broadened to include those receiving \$50 or more in wages in a quarter from an employer.

5. Provisions of State and local coverage would be modified to (a) require the vote of a majority of those who are members of the system in favor of referendum; (b) make institutions of higher learning a separate coverage group; (c) enable each political subdivision or any such subdivisions to be a separate coverage group; (d) include certain State government employees in Utah; and (e) include certain inspectors of

agricultural products.

6. All Federal employees covered by the House bill would be excluded, and Federal employees would not be permitted to receive credit under two Federal retirement systems for the same period of Federal service.

7. The retirement-test provisions would be modified by (a) increasing the basic exemption of \$1,000 to \$1,200 a year; (b) limiting the retirement test, as it applies to employment in the United States, to covered employment; and (c) reducing from 75 to 72 the age at which benefits are payable irrespective of retirement.

8. The lump-sum death payment would continue to be three times the primary insurance amount (that is, up to \$325.50, instead of \$255.00 as in the House bill).

9. The House provisions restricting benefit rights for persons outside the United States, persons illegally in the United States, and persons deported would be eliminated.

10. The 1952 public assistance matching formula would be extended for 2 years instead of 1 year as in the House bill.

On August 13, the Senate passed H.R. 9366, as amended, by a voice vote. Nine additional amendments were adopted, six were rejected, and six amendments were presented but withdrawn.

The amendments adopted were:

1. The Smathers-Holland amendment to exclude temporary agricultural workers from the British West Indies.

2. The Ives amendment to permit coverage of employees of nonprofit institutions that fail to formally elect coverage but pay taxes.

3. The Morse amendment to permit employees of nonprofit institutions who failed to elect coverage and for whom taxes have been paid to be covered.

4. The Humphrey amendment to include funeral directors on a compulsory basis.

5. The Hayden-Goldwater amendment to permit retroactive coverage of employees who are members of the Arizona teachers' retirement system.

6. The Kerr amendment to make optional with the State—instead of mandatory—provisions for institu-

tions of higher learning to be a separate coverage group.

7. The Kerr amendment to permit Christian Science practitioners to be covered on a voluntary basis as self-employed persons.

8. The Kerr amendment to permit ministers who are engaged as missionaries outside the United States to be covered on a voluntary basis as self-employed persons.

9. The Long amendment to require the Department of Health, Education, and Welfare to study the feasibility and costs of providing increased minimum benefits of \$55, \$60, and \$75 a month under old-age and survivors insurance.

The amendments defeated were:

1. The Johnston (of South Carolina) amendment to reduce the eligibility age from 65 to 60 for old-age and survivors insurance.

2. The Stennis amendment that would have left the coverage of farm workers under the 1950 amendments unchanged.

3. The Humphrey amendment to increase the widow's benefit from three-fourths of the primary insurance amount to 100 percent.

4. The Long amendment to require States to disregard the increased old-age and survivors insurance benefits in determining need of public assistance recipients.

5. The Hennings-Symington-Martin-Duff amendment to make permanent the exemption of Missouri and Pennsylvania from the income-and-resources requirement for aid to blind.

6. The Humphrey amendment to increase payments under old-age assistance, aid to the blind, and aid to the permanently and totally disabled \$5 a month, and under aid to dependent children \$3 (with a floor provision), and to repeal the section relating to limitations on Puerto Rico and the Virgin Islands.

The amendments withdrawn were:

1. The Lehman amendment to extend coverage, increase benefits, add permanent and total disability benefits and temporary disability benefits, and make other changes.

2. The Humphrey amendment to extend coverage to dentists.

3. The Humphrey amendment to extend coverage to accountants.

4. The Kennedy amendment to pro-

¹¹ This action reversed an earlier tentative action of the Committee covering these groups on an individual voluntary elective basis (*Congressional Record*, July 13, 1954, p. D 824).

vide extra credit for postponed retirement.

5. The Kennedy amendment to increase the minimum old-age and survivors insurance benefit to \$35 a month.

6. The Martin-Long amendment to require Congress to review estimated old-age and survivors insurance disbursements every 2 years and to make any adjustments in tax rates necessary to ensure that income to the trust fund will cover expenditures for the ensuing 2 years.

Conference action.—The House-Senate conferees reached agreement on August 20. They took the following action on the substantive differences in the two versions of the amendments.

1. Covered farm workers on the basis of earnings in a calendar year, as in the House version, but with \$100 as the amount rather than \$200.

2. Continued the exclusion of individuals performing services in connection with the production or harvesting of gum naval stores, as in the Senate bill.

3. Excluded temporary agricultural workers from the British West Indies (similar to the present exclusion of agricultural workers from Mexico), as in the Senate bill.

4. Extended coverage to Federal employees not covered by Federal staff retirement systems, as provided in the House bill; the employees of the District Federal Home Loan Banks and the Tennessee Valley Authority employees were excluded. The conferees suggested that a study be made of dual coverage under the old-age and survivors insurance program and Federal retirement sys-

tems.

5. Modified the Senate provision that Federal service credited under the old-age and survivors insurance program for benefit purposes could not be used to establish retirement credit under any other Federal retirement system, to provide that its limiting effect would be applicable to only those groups newly brought under the old-age and survivors insurance by the 1954 amendments.

6. Adopted the Senate provision permitting ministers, Christian Science practitioners, and members of religious orders who have not taken a vow of poverty, whether employees or self-employed, to secure coverage as self-employed persons but on an individual voluntary basis.

7. Extended coverage to farm operators under the terms of the House bill.

8. Continued exclusion of lawyers, dentists, and other medical practitioners, as in the Senate bill, but with extension of coverage to self-employed professional architects, accountants, and engineers, as in the House bill.

9. With respect to coverage of members of State and local retirement systems, concurred in Senate amendment requiring that a majority of the employees eligible to vote in the referendum vote in favor of coverage; (also concurred in Senate amendments making other minor changes relating to extension of coverage of State and local employees).

10. Agreed to House version providing for a maximum lump-sum death payment of \$255.

11. Agreed to Senate amendment reducing to age 72 the age at which

the retirement test no longer applies.

12. Raised to \$1,200 per year the exempt amount of earnings permitted to beneficiaries without loss of benefits, in accordance with the Senate version.

13. Agreed to House version that, in determining the amount of earned income that a beneficiary has received, earnings from noncovered as well as covered employment will be counted.

14. Agreed to Senate provision continuing present law with respect to payment of benefits to dependents and survivors of an insured worker, when such persons reside outside the United States.

15. Agreed to eliminate House provision disallowing wage credits earned by a person during a period of unlawful residence.

16. Agreed to retain, in modified form, the House provision for not paying benefits to an insured worker when he has been deported. Benefits would be continued to eligible dependents and survivors of deported persons if they stay in the United States or if they live abroad and are citizens of the United States.

17. Continued to September 30, 1956, the present matching formulas for old-age assistance, aid to the blind, aid to the permanently and totally disabled, and aid to dependent children, in accordance with the Senate amendment.

18. Agreed to Senate amendment adding a provision directing the Secretary of Health, Education, and Welfare to conduct a study with a view to determining the feasibility of increasing the minimum old-age insurance benefit to \$55, \$60, and \$75.

[COMMITTEE PRINT]

COMMITTEE ON FINANCE
UNITED STATES SENATE
EUGENE D. MILLIKIN, CHAIRMAN

OLD-AGE AND SURVIVORS INSURANCE

COVERAGE, ELIGIBILITY REQUIREMENTS
AND BENEFIT PAYMENTS



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OLD-AGE AND SURVIVORS INSURANCE—COVERAGE, ELIGIBILITY REQUIREMENTS, AND BENEFIT PAYMENTS

I. COVERAGE

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
A. Self-employed.....	<p>Covers all self-employed for years in which they have net earnings from self-employment of \$400 or more except:</p> <p>(1) Specified professional groups—physicians, lawyers, dentists, osteopaths, veterinarians, chiropractors, naturopaths, optometrists, architects, Christian Science practitioners, professional engineers, funeral directors, and certified, registered, licensed, or full-time public accountants.</p> <p>(2) Farm operators.</p> <p>(3) Ministers.</p> <p>(4) Public officials and employee newsboys under age 18.</p> <p>(5) Certain types of income, such as dividends, interest, and rentals from real estate, unless received by dealers in real estate and securities in the course of business dealings.</p> <p>(6) Certain gains and losses, such as sale of capital asset.</p>	<p>The following coverage provisions are, in general, effective Jan. 1, 1955.</p> <p>No change except:</p> <p>(1) Covers professional groups formerly excluded, other than physicians, lawyers, dentists, osteopaths, veterinarians, naturopaths, chiropractors, and optometrists.</p> <p>(2) Covers farm operators on same basis as other self-employed persons, except for a special provision that makes it easier for low-income farmers who report on a cash basis to compute their net earnings—such farmers whose annual gross earnings are \$1,800 or less may report either their actual net earnings or 50 percent of their gross earnings; farmers who report on a cash basis and whose annual gross earnings are over \$1,800 may report either their actual net earnings or, if their actual net earnings are less than \$900, may report \$900. In determining net earnings rentals paid in the form of crop shares cannot be included.</p> <p>(3) Coverage on a voluntary self-employed basis regardless of whether an employee or self-employed for ministers (including Christian Science practitioners) and members of religious orders other than those who have taken a vow of poverty; also those serving outside the United States who are American citizens performing ministerial service for American employers. Allows a period of 2 years after coverage became available, or after becoming a minister or a member of a religious order in which to elect coverage. An election of coverage once made is irrevocable.</p> <p>(4) Continues exclusion of public officials and employee newsboys under age 18.</p> <p>(5) No change.</p> <p>(6) Excludes certain coal royalties which are now covered under the Social Security Act but excluded under the Internal Revenue Code.</p>

I. COVERAGE—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
B. Agricultural workers...	<p>Covers only those who are "regularly employed" by 1 employer and who receive cash wages of \$50 or more in a calendar quarter from that employer. In general, after a farm worker has worked for 1 employer continuously for an entire calendar quarter, he is "regularly employed" in the next quarter and in succeeding quarters if he works for that employer on a full-time basis for at least 60 days during the quarter.</p> <p>Certain borderline agricultural services are covered. The services are—</p> <p>(1) services performed on or off the farm in connection with the processing of maple sap into maple sirup or maple sugar (but <i>not</i> the gathering of maple sap on a farm—such services are covered only if the regular employment and cash wages tests referred to above are met);</p> <p>(2) services performed off the farm in connection with the raising or harvesting of mushrooms, or the hatching of poultry, or irrigation services performed by employees of companies operating for profit (irrigation services performed in connection with an irrigation system operating on a nonprofit basis are covered only if the regular employment and cash wages tests referred to above are met); and</p> <p>(3) postharvesting services performed for farmer cooperatives (any group of 20 or more farmers) or for commercial handlers of fruits and vegetables (but <i>not</i> if the services are performed for a farmer who produced more than $\frac{1}{2}$ the commodity processed or for an informal group of farmers which produced all the commodity processed—such services are covered only if the regular employment and cash wages tests referred to above are met).</p> <p>The following are specifically excluded from coverage:</p> <p>(1) Mexican contract workers.</p> <p>(2) Workers in cotton ginning and gum naval stores.</p> <p>(3) Noncash remuneration for agricultural work.</p>	<p>Covers agricultural workers if paid \$100 or more in cash wages by one employer in a calendar year.</p> <p>No change, except that when the services referred to constitute agricultural labor, the new test (described above) will apply.</p> <p>(1) No change.</p> <p>(2) Workers in cotton ginning covered as agricultural workers; workers in gum naval stores continue to be excluded from coverage.</p> <p>(3) No change.</p> <p>(4) Workers lawfully admitted to the United States from the Bahamas, Jamaica, and other British West Indies on a temporary basis to perform agricultural labor are excluded from coverage.</p>

I. COVERAGE—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
C. Domestic workers in private homes.	Covers only those workers in nonfarm homes who work for a single employer on at least 24 days and are paid at least \$50 in cash wages by that employer during a calendar quarter. Noncash remuneration is excluded, as is domestic service performed by students in local college clubs and fraternities.	Covers all domestic workers in private homes who are paid \$50 or more in cash wages by an employer during a calendar quarter. No change.
D. Work not in the course of the employer's trade or business.	Covers such work if the individual works for a single employer on at least 24 days and is paid at least \$50 in cash wages by that employer during a calendar quarter. Noncash remuneration is excluded.	Covers such work if the individual is paid \$50 or more in cash wages by an employer during a calendar quarter. No change.
E. Employees in commerce and industry. 1. Fishermen. 2. Life-insurance salesmen.	Covers all employees with the following exceptions and qualifications: Fishermen not employed on vessels of more than 10 net tons and not engaged in commercial halibut or salmon fishing are not covered. Life-insurance salesmen who have been covered as employees under the usual common-law rules are covered. Generally such relationship exists when the person for whom the services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work but also as to the details and means by which that result is accomplished. In addition, coverage as employees is provided for full-time insurance salesmen if the contract of service contemplates that substantially all of the services are to be performed personally by the salesman, except that he is <i>not</i> covered as an employee if— (a) he has a substantial investment in the facilities used in performing the services (other than in transportation facilities); or (b) the services are in the nature of a single transaction which is not part of a continuing relationship with the person for whom the services are performed.	Covers all fishermen now excluded. No change.
3. Wholesale salesmen.	Salesmen who have been covered as employees under the usual common-law rules are covered. Generally such relationship exists when the person for whom the services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work but also as to the details and means by which that result is accomplished.	No change.

I. COVERAGE—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments.	Under Social Security Act amendments of 1954
3. Wholesale salesmen—Con.	<p>In addition, coverage as employees is provided for certain full-time traveling or city salesmen engaged in the solicitation, for their principals, of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments for merchandise for resale or supplies for use in their business operations. Such salesmen are covered as employees if the contract of service contemplates that substantially all of the services are to be performed personally by the salesman, except that he is <i>not</i> covered as an employee if—</p> <p>(a) he solicits orders for more than 1 principal (except for side-line sales activities); or</p> <p>(b) he has a substantial investment in the facilities used in performing the services (other than in transportation facilities); or</p> <p>(c) the services are in the nature of a single transaction which is not part of a continuing relationship with the person for whom the services are performed.</p>	
4. Agent-drivers and commission-drivers.	<p>Agent-drivers and commission-drivers who have been covered under the usual common-law rules are covered. Generally such relationship exists when the person for whom the services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work but also as to the details and means by which that result is accomplished.</p> <p>In addition, coverage as employees is provided for agent-drivers or commission-drivers engaged in distributing, for their principals, meat, vegetable, fruit, or bakery products, beverages (other than milk), or laundry or dry-cleaning services. Such drivers are covered as employees if the contract of service contemplates that substantially all of the services are to be performed personally by the driver, except that he is <i>not</i> covered as an employee if—</p> <p>(a) he has a substantial investment in the facilities used in performing the services (other than in transportation facilities); or</p> <p>(b) the services are in the nature of a single transaction which is not part of a continuing relationship with the person for whom the services are performed.</p>	No change.

I. COVERAGE—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
5. Industrial home workers.	<p>Home workers who have been covered under the usual common-law rules are covered. Generally such relationship exists when the person for whom the services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work but also as to the details and means by which that result is accomplished.</p> <p>In addition, coverage as employees is provided for those home workers who—</p> <ul style="list-style-type: none"> (a) are licensed under State law; (b) perform work on materials furnished by the employer in accordance with the employer's specifications and the materials are to be returned to the employer; (c) are paid \$50 or more in a calendar quarter by the employer; and (d) perform work under a contract of service that contemplates substantially all of the services are to be performed personally by the home worker; <p><i>Except that a home worker is not covered as an employee if—</i></p> <ul style="list-style-type: none"> (a) he has a substantial investment in the facilities used in performing the services (other than in transportation facilities); or (b) the services are in the nature of a single transaction which is not part of a continuing relationship with the person for whom the services are performed. 	<p>Same as former law except the condition that the services must be subject to the licensing requirements under State law is eliminated—thus providing coverage to substantially all industrial home workers.</p>
6. Casual labor-----	<p>Covers such work if the individual works for a single employer on at least 24 days and is paid at least \$50 in cash wages by that employer during a calendar quarter.</p>	<p>Covers such work if the individual is paid \$50 or more in cash wages by an employer during a calendar quarter.</p>
7. Employment in Puerto Rico and the Virgin Islands.	<p>Employment and self-employment in Puerto Rico and the Virgin Islands are covered.</p>	<p>No change.</p>

I. COVERAGE—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
8. Employment outside the United States.	Services performed outside the 48 States, the District of Columbia, Hawaii, Alaska, Puerto Rico, and the Virgin Islands by citizens of the United States for an American employer are covered as well as employment on or in connection with an American vessel or an American aircraft under a contract of service entered into within the United States, or employment on and in connection with an American vessel or American aircraft that touches at a port in the United States.	Same as former law except: (1) Covers American citizens employed by an American employer on vessels and aircraft of foreign registry. In addition makes coverage available to citizens of the United States employed outside the United States by foreign subsidiaries of American corporations under voluntary agreements between the Federal Government and the parent American company. The domestic corporation could include some or all of its foreign subsidiaries in the agreement; it would have to agree to pay the equivalent of both employer and employee taxes on behalf of the subsidiaries included.
9. Newsboys-----	Services performed by certain newsboys and vendors of newspapers and magazines are excluded from coverage if they are 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. But news vendors aged 18 or over are covered as self-employed if the services are performed 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 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.	No change.
10. Family employment.	Services performed by an individual in the employ of his son, daughter, or spouse or services performed by a child under the age of 21 in the employ of his father or mother are excluded from coverage.	No change.
F. Railroad employees----	Under coordination provisions contained in Railroad Retirement Act, railroad employment covered jointly under railroad retirement and old-age and survivors insurance. In all cases except retirement cases in which the individual had 10 years or more of railroad employment benefits are payable under one program or the other based on combined railroad compensation and old-age and survivors insurance wages. Provisions for financial interchange are such as to place the old-age and survivors insurance trust fund in the same position it would have been in if railroad employment were covered by old-age and survivors insurance.	Amendments made to the Railroad Retirement Act to preserve the present relationship between the 2 programs; otherwise, no change.

I. COVERAGE—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
G. State and local government employees.	<p>Covers State and local government employees (except those specified below) provided individual State enters into an agreement with Federal Government.</p> <p>Following employees are excluded:</p> <p>(1) Employees who are in positions covered under a State or local retirement system (other than the Wisconsin retirement fund) at the time coverage is made applicable to the coverage group to which they belong;</p> <p>(2) Employees on work relief projects; and</p> <p>(3) Patients and inmates of institutions who are employed by such institutions.</p> <p>State agreement cannot cover services of the types which would be excluded by the general coverage provisions of the law if they were performed for a private employer, except that agricultural and student services in this category may be covered at the option of the State.</p>	<p>No change except:</p> <p>(1) Makes coverage available, by means of Federal-State agreements to employees in positions covered by a State or local retirement system (except policemen and firemen) provided a referendum by a secret written ballot is held, after not less than 90 days' notice, and if the majority of eligible employees under the retirement system vote in favor of coverage.</p> <p>Employees of any institution of higher learning (including a junior college or a teachers' college) under a retirement system can, if the State so desires, be covered as a separate coverage group; and 1 or more political subdivisions may be considered as a separate coverage group even though employees are under a statewide retirement system.</p> <p>In addition employees whose positions are covered by a retirement system but who are not themselves eligible for membership in the system could be covered without a referendum. Employees in positions which were covered by a retirement system on the date the agreement was made applicable to the coverage group but which, by reason of action taken prior to the date of enactment of the bill, are no longer covered by a retirement system on the date when the agreement is made applicable to such services, may also be covered without a referendum at any time prior to Jan. 1, 1958.</p> <p>(2) Provision is made for coverage under a State agreement, at the option of the State, of services of inspectors of agricultural products employed to perform services in connection with agreements between States and the U. S. Department of Agriculture.</p> <p>(3) Special provision is made for coverage under the Utah agreement of employees performing services for certain enumerated units of the State in positions covered by a retirement system who are precluded from coverage under present law.</p> <p>(4) Special provision is made to enable the State of Arizona to obtain coverage retroactively to Jan. 1, 1951, for members of the Arizona Teachers Retirement System if a modification of the existing State agreement is entered into prior to Jan. 1, 1956.</p>

I. COVERAGE—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
G. State and local government employees— Continued	<p>State also has the option of covering or excluding employees in any class of elective, part-time, or fee-basis positions, and emergency services.</p> <p>Coverage on a compulsory basis is provided for employees of certain publicly owned transportation systems as shown below:</p> <p>1. <i>A transportation system that acquired a private system prior to 1951.</i>—All employees of a transportation system owned by a State or local unit of government, any part of which is acquired from a private company after 1936 and before 1951, are covered by old-age and survivors insurance unless the employees are covered as of Dec. 31, 1950, by a general retirement system (applicable on a citywide or Statewide basis) under which the benefits are protected from diminution or impairment by express provision of the State constitution. If the transportation system owned by a State or local unit of government has a retirement system applicable to its employees and acquires a private transportation system after 1950, the employees taken over with such acquisition are covered by old-age and survivors insurance if the employer has provided for integration of the general retirement system with old-age and survivors insurance.</p> <p>2. <i>A transportation system no part of which was acquired from a private company prior to 1951.</i>—As to a transportation system owned by a State or local unit of government, no part of which was acquired from a private company after 1936 and before 1951, but which acquires a private transportation company after 1950, the employees taken over with the acquisition are covered by old-age and survivors insurance unless they are covered by a general retirement system which does not provide for integration with old-age and survivors insurance.</p>	<p>(5) Enables survivors of persons covered under retroactive agreements such as in the State of Virginia who died before Jan. 1, 1956, without having filed applications for recomputations, to obtain recomputations even though survivors do not file for such application until after Jan. 1, 1956.</p> <p>Same as present law except that State could when bringing in groups of employees other than members of a retirement system, exclude those in positions covered by a retirement system but ineligible for membership in such system.</p> <p>No change.</p>

I. COVERAGE—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
G. State and local government employees— Continued	<p>3. <i>A transportation system beginning operation after December 1950.</i>—If a State or local unit of government does not operate a transportation system on Dec. 31, 1950, but acquires a system after such date, all employees of the transportation system are covered by old-age and survivors insurance unless at the time the first part of the transportation system is acquired from private ownership the State or local unit of government has a general retirement system that covers the employees of the transportation system.</p>	
H. Nonprofit organization employees.	<p>The employees of nonprofit organizations are covered either on a voluntary or a compulsory basis if the wages paid the employee in a calendar quarter are \$50 or more except that services performed by the following are excluded:</p> <ul style="list-style-type: none"> (1) ministers and members of religious orders; (2) students employed by a school, college, or university if the student is regularly attending class; (3) student nurses employed by a hospital or nurses training school if the student nurse is regularly attending classes in an approved nurses training school; and (4) interns employed by a hospital if the intern has completed a 4-year course in an approved medical school. 	<p>No change.</p> <ul style="list-style-type: none"> (1) Ministers covered as self-employed individuals on a voluntary basis. See A-(3). (2) No change. (3) No change. (4) No change.
	<p style="text-align: center;"><i>Voluntary coverage</i></p> <p>Coverage on a voluntary basis is provided for employees of organizations exempt from income tax under sec. 101 (6) of the Internal Revenue Code, i. e., corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation. (Sec. 101 (6) will be superseded by sec. 501 (c) (3) of the Internal Revenue Code of 1954.)</p>	<p>No change.</p>

I. COVERAGE—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
<p>H. Nonprofit organization employees—Con.</p>	<p style="text-align: center;"><i>Voluntary coverage—Continued</i></p> <p>Employees of such nonprofit organizations who are paid \$50 or more in a calendar quarter are covered provided—</p> <p>(1) the employer organization certifies that it desires to have the old-age and survivors insurance system extended to its employees; and</p> <p>(2) at least $\frac{3}{4}$ of the organization's employees concur in the filing of the certificate.</p> <p>Employees who do not concur in the filing of the certificate will not be covered except that all employees hired <i>after</i> a certificate becomes effective will be covered.</p>	<p>Provides retroactive coverage for an individual employed after 1950 and prior to 1955 of certain tax-exempt organizations which failed to file the required waiver certificate, to the extent that the services performed for the organization would have constituted covered employment if the waiver had been filed; and to the extent that taxes had been paid with respect to such employment (prior to September 1954 and not refunded) in good faith on the assumption that a waiver had been filed.</p> <p>Similarly, if such an organization filed a waiver certificate, and taxes were paid (and not refunded) on behalf of an individual whose signature does not appear on the list of concurring employees, retroactive coverage for such individuals is provided for the period during which the taxes were paid, and prior to September 1954, provided that the individual concerned has filed his request to have such remuneration treated as remuneration for covered employment by Jan. 1, 1957.</p>
<p>I. Federal employees.....</p>	<p>Coverage is extended to the following services performed in the employ of the United States or its instrumentalities provided that the services are not covered by another retirement system established by Federal law or are not contained in the exclusions from coverage listed subsequently:</p> <p>(1) services performed by temporary employees of the United States whether they are awaiting permanent or indefinite appointment or are in positions not intended to be permanent or indefinite;</p> <p>(2) services performed in the employ of a corporation wholly owned by the United States (includes services performed by employees of the Tennessee Valley Authority—</p>	<p>No change except covers employees of all Federal instrumentalities who are not covered by another retirement system. In addition specific provisions would cover employees of Coast Guard exchanges.</p> <p>Service performed after 1954 in the employ of the Federal Government, and which constitutes "covered" employment by reason of the 1954 amendments, shall not be credited toward benefits under any federally established retirement system other than the old-age and survivors insurance system and the railroad retirement system.</p>

I. COVERAGE—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
<p>I. Federal employees— Continued</p>	<p>if not covered by the TVA retirement system); (3) services performed in the employ of a national farm loan association, a Federal Reserve bank, a Federal credit union, a production credit association, or a State, county, or community committee under the Production and Marketing Administration; and (4) services performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service and similar organizations.</p> <p><i>Services specifically excluded from coverage</i></p> <p>In addition to the exclusion of all services covered by another retirement system established by Federal law the following services are specifically excluded from coverage:</p> <p>(1) The President, Vice President, and Members of the Congress. (2) Employees in the legislative branch. (3) Temporary employees in the field service of the Post Office Department. (4) Temporary census-taking employees of the Bureau of the Census. (5) Employees paid on a contract or fee basis. (6) Employees whose compensation is nominal—\$12-a-year men. (7) Patients or inmates employed in Federal hospitals, homes, or other institutions.</p> <p>(8) Consular agents in the Foreign Service.</p> <p>(9) Interns, student nurses, and other students in Federal hospitals. (10) Persons employed for emergency work in disaster situations. (11) Employees under Federal unemployment relief programs.</p> <p>(12) Certain committee and board members. (13) Persons excluded from the Civil Service Retirement Act because they are subject to another retirement system.</p>	<p>The categories of employees listed as being specifically excluded under former law are affected as follows:</p> <p>(1) No change. (2) No change. (3) Covered. (4) Covered. (5) Covered. (6) Covered. (7) Patients employed in Federal hospitals, etc., covered, but inmates of penal institutions remain excluded. (8) This exclusion deleted, but since consular agents are, by and large, aliens employed outside the United States, they would still be excluded. (9) No change. (10) No change. (11) This exclusion deleted; there are no employees under Federal relief programs at present. (12) Covered. (13) No change.</p>

I. COVERAGE—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
J. Members of Armed Forces.	Not covered under the regular contributory provisions of the program but granted social security wage credits of \$160 per month for active service in the Armed Forces during the World War II period (Sept. 16, 1940–July 24, 1947) and for the postwar period (July 25, 1947–June 30, 1955). These wage credits are not given if benefits are payable to veteran under a Federal program other than those administered by the Veterans' Administration.	No change.
K. Employees of foreign governments and international organizations.	<p>Services performed in the employment of any foreign government including services as a consular or other officer or employee or a non-diplomatic representative are excluded from coverage.</p> <p>Nonresident aliens engaged in self-employment are excluded from coverage.</p> <p>Employees of foreign governments or of instrumentalities wholly owned by a foreign government are also excluded from coverage if—</p> <p>(1) the services are of a character similar to those performed in foreign countries by employees of the United States Government or instrumentalities thereof, and</p> <p>(2) the Secretary of State certifies 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.</p> <p>Also excluded from coverage are services 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).</p>	No change.
L. Other employment.	Services performed by an individual as an employé (under the usual common-law rules for determining the employer-employee relationship) are covered unless shown as excluded opposite the various occupational groups above. Also, services performed by an individual as an officer of a corporation are covered.	No change.

II. CREDITABLE EARNINGS

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
	<p>All remuneration for services in covered work is covered except:</p> <p>(1) Earnings in excess of \$3,600.</p> <p>(2) Certain types of payments for retirement and payments under a plan or system providing benefits on account of sickness or accident disability, etc.</p> <p>(3) Sick pay under certain circumstances.</p> <p>(4) Payment by the employer of the employee tax under the Federal Insurance Contributions Act or under a State unemployment compensation law.</p>	<p>Same as former law except:</p> <p>(1) Earnings in excess of \$4,200, rather than earnings in excess of \$3,600 are excluded, effective Jan. 1, 1955.</p> <p>(2) No change.</p> <p>(3) No change.</p> <p>(4) No change.</p>

III. INSURED STATUS

<p>A. Fully insured-----</p>	<p>1 quarter of coverage (acquired at any time after 1936) for every 2 calendar quarters elapsing after 1950 (or after quarter in which age 21 was attained, if later) and before quarter of death or attainment of age 65, whichever first occurs. For persons who died before September 1950, elapsed time is counted from 1936. Minimum requirement 6 quarters of coverage; maximum 40.</p> <p>Fully insured status qualifies for old-age, dependents, and survivors benefits; both fully and currently insured status required for dependent husbands' and dependent widowers' benefits.</p>	<p>See sec. VIII for preservation of benefit rights of permanently and totally disabled. Otherwise same as former law except:</p> <p>(1) As alternative to former requirements. Individual fully insured if he has quarters of coverage in all quarters after 1954 and before July 1956 or, if later (i) the quarter of death or (ii) attainment of age 65, whichever occurs first.</p> <p>(2) Deaths before Sept. 1, 1950. For purposes of survivor benefits (other than for widower or former wife divorced), individual who died before Sept. 1, 1950, with at least 6 quarters of coverage is fully insured.</p> <p>No change.</p>
<p>B. Currently insured-----</p>	<p>6 quarters of coverage within 13 quarters ending with quarter of death or entitlement to old-age insurance benefits (defined as primary insurance benefits before 1950 amendments).</p> <p>Currently insured status qualifies for child's, widowed mother's, and lump-sum benefits.</p>	<p>No change.</p>
<p>C. Quarter of coverage defined.</p>	<p>(1) Quarter in which individual received at least \$50 in wages or was credited with at least \$100 of self-employment income.</p> <p>(2) Each quarter in any calendar year in which wages are \$3,600 or more and each quarter in a taxable year in which combined wages and self-employment income equal at least \$3,600.</p> <p>(3) 4 quarters of coverage credited for minimum \$400 of self-employment income for year.</p> <p>(4) No quarter counted as quarter of coverage before it begins, or after the quarter of death.</p>	<p>(1) No change.</p> <p>(2) After 1954, each quarter in any calendar year in which wages are \$4,200 or more, and each quarter in a taxable year in which combined wages and self-employment income equal at least \$4,200.</p> <p>(3) No change.</p> <p>(4) No change.</p>

IV. BENEFIT PAYMENTS TO RETIRED WORKERS AND THEIR DEPENDENTS

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
A. Old age-----	Payable at age 65 and over to fully insured individual.	<p>No change except:</p> <p>Benefits payable to such a fully insured individual will be terminated upon notification of the Secretary by the Attorney General that the individual has been deported under any 1 of 14 specified paragraphs of sec. 241 (a) of the Immigration and Nationality Act. His dependents or survivors remaining in the United States or citizens of the United States will continue to get benefits.</p>
B. Wife-----	<p>When a worker receives old-age benefits, wife's insurance benefits are payable upon filing application if the wife of the retired worker has been married to him for not less than 3 years, or she is the mother of his son or daughter, and</p> <p>(1) has reached age 65 or, if under 65, has in her care (individually or jointly with her husband) at the time of filing the application, a child entitled to a child's insurance benefit on the basis of the wages and self-employment income of her husband;</p> <p>(2) is not entitled to an old-age benefit based on her own earnings equal to or greater than the amount she would be entitled to as the wife of the worker; and</p> <p>(3) has been living with the husband at the time the application is filed. (Wife is deemed to be living with her husband if they are both members of the same household, or she is receiving regular contributions from him for her support, or he has been ordered by a court to contribute to her support.)</p>	No change.
C. Dependent husband---	<p>When a woman worker receives old-age benefits and in addition is currently insured (defined in B, p. 13) husband's insurance benefits are payable upon filing application if the husband of the retired woman worker is the father of her son or daughter, or has been married to her for not less than 3 years, and</p> <p>(1) has reached age 65;</p> <p>(2) has been receiving at least ½ of his support from his wife at the time she became entitled to old-age benefits and filed proof of such support within 2 years after she became so entitled;</p> <p>(3) is not entitled to an old-age benefit based on his own earnings equal to or greater than the amount he would be entitled to as the dependent husband of the worker; and</p>	No change.

IV. BENEFIT PAYMENTS TO RETIRED WORKERS AND THEIR DEPENDENTS—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
C. Dependent husband— Continued	(4) has been living with the wife at the time the application is filed. (Husband is deemed to be living with his wife if they are both members of the same household, or he is receiving regular contributions from her for his support, or she has been ordered by a court to contribute to his support.)	
D. Child.....	<p>When a worker receives old-age benefits, child insurance benefits are payable to the child of the retired worker (including stepchild or adopted child as defined below) upon filing application if—</p> <p>(1) the child is unmarried and under age 18; and</p> <p>(2) the child is dependent (as defined below) on the retired worker.</p> <p><i>Stepchild or adopted child—of retired worker</i></p> <p>The term "child" includes a stepchild or adopted child who has been such for at least 3 years immediately preceding the day on which the application for child benefits is filed (if a stepchild of the worker is later adopted by the worker, the child is considered to be an adopted child during the period the stepchild relationship existed).</p> <p><i>Definition of dependency—on father, adopting father, stepfather, mother, adopting mother, and stepmother</i></p> <p>A child is considered dependent upon the father if the father is living with or contributing to the support of the child. However, even if the father is not living with the child or contributing to his support, the child, if legitimate, is considered dependent upon the father unless the child—</p> <p>(1) has been adopted by some other individual, or</p> <p>(2) is living with and receiving more than ½ of his support from his stepfather.</p> <p>An adopted child is considered dependent upon his <i>adopting father</i> under the same conditions as those which apply to a father and his natural child.</p>	No change.

IV. BENEFIT PAYMENTS TO RETIRED WORKERS AND THEIR DEPENDENTS—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
D. Child—Continued	<p><i>Definition of dependency—on father, adopting father, stepfather, mother, adopting mother, and stepmother—Continued</i></p> <p>A child is considered dependent upon his <i>stepfather</i> at the time of filing application for child benefits if the child was—</p> <ol style="list-style-type: none"> (1) living with his stepfather; or (2) receiving at least $\frac{1}{4}$ his support from his stepfather. <p>A child is considered dependent upon his <i>natural mother</i> or <i>adopting mother</i> at the time of filing application for child benefits if such mother was <i>currently insured</i> (defined in B, p. 13) when she became entitled to old-age benefits regardless of presence of or support furnished the child by the father.</p> <p>Also a child is considered dependent upon his <i>natural, adopting, or stepmother</i> at the time of filing application for child benefits if—</p> <ol style="list-style-type: none"> (1) she was living with the child or contributing to the support of the child and provided the child was— <ol style="list-style-type: none"> (a) neither living with, nor receiving contributions from, his father or adopting father, or (b) receiving at least $\frac{1}{4}$ of his support from her. 	

V. BENEFIT PAYMENTS TO SURVIVORS OF DECEASED WORKERS

A. Surviving widow at age 65.	<p>Widow's insurance benefits are payable, upon filing application, at age 65 if the deceased worker died after 1939 and was fully insured at the time of his death and the widow (as defined below)—</p> <ol style="list-style-type: none"> (1) has not remarried; (2) is not entitled to an old-age benefit based on her own earnings equal to or greater than the amount she would be entitled to as the widow of the deceased worker; and (3) was living with the husband at the time of his death. (Widow is deemed to have been living with her husband at the time of his death if they were both members of the same household on the date of his death, or she was receiving regular contributions from him toward her support on such date, or he had been ordered by a court to contribute to her support.) 	<p>No change except:</p> <p>Benefits will be paid if the worker died after 1939 and prior to Sept. 1, 1950, and had at least 6 quarters of coverage.</p> <p>No application will be required if the widow was entitled (on the basis of the worker's wages and self-employment income) to mother's insurance benefits for the month preceding the month in which she reached age 65.</p>
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V. BENEFIT PAYMENTS TO SURVIVORS OF DECEASED WORKERS—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
A. Surviving widow at age 65—Continued.	<p style="text-align: center;"><i>Widow defined</i></p> <p>The term "widow" means the surviving wife of a deceased worker, but only if she meets one of the following conditions:</p> <p>(1) was married to him for not less than 1 year immediately prior to the day on which he died; or</p> <p>(2) is the mother of his son or daughter; or</p> <p>(3) legally adopted his son or daughter while married to him and while such son or daughter was under age 18; or</p> <p>(4) was married to him at the time both of them legally adopted a child under the age of 18.</p>	
B. Surviving widow with children.	<p><i>Mother's insurance benefits</i> are payable, upon filing application, to the widow (see "Widow," defined above) of a deceased worker who died after 1939 if he was <i>currently or fully insured</i> at time of death and the widow—</p> <p>(1) has in her care a child of the deceased worker entitled to child insurance benefits;</p> <p>(2) has not remarried;</p> <p>(3) is not entitled to a widow's insurance benefit (as in A above);</p> <p>(4) is not entitled to an old-age benefit based on her own earnings equal to or greater than the amount she would be entitled to as the widow with children of the deceased worker; and</p> <p>(5) was living with the husband at the time of his death. (Widow is deemed to have been living with her husband at the time of his death if they were both members of the same household on the date of his death, or she was receiving regular contributions from him toward her support on such date, or he had been ordered by a court to contribute to her support.)</p>	<p>No change except:</p> <p>Benefits will be paid if the worker died after 1939 and prior to Sept. 1, 1950, and had at least 6 quarters of coverage.</p> <p>No application will be required if the widow was entitled to wife's insurance benefits (on the basis of the worker's wages and self-employment income) for the month preceding the month in which the worker died.</p>
C. Surviving former wife divorced.	<p><i>Mother's insurance benefits</i> are payable, upon filing application, to the former wife divorced (as defined below) of a deceased worker who died after 1939 if he was <i>currently or fully insured</i> at time of death and the former wife divorced—</p> <p>(1) has in her care a child of the deceased worker who is her son, daughter, or legally adopted child entitled to child insurance benefits payable on the basis of the deceased worker's wages or self-employment income;</p>	<p>No change.</p>

V. BENEFIT PAYMENTS TO SURVIVORS OF DECEASED WORKERS—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
C. Surviving former wife divorced—Con.	<p>(2) was receiving from the deceased worker (pursuant to agreement or court order) at least $\frac{1}{2}$ of her support at the time of his death;</p> <p>(3) has not remarried;</p> <p>(4) is not entitled to a widow's insurance benefit (as in B above); and</p> <p>(5) is not entitled to an old-age benefit based on her own earnings equal to or greater than the amount she would be entitled to as the former wife divorced of the deceased worker.</p> <p style="text-align: center;"><i>Former wife divorced defined</i></p> <p>The term "former wife divorced" means a woman divorced from a deceased worker, but only if she meets 1 of the following conditions:</p> <p>(1) is the mother of his son or daughter;</p> <p>(2) legally adopted his son or daughter while married to him and while such son or daughter was under age 18; or</p> <p>(3) was married to him at the time both of them legally adopted a child under the age of 18.</p>	
D. Surviving child	<p><i>Child insurance benefits</i> are payable, upon filing application, to the child (including step-child or adopted child as defined below) of a deceased worker who died after 1939 if he or she was <i>currently</i> or <i>fully insured</i> and the child—</p> <p>(1) is unmarried and under age 18; and</p> <p>(2) was dependent (as defined below) upon the worker at the time of his or her death.</p> <p style="text-align: center;"><i>Stepchild or adopted child defined—of the deceased worker</i></p> <p>The term "child" includes a stepchild of a deceased worker who has been such a stepchild for at least 1 year immediately preceding the day on which the worker died; the term "child" also includes an adopted child of a deceased worker without regard to the length of time the child has been adopted.</p>	<p>No change except:</p> <p>Benefits will be paid if the worker died after 1939 and prior to Sept. 1, 1950, and had¹ at least 6 quarters of coverage.</p>

V. BENEFIT PAYMENTS TO SURVIVORS OF DECEASED WORKERS—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
D. Surviving child—Con.	<p data-bbox="435 373 938 451"><i>Definition of dependency—on father, adopting father, stepfather, mother, adopting mother, and stepmother</i></p> <p data-bbox="435 478 938 688">A child is considered dependent upon the <i>father</i> if the father at the time of his death was living with or contributing to the support of the child. However, even if the father at the time of his death was not living with the child or contributing to his support, the child, if legitimate, is considered dependent upon the father unless the child—</p> <p data-bbox="483 688 938 741">(1) had been adopted by some other individual; or</p> <p data-bbox="483 741 938 793">(2) was living with and receiving more than $\frac{1}{2}$ of his support from his stepfather.</p> <p data-bbox="435 793 938 898">An adopted child is considered dependent upon his <i>adopting father</i> under the same conditions as those which apply to a father and his natural child.</p> <p data-bbox="435 898 938 972">A child is considered dependent upon his <i>stepfather</i> at the time of the stepfather's death if the child was—</p> <p data-bbox="483 972 938 1003">(1) living with his stepfather; or</p> <p data-bbox="483 1003 938 1056">(2) receiving at least $\frac{1}{2}$ of his support from his stepfather.</p> <p data-bbox="435 1056 938 1182">A child is considered dependent upon his <i>natural mother</i> or <i>adopting mother</i> at the time of her death if such mother was currently insured when she died regardless of presence of or support furnished the child by the father.</p> <p data-bbox="435 1182 938 1266">Also a child is considered dependent upon his <i>natural, adopting, or stepmother</i> at the time of death of such mother if—</p> <p data-bbox="483 1266 938 1339">(1) she was living with or contributing to the support of the child and provided the child—</p> <p data-bbox="507 1339 938 1413">(a) was neither living with nor receiving contributions from his father or adopting father; or</p> <p data-bbox="507 1413 938 1470">(b) was receiving at least $\frac{1}{2}$ of his support from her.</p>	

V. BENEFIT PAYMENTS TO SURVIVORS OF DECEASED WORKERS—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
E. Surviving dependent widower.	<p><i>Widower's insurance benefits</i> are payable to the widower of a deceased woman worker who died after August 1950 and was <i>currently and fully insured</i> at the time of death and the widower (as defined below)—</p> <ol style="list-style-type: none"> (1) has reached age 65; (2) has not remarried; (3) is not entitled to an old-age benefit based on his own earnings equal to or greater than the amount he would be entitled to as the dependent widower of the deceased wife; (4) was living with the wife at the time of her death (widower is deemed to have been living with his wife at the time of her death if they were both members of the same household on the date of her death, or he was receiving regular contributions from her toward his support on such date, or she had been ordered by a court to contribute to his support); and (5) either— <ol style="list-style-type: none"> (a) was receiving at least $\frac{1}{2}$ of his support from the wife at the time of her death and filed proof of such support within 2 years of the date of death; or (b) was receiving at least $\frac{1}{2}$ of his support from the wife and she was currently insured at the time she became entitled to old-age benefits and filed proof of such support within 2 years after the month in which she became so entitled. <p style="text-align: center;"><i>Widower defined</i></p> <p>The term "widower" means the surviving husband of a deceased woman worker, but only if he meets one of the following conditions:</p> <ol style="list-style-type: none"> (1) was married to her for not less than 1 year immediately prior to the date on which she died; or (2) is the father of her son or daughter; or (3) legally adopted her son or daughter while married to her and while such son or daughter was under age 18; or (4) was married to her at the time both of them legally adopted a child under the age of 18. 	No change.

V. BENEFIT PAYMENTS TO SURVIVORS OF DECEASED WORKERS—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
F. Surviving dependent parent.	<p><i>Parent's insurance benefits</i> are payable, upon filing application, to the parent or parents (as defined below) of a deceased worker who died after 1939, and was fully insured at the time of death if the worker did not leave a widow, widower, or child who could ever qualify for monthly insurance benefits on the worker's wages and self-employment income and the parent—</p> <ol style="list-style-type: none"> (1) has reached age 65; (2) has not remarried after the death of the worker; (3) was receiving at least $\frac{1}{2}$ of his or her support from the worker at the time of the worker's death and filed proof of such support within 2 years of the date of death; and (4) is not entitled to an old-age benefit based on his or her own earnings equal to or greater than the amount he or she would be entitled to as the dependent parent of the deceased worker. <p style="text-align: center;"><i>Parent defined</i></p> <p>The term "parent" means—</p> <ol style="list-style-type: none"> (1) the mother or father of a deceased worker; (2) a stepparent of the deceased worker by a marriage contracted before the worker attained the age of 16; or (3) an adopting parent who adopted the deceased worker before he or she reached age 16. 	<p>No change except:</p> <p>Benefits will be paid if the worker died after 1939 and prior to Sept. 1, 1950, and had at least 6 quarters of coverage.</p>
G. Lump-sum death payments.	<p>Upon the death after August 1950 of a worker who died <i>currently</i> or <i>fully insured</i> a lump-sum death payment is payable to the person whom the Federal Security Administrator determines to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, an amount is payable to any person or persons to the extent and in the proportion that he or they have paid the burial expenses for the deceased insured individual. No payment is made, however, unless application is filed within 2 years after the date of death.</p>	No change.

V. BENEFIT PAYMENTS TO SURVIVORS OF DECEASED WORKERS—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
H. Special provisions for beneficiaries under the Railroad Retirement Act.	There is provision for joint crediting of the earnings of a worker under the Railroad Retirement Act and under the Social Security Act for benefit payments to his survivors. However, if any person would be entitled, upon filing application therefor, to an annuity or to a lump-sum payment on the death of an employee under the provisions of the Railroad Retirement Act, no monthly benefit or lump-sum death payment may be paid under the old-age and survivors insurance system on the basis of the wages and self-employment income of such employee.	Amendments made to the Railroad Retirement Act to preserve the present relationship between the 2 programs; otherwise no change.

VI. BENEFIT AMOUNTS

A. Average monthly wage.	<p>In general, an individual's average monthly wage for computing his monthly old-age insurance benefit amount is determined by dividing the total of his wages and self-employment income after the applicable starting date and up to the applicable closing date, by the number of months involved. Starting dates may be 1936, 1950, or if later, the quarter of attainment of age 22. Closing dates for wages may be 1st day of 2d quarter preceding quarter of death or entitlement to benefits, whichever first occurred. Where either event occurred after individual first became eligible for benefits, alternative closing date of 1st day of 2d quarter before the quarter of first eligibility may be used if that will yield a larger benefit. Special closing dates are applicable, for self-employment income. The closing date used for the divisor is the later of the wage and self-employment income closing dates.</p> <p>The applicable starting and closing dates used are those which yield the highest benefit amount. The minimum divisor is 18 months. (The average monthly wage is reduced under this method of computation for periods in the elapsed time when the individual is not in covered employment.)</p>	Generally no change, except for the dropout of low years—see C below—and for technical amendments to provide standard annual starting and closing dates for periods over which average monthly wage is computed. Special midyear closing date in 1956 permitted for deaths or entitlements in that year, if individual has 6 quarters of coverage after 1954. Also see the provisions in sec. VIII preserving the benefit rights of permanently and totally disabled persons.
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VI. BENEFIT AMOUNTS—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
B. Benefit formula-----	<p>An individual may have his benefit computed under the following methods provided he meets the conditions therein prescribed. If more than 1 method is applicable, the 1 yielding the higher benefit amount will be used.</p> <p>(1) 55 percent of the first \$100 of average monthly wage plus 15 percent of the next \$200, based on average monthly wage after 1950, or after age 22, if later. (Formula provided by 1952 amendments.)</p> <p><i>Condition:</i> 6 quarters of coverage after 1950.</p> <p>(2) 1939 benefit formula (40 percent of 1st \$50 of average monthly wage plus 10 percent of next \$200, plus 1 percent of the sum thus obtained for each year of coverage prior to 1951, based on average monthly wage after 1936). The amount obtained is increased by the conversion table in present law.</p>	<p>After August 1954, an individual may have his benefit computed under the following methods provided he meets the conditions therein prescribed. If more than 1 method is applicable, the 1 yielding the highest benefit amount will be used.</p> <p>(1) 55 percent of the first \$110 of average monthly wage plus 20 percent of the next \$240, based on average monthly wage after 1950, or after age 22, if later.</p> <p><i>Conditions:</i></p> <p>(a) 6 quarters of coverage after June 1953, or</p> <p>(b) First eligible for old-age insurance benefits after effective date, or dies after effective date and before eligible for old-age insurance benefits, provided he has 6 quarters of coverage after 1950.</p> <p>(2) (a) 1952 benefit formula (1) with benefit amount increased through conversion table in the law.</p> <p><i>Condition:</i> 6 quarters of coverage after 1950.</p> <p>(b) 1939 benefit formula with benefit amount increased through conversion table in the law.</p>
C. Dropout of low years--	No provision.	<p>In computing average monthly wage under (1) and (2) (b), above, up to 4 years (5 years, if individual has 20 quarters of coverage) of lowest (or no) earnings may be dropped. To be eligible for a dropout under (2) (b) must meet conditions specified in (1) (b) above, except the one relating to 6 quarters of coverage after 1950.</p> <p>The dropout provision is also applicable to benefit recomputations under certain circumstances after the effective date.</p>

VL. BENEFIT AMOUNTS—Continued

TABLE 1.—Illustrative monthly benefits for retired workers

ASSUMING LEVEL EARNINGS

Average monthly wage		Old law		1954 amendments	
On basis of old law	With drop-out as provided in 1954 amendments	Single	Married ¹	Single	Married ¹
\$50	\$50	\$27. 50	² \$41. 30	³ \$32. 50	³ \$48. 80
100	100	55. 00	⁴ 80. 00	³ 60. 00	³ 90. 00
150	150	62. 50	93. 80	68. 50	102. 80
200	200	70. 00	105. 00	78. 50	117. 80
250	250	77. 50	116. 30	88. 50	132. 80
300	300	85. 00	127. 50	98. 50	147. 80
350	350	(⁵)	(⁵)	108. 50	162. 80

ASSUMING SPECIFIED INCREASE IN EARNINGS ARISING FROM DROPOUT PROVIDED IN 1954 AMENDMENTS ⁶

\$50	\$70	\$27. 50	² \$41. 30	\$38. 50	⁷ \$57. 80
100	120	55. 00	⁴ 80. 00	62. 50	93. 80
150	170	62. 50	93. 80	72. 50	108. 80
200	220	70. 00	105. 00	82. 50	123. 80
250	270	77. 50	116. 30	92. 50	138. 80
300	310	85. 00	127. 50	100. 50	150. 80
350	350	(⁵)	(⁵)	108. 50	162. 80

¹ With wife aged 65 or over.² Application of 80 percent maximum may not reduce benefits below \$45.³ These amounts produced by the 1952 benefit formula and conversion table; with level average monthly wage amounts below \$130, amounts are higher if the conversion table used.⁴ Reduced to 80 percent of average wage.⁵ Present law includes earnings only up to \$300 a month.⁶ These assumed increases in earnings arising from the dropout provisions in regard to computation of average wage are merely illustrative. Actually the dropout will produce varying results which may be lower or higher than those shown.⁷ Application of 80 percent maximum may not reduce benefits below 1½ times primary insurance amount.

VI. BENEFIT AMOUNTS—Continued

TABLE 2.—Illustrative monthly benefits for survivors of insured workers

ASSUMING LEVEL EARNINGS

Average monthly wage		Aged widow or widower ¹		Widow and 1 child ²		Widow and 2 children		Widow and 3 children	
On basis of old law	With dropout as provided in 1954 amendments	Old law	1954 amendments	Old law	1954 amendments	Old law	1954 amendments	Old law	1954 amendments
\$50	\$50	\$20.70	³ \$30.00	⁴ \$41.30	⁵ \$48.00	⁶ \$45.00	⁶ \$50.00	⁷ \$45.00	⁸ \$50.00
100	100	41.30	⁶ 45.00	⁷ 80.00	⁸ 90.00	⁷ 80.00	⁸ 90.00	⁷ 80.00	⁸ 90.00
150	150	46.90	51.40	93.80	102.80	⁷ 120.00	⁷ 120.00	⁷ 120.00	⁷ 120.00
200	200	52.50	58.90	105.00	117.80	140.00	157.00	⁷ 160.00	⁷ 160.00
250	250	58.20	66.40	116.30	132.80	155.00	177.00	⁹ 168.80	⁹ 200.00
300	300	63.80	73.90	127.50	147.80	⁹ 168.80	197.00	⁹ 168.80	⁹ 200.00
350	350	(¹⁰)	81.40	(¹⁰)	162.80	(¹⁰)	⁹ 200.00	(¹⁰)	⁹ 200.00

ASSUMING SPECIFIED INCREASE IN EARNINGS ARISING FROM DROPOUT PROVIDED IN 1954 AMENDMENTS ¹¹

\$50	\$70	\$20.70	³ \$30.00	⁴ \$41.30	⁸ \$57.80	⁶ \$45.00	⁸ \$57.80	⁴ \$45.00	⁸ \$57.80
100	120	41.30	46.90	⁷ 80.00	93.80	⁷ 80.00	⁷ 96.00	⁷ 80.00	⁷ 96.00
150	170	46.90	54.40	93.80	108.80	⁷ 120.00	⁷ 136.00	⁷ 120.00	⁷ 136.00
200	220	52.50	61.90	105.00	123.80	140.00	165.00	⁷ 160.00	⁷ 176.00
250	270	58.20	69.40	116.30	138.80	155.00	185.00	⁹ 168.80	⁹ 200.00
300	310	63.80	75.40	127.50	150.80	⁹ 168.80	⁹ 200.00	⁹ 168.80	⁹ 200.00
350	350	(¹⁰)	81.40	(¹⁰)	162.80	(¹⁰)	⁹ 200.00	(¹⁰)	⁹ 200.00

¹ Also single surviving parent or child.² Also 2 aged parents.³ Application of \$30 minimum family benefit.⁴ Application of 80 percent maximum may not reduce benefits below \$45.⁶ Application of 80 percent maximum may not reduce benefits below \$50.⁶ These amounts produced by the 1952 benefit formula and the conversion table; with level average monthly wage amounts below \$130, the benefit is higher if the conversion table is used.⁷ Reduced to 80 percent of average wage.⁸ Application of 80 percent maximum may not reduce benefits below 1½ times primary insurance amount.⁹ Dollar maximum on benefits.¹⁰ Maximum average wage under old law is \$300.¹¹ These assumed increases in earnings arising from the dropout provisions in regard to computation of average wage are merely illustrative. Actually, the dropout will produce varying results which may be lower or higher than those shown.

VI. BENEFIT AMOUNTS—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954																																								
D. On rolls prior to effective date.	<p>(1) For persons on rolls prior to 1952 amendments whose benefits were computed under 1939 formula, primary insurance amount was determined by means of a conversion table. Examples of the increase in benefits resulting under the conversion table are shown below:</p> <table data-bbox="393 579 921 873"> <thead> <tr> <th>If primary insurance benefit under 1939 law was—</th> <th>The converted primary insurance amount is—</th> </tr> </thead> <tbody> <tr><td>\$10.....</td><td>\$25.00</td></tr> <tr><td>\$15.....</td><td>35.00</td></tr> <tr><td>\$20.....</td><td>42.00</td></tr> <tr><td>\$25.....</td><td>52.40</td></tr> <tr><td>\$30.....</td><td>60.80</td></tr> <tr><td>\$35.....</td><td>66.60</td></tr> <tr><td>\$40.....</td><td>72.00</td></tr> <tr><td>\$45 or over.....</td><td>77.10</td></tr> </tbody> </table>	If primary insurance benefit under 1939 law was—	The converted primary insurance amount is—	\$10.....	\$25.00	\$15.....	35.00	\$20.....	42.00	\$25.....	52.40	\$30.....	60.80	\$35.....	66.60	\$40.....	72.00	\$45 or over.....	77.10	<p>(1) Retired workers on the rolls prior to the effective date of the 1954 amendments, whether their primary insurance amount was computed by the benefit formula in former law or through the old conversion table, will have their benefits for months following the month after month of enactment increased by a new conversion table as shown below:</p> <table data-bbox="921 579 1444 926"> <thead> <tr> <th>If present primary insurance amount is—</th> <th>New primary insurance amount would be—</th> </tr> </thead> <tbody> <tr><td>\$25.00.....</td><td>\$30.00</td></tr> <tr><td>\$35.00.....</td><td>40.00</td></tr> <tr><td>\$42.00.....</td><td>47.00</td></tr> <tr><td>\$52.40.....</td><td>57.40</td></tr> <tr><td>\$60.80.....</td><td>66.30</td></tr> <tr><td>\$66.60.....</td><td>73.90</td></tr> <tr><td>\$72.00.....</td><td>81.10</td></tr> <tr><td>\$77.10.....</td><td>88.50</td></tr> <tr><td>\$81.00.....</td><td>93.10</td></tr> <tr><td>\$85.00.....</td><td>98.50</td></tr> </tbody> </table>	If present primary insurance amount is—	New primary insurance amount would be—	\$25.00.....	\$30.00	\$35.00.....	40.00	\$42.00.....	47.00	\$52.40.....	57.40	\$60.80.....	66.30	\$66.60.....	73.90	\$72.00.....	81.10	\$77.10.....	88.50	\$81.00.....	93.10	\$85.00.....	98.50
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E. Minimum primary insurance amount.	<p>(2) Dependents given proportionate increases, subject to family maximum provisions. \$25</p>	<p>(2) Dependents given proportionate increases, subject to family maximum provisions. \$30, after August 1954.</p>																																								
F. Maximum family benefits.	<p>(1) The maximum amount payable on a single wage record is the lesser of \$168.75 or 80 percent of the insured person's average monthly wage. The 80-percent limitation, however, cannot reduce the total family benefits below \$45.</p> <p>(2) Reductions necessary to bring total family benefits within the applicable limitations are made proportionately against all benefits except the insured worker's benefit, which is never reduced.</p>	<p>(1) Dollar maximum raised to \$200. The 80-percent maximum cannot reduce total family benefits below the larger of \$50 or 1½ times the primary insurance amount.</p> <p>(2) No change.</p>																																								
G. Dependents' and survivors' benefits.	(Subject to \$168.75 maximum limitations on total family benefits.)	(Subject to \$200 maximum limitations on total family benefits.)																																								
1. Wife or husband of old-age beneficiary.	½ of primary insurance amount.	No change.																																								
2. Child of living old-age beneficiary.	½ of primary insurance amount.	No change.																																								
3. Widow, widower, former wife divorced, or parent of deceased insured person.	¾ of primary insurance amount.	No change except minimum benefit is \$30 if individual is sole beneficiary entitled.																																								
4. Child of deceased insured person.	If only 1 child is entitled, ¼ of primary insurance amount. If more than 1 child entitled, each child gets ½ of primary insurance amount plus an equal share in an additional ¼ of primary insurance amount.	No change except minimum is \$30 if a child is sole beneficiary entitled.																																								
5. Lump-sum death payment.	3 times the primary insurance amount.	No change except that statutory maximum of \$255 is provided.																																								

VI. BENEFIT AMOUNTS—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
H. Retroactive application for benefits.	Benefits payable retroactively for 6 months prior to month of application.	Retroactive period extended to 12 months for application filed after August 1954 (but period may not extend back before February 1954).
I. Recomputation of benefits after entitlement.	<p>Recomputation to take account of wages earned in 2 quarters preceding quarter of entitlement or death. (Initial computation based on earnings up to the second quarter preceding the quarter of death or entitlement—beginning of lag period.)</p> <p>Recomputation of benefit rate if individual has 6 quarters of coverage after 1950 and 12 benefit suspensions on account of work within a 3-year period after August 1950 and after last computation or recomputation.</p> <p>Individuals age 75 and over with 6 quarters of coverage after 1950 eligible for 1 recomputation to base benefits on earnings since 1950.</p>	<p>Recomputation to take account of earnings in year of death or entitlement.</p> <p>Recomputation if individual has 6 quarters of coverage after 1950 and \$1,200 of earnings in calendar year after 1953 and after individual's last computation. Applies also for beneficiaries age 72 and over.</p> <p>Restriction deleted.</p>

VII. RETIREMENT TEST

<p>1. Applies only to covered work.</p> <p>2. Separate tests for employed and self-employed persons.</p> <p>(a) Employed persons: No benefit is payable to a beneficiary under age 75 (or to any dependent drawing on his record) for any month in which he earns wages of more than \$75 in covered employment.</p> <p>Penalties imposed for failure to report wages of more than \$75 prior to accepting a benefit for the 2d month following the month in which the earnings occurred.</p> <p>(b) Self-employed persons: 1 month's benefit is withheld from the beneficiary under age 75 (and from any dependent drawing on his record) for each unit of \$75 (or fraction thereof) by which annual covered net earnings exceed \$900. However, benefits are not withheld for any month in which the self-employed person did not render "substantial services" in a covered trade or business.</p> <p>Where the taxable year is less than 12 months, the basic exempt amount is reduced in proportion to the number of months in the taxable year.</p>	<p>1. Applies to covered as well as noncovered work.</p> <p>2. Same annual test of earnings for both employed and self-employed persons.</p> <p>1 month's benefit withheld from the beneficiary under age 72 (and from any dependent drawing on his record) for each unit of \$80 (or fraction thereof) by which annual earnings from covered or noncovered employment and self-employment exceed \$1,200. However, benefits not withheld for any month during which the individual neither rendered services for wages in excess of \$80 nor rendered substantial services in a trade or business.</p> <p>Where the taxable year is less than 12 months, the basic exempt amount is reduced in proportion to the number of months in the taxable year.</p>	<p>1. Applies to covered as well as noncovered work.</p> <p>2. Same annual test of earnings for both employed and self-employed persons.</p> <p>1 month's benefit withheld from the beneficiary under age 72 (and from any dependent drawing on his record) for each unit of \$80 (or fraction thereof) by which annual earnings from covered or noncovered employment and self-employment exceed \$1,200. However, benefits not withheld for any month during which the individual neither rendered services for wages in excess of \$80 nor rendered substantial services in a trade or business.</p> <p>Where the taxable year is less than 12 months, the basic exempt amount is reduced in proportion to the number of months in the taxable year.</p>
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VII. RETIREMENT TEST—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
	<p>2. Separate tests for employed and self-employed persons—Continued</p> <p>(b) Self-employed persons—Continued</p> <p>Beneficiaries required to file annual reports of net earnings from self-employment in excess of \$75 times the number of months in the year. Reports must be filed on or before the 15th day of the 3d month following the close of the year. Penalties imposed for failure to file timely reports.</p> <p>Estimates of net earnings (and other information) may be requested from the beneficiary during the course of the year.</p> <p>Temporary suspensions of benefits may be made during the course of the year, until it is determined whether deductions apply.</p> <p>3. No test for noncovered work outside the United States.</p> <p>4. Benefits are not suspended because of work or earnings for months during which the beneficiary is age 75 or over.</p>	<p>2. Same annual test of earnings for both employed and self-employed persons—Continued</p> <p>Beneficiaries required to file annual reports of earnings in excess of \$1,200, or the proportionate amount for taxable years of less than 12 months. Penalties imposed for failure to file timely reports of earnings, unless the failure to file on time was for "good cause."</p> <p>Estimates of earnings (and other information) may be requested from the beneficiary during the course of the year.</p> <p>Temporary suspensions of benefits, similar to those now applicable to the self-employed, may be made during the course of a year until it is determined whether deductions apply.</p> <p>These provisions effective for taxable years beginning after 1954.</p> <p>3. Test for noncovered work outside the United States.</p> <p>Deductions made from the benefits for any month in which a beneficiary under age 72 engages in a noncovered remunerative activity (whether employment or self-employment) outside the United States on 7 or more calendar days. If deductions are made for any month for this reason, deductions also made from the benefits of any dependent drawing benefits on the basis of the individual's wage record.</p> <p>Provisions effective for months after December 1954.</p> <p>4. Benefits are not suspended because of work or earnings if beneficiary is age 72 or over.</p>

VIII. DISABILITY "FREEZE"

A. Effect of provision-----	<p>No provision.</p> <p>(NOTE.—An inoperative provision similar to disability freeze was included in sec. 3 of Public Law 590, Social Security Act amendments of 1952.)</p>	<p>When an individual for whom a period of disability has been established dies or retires his period of disability will be disregarded in determining his insured status and in figuring any benefits due him or his family.</p> <p>The dropout provision (see sec. VI-C) will apply after a period of disability has been excluded from consideration.</p>
B. Eligibility requirements.	-----	<p>(1) An individual must be precluded from engaging in any substantial gainful activity by reason of a physical or mental impairment. The impairment must be medically determinable and one which can be expected to be of long-continued and indefinite duration or to</p>

VIII. DISABILITY "FREEZE"—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
B. Eligibility requirements—Continued		<p>result in death. An individual is disabled, within the meaning of the law, if he is blind as that term is defined.</p> <p>(2) A period of disability cannot be established unless it has lasted at least 6 full calendar months.</p> <p>(3) To be eligible for the freeze, an individual must have acquired at least 20 quarters of coverage out of the last 40 calendar quarters ending with the quarter in which the period of disability begins. In addition he must have acquired 6 quarters of coverage out of the last 13 calendar quarters ending with the quarter in which the period of disability begins.</p> <p>(4) He must be alive and still disabled at the time application for a disability freeze is filed.</p>
C. Effective dates		<p>(1) Jan. 1, 1955, is the 1st day on which a disability "freeze" application may be accepted. The individual must be alive, however, on July 1, 1955, to establish a period of disability.</p> <p>(2) July 1955 is the 1st month for which an individual can be paid a benefit computed with the exclusion of a period of disability.</p> <p>(3) All applications filed before July 1, 1957, are fully retroactive, insofar as the start of a period of disability is concerned, i. e., the period of disability extends from the earliest date on which the individual was disabled and met the quarters of coverage requirements described in B (3).</p> <p>(4) For applications filed after June 30, 1957, retroactivity of the period of disability is limited to 1 year.</p>
D. Disability determinations.		<p>(1) The Secretary is directed to enter into contractual agreements under which State vocational rehabilitation agencies or other appropriate State agencies will make determinations of disability.</p> <p>(2) The Secretary is authorized to make determinations of disability for individuals who are not covered by State agreements.</p> <p>(3) The Secretary may, on his own motion, review a State agency determination that a disability exists and may, as a result of such review, find that no disability exists or that the disability began later than determined by the State agency.</p> <p>(4) Any individual who is dissatisfied with a determination, whether made by a State agency or by the Secretary, has the right to a hearing and to judicial review, as provided in present law.</p>

VIII. DISABILITY "FREEZE"—Continued

Item	Under Social Security Act prior to effective date of 1954 amendments	Under Social Security Act amendments of 1954
E. Administrative expenses.		Appropriations are authorized from the trust fund to reimburse State agencies for necessary costs incurred in making disability determinations.
F. Rehabilitation.		The policy of Congress is stated that disabled persons applying for the disability freeze be promptly referred to vocational rehabilitation agencies for necessary rehabilitation services.
G. Military service credits and railroad compensation.		Technical amendments are included to permit using (a) wage credits for service in the Armed Forces and (b) railroad compensation, for purposes of determining an individual eligibility for a period of disability.

IX. FINANCING

A. Maximum taxable amount.	\$3,600 a year.	\$4,200 a year after 1954.																																																				
B. Tax rates	<table border="1"> <thead> <tr> <th>Years</th> <th>Employee</th> <th>Employer</th> <th>Self-employed</th> </tr> </thead> <tbody> <tr> <td>1951-53</td> <td>1½%</td> <td>1½%</td> <td>2¼%</td> </tr> <tr> <td>1954-59</td> <td>2</td> <td>2</td> <td>3</td> </tr> <tr> <td>1960-64</td> <td>2½</td> <td>2½</td> <td>3½</td> </tr> <tr> <td>1965-69</td> <td>3</td> <td>3</td> <td>4½</td> </tr> <tr> <td>1970 and thereafter</td> <td>3½</td> <td>3½</td> <td>4%</td> </tr> </tbody> </table> <p>Wages and self-employment income up to \$3,600 per year are taxable. If an individual works in covered employment for more than 1 employer during the course of a year and taxes are paid on more than \$3,600, the employee is entitled to a refund of his share of the tax paid on the wages he received in excess of \$3,600. The claim for such refund must be made within 2 years after the calendar year in which the wages were received.</p>	Years	Employee	Employer	Self-employed	1951-53	1½%	1½%	2¼%	1954-59	2	2	3	1960-64	2½	2½	3½	1965-69	3	3	4½	1970 and thereafter	3½	3½	4%	<table border="1"> <thead> <tr> <th>Years</th> <th>Employee</th> <th>Employer</th> <th>Self-employed</th> </tr> </thead> <tbody> <tr> <td>1951-53</td> <td colspan="3">No change.</td> </tr> <tr> <td>1954-59</td> <td colspan="3">No change.</td> </tr> <tr> <td>1960-64</td> <td colspan="3">No change.</td> </tr> <tr> <td>1965-69</td> <td colspan="3">No change.</td> </tr> <tr> <td>1970-74</td> <td>3½%</td> <td>3½%</td> <td>5¼%</td> </tr> <tr> <td>1975 and thereafter</td> <td>4</td> <td>4</td> <td>6</td> </tr> </tbody> </table> <p>Wages up to \$4,200 per year are taxable. If an individual works in covered employment for more than 1 employer during the course of a year and taxes are paid on more than \$4,200, the employee is entitled to a refund of his share of the tax paid on the wages he received in excess of \$4,200. The claim for such refund must be made within 2 years after the calendar year on which the wages were received.</p> <p>With respect to taxes paid for domestic service, for service not in the course of a trade or business, for agricultural labor, or for industrial homework the employer may deduct an amount equivalent to the employee tax imposed even though at the time of payment he cannot be certain that the test for liability to the tax will be met.</p>	Years	Employee	Employer	Self-employed	1951-53	No change.			1954-59	No change.			1960-64	No change.			1965-69	No change.			1970-74	3½%	3½%	5¼%	1975 and thereafter	4	4	6
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Old-Age and Survivors Insurance: Coverage Under the 1954 Amendments

by JAMES E. MARQUIS*

The extension of old-age and survivors insurance coverage made by the Social Security Amendments of 1954 came only 4 years after the last previous large-scale extension. The new coverage provisions are, however, of considerable significance not only to the newly covered groups but also to the development of an effective old-age and survivors insurance program. In the following pages, the nature and effect of these provisions are examined.

AS a result of the 1954 amendments to the Social Security Act, 9 out of every 10 gainfully employed persons in the American economy have the opportunity to build retirement and survivor protection under the Federal old-age and survivors insurance system. With almost 8 million additional jobs under the system beginning in 1955, its coverage is for the first time almost universal.

During the course of a year an estimated total of nearly 10 million people will work in these 8 million newly covered jobs. The newly covered groups and the number of persons in each of them are shown in table 1. Most of these groups, like those previously covered, are brought under old-age and survivors insurance on a compulsory basis. Coverage on a group voluntary basis is provided for additional State and local government employees and for the American employees of foreign subsidiaries of American employers. Ministers and certain members of religious orders are permitted to participate in the program on the basis of individual election.

Approximately 8.3 million jobs continue to be excluded from old-age and survivors insurance. About 4.9 million of these jobs, however, are accounted for by the continued exclusion of service in the Armed Forces and of most Federal civilian services—areas of employment cov-

* Division of Program Analysis, Bureau of Old-Age and Survivors Insurance.

ered by Government staff retirement systems. Such retirement systems, and their relationships to old-age and survivors insurance, were under study by the Committee on Retirement Policy for Federal Personnel at the time the 1954 amendments to the Social Security Act were being considered. Accordingly, Congress did not consider extending the regular coverage of the program to service in the Armed Forces or to Federal civilian jobs covered by staff systems. Of the other 3.4 million jobs still excluded from coverage, the majority are accounted for by self-employed persons whose net earnings are less than \$400 a year and by domestic and farm workers who do not earn sufficient wages from any one employer to meet the coverage requirements of the law. Many persons in these excluded groups are persons who spend comparatively little time in gainful employment and who normally are not in the labor market—semiretired or partially disabled persons and housewives and children.

The significance of the coverage provisions of the 1954 amendments can not be measured solely in terms of the number of additional jobs or persons covered. Their importance from the standpoint of the development of an effective old-age and survivors insurance program shows up more clearly when one looks beyond the statistics to some of the broad program implications.

The new provisions mean that, for the first time, the coverage of old-age and survivors insurance can be

said to be almost universal. Practically universal coverage ensures that in the future the program will be considerably more effective as a factor promoting the economic welfare of the Nation. Almost all employed persons throughout the economy will have basic protection against loss of income in old age and against dependency of their survivors in the event of the worker's death. The broadened coverage will also enable the program to operate at a lower cost in terms of percentage of payroll, thus making possible improved protection.¹ It means, as well, that workers who shift from one type of employment to another—for example, from work in a factory to farm employment or self-employment—will be in little danger of losing old-age and survivors insurance protection or of suffering decreased protection. There is now a greater likelihood that all the jobs they have throughout their working lifetime will be jobs covered by old-age and survivors insurance and, therefore, that the benefits will actually be related to the true level of their past earnings.

The coverage of farm operators and of many additional farm workers is in itself a great forward stride. This coverage is particularly significant not only because of the large proportion of the population affected but also because up to now the farm

¹ Lower costs will result because there will be fewer persons spending part of their working lives in noncovered employment and thus receiving the advantage of the weighted benefit formula, which is intended to favor persons with low earnings. With broadened coverage, more of the earnings of persons who otherwise would move in and out of covered employment will be taxable. The increase in contributions will be proportionate to the increase in covered earnings. While these persons will also receive higher benefits as a result of broadened coverage, the increase in their benefits will be less than proportionate because of the weighted benefit formula.

people of the Nation have, by and large, not had an opportunity to participate in any social insurance program. The exclusion of most farm people from old-age and survivors insurance coverage in the past has resulted in relatively high costs for old-age assistance in rural areas. Taxpayers in agricultural States can expect these costs to be cushioned as increasing numbers of farm people acquire protection under the insurance program.

Of broad significance, too, is the fact that the 1954 amendments reaffirmed the basic principle that the coverage of the old-age and survivors insurance program should be compulsory rather than subject to the election of individual workers. (Congress made an exception only for ministers and members of religious orders.) Faced with the desire for coverage on an individual elective basis by certain self-employed professional groups, the congressional committees carefully considered this possible approach and decided against it because (in the words of the Senate Committee on Finance) "extension of coverage on an individual voluntary basis involved grave dangers with respect to the financing of the system, as well as discrimination against the great majority of workers covered under the program on a compulsory basis." Just as coverage must be practically universal if old-age and survivors insurance is to function effectively in providing protection against income loss resulting from old age or death, so must coverage be compulsory to the greatest practicable extent.

The amendments also gave further support to the concept that old-age and survivors insurance affords basic protection that lends itself readily to supplementation by staff retirement systems. The coverage provisions affecting State and local government employment are clear recognition of the fact that public retirement systems can be supplementary to basic old-age and survivors insurance protection in the same way that thousands of private pension plans supplement the old-age and survivors insurance coverage of workers in industry and other areas of employ-

ment. The feasibility of coordinating public staff retirement systems with old-age and survivors insurance was not clearly recognized in 1950, when coverage was first extended to employees of State and local governments. At that time there was considerable apprehension on the part of representatives of State and local retirement systems that if old-age and survivors insurance coverage were made available the members of these systems might have to choose between coverage under a staff retirement system and coverage under old-age and survivors insurance. Subsequently, however, several States went through the cumbersome, but necessary, procedure of abolishing existing staff retirement systems in order to get old-age and survivors insurance coverage plus protection under a supplementary staff system. The 1954 amendments make it much easier for State and local governments to extend this type of combined protection to their employees.

An incidental, but not unimportant, effect of the amendments was the simplification of some of the coverage provisions of the law. The complicated and restrictive coverage tests previously provided for farm workers and domestic workers were replaced by tests that are easier for the public to understand and simpler

Table 1.—Persons newly covered by old-age and survivors insurance under the 1954 amendments to the Social Security Act

Covered group	Estimated number of workers during a year
Total.....	9,950,000
Farm operators.....	3,400,000
Farm workers.....	2,100,000
State and local government employees under retirement systems.....	3,500,000
Self-employed professionals.....	150,000
Ministers.....	250,000
Domestic workers.....	200,000
Federal civilian employees.....	150,000
Fishermen.....	50,000
Homeworkers.....	100,000
U.S. citizens employed by foreign subsidiaries of American corporations.....	100,000
Employees whose service is not in the course of the employer's business (casual labor).....	50,000

¹ Total is less than the sum of the separate coverage groups because an estimated 300,000 persons who will be covered both as farm operators and as hired farm workers are included in both groups.

to administer. A number of minor exceptions from coverage in the area of Federal employment were eliminated, and several minor technical changes did away with anomalies or inconsistencies that had crept into the 1950 amendments.

The coverage provisions of the Social Security Amendments of 1954 are discussed in detail, in relation to each of the newly covered groups, in the following sections.

Farm Operators

An estimated 3.6 million persons who operate farms begin earning social security credits in 1955. This is the largest group to which the 1954 amendments extended coverage.

Practically all commercial farmers are covered. Although about a third of the total of 5.4 million farmers reported by the United States Census of Agriculture continue to be excluded, this minority consists chiefly of persons whose farms are primarily residences and of those who do small-scale, part-time farming. Most persons who make a living as farmers now have protection under old-age and survivors insurance on much the same basis as persons in urban self-employment.

Generally speaking, every self-employed farm operator who has annual net earnings of \$400 or more is covered under old-age and survivors insurance. In addition, every farmer who files his income-tax return on a cash basis and has an annual gross income of at least \$800 from his farm self-employment may be covered, even though his actual net earnings are less than \$400 a year.

The inclusion of self-employed farmers under old-age and survivors insurance, together with the coverage of more farm workers, gives farm families much-needed protection. The need for this protection is indicated by the large proportion of aged people in rural areas who are on the old-age assistance rolls. In counties with 50 percent or more of their population on farms, almost one-third of all persons aged 65 and over are receiving old-age assistance. Beginning in 1955, farm families will have much greater opportunity to build up old-age and survivors insur-

ance protection. In many cases this protection will eliminate or reduce dependency on public assistance programs.

The prospect that extending old-age and survivors insurance protection to more farm families would check the growth of assistance costs in rural areas was an important factor in the development of the provisions covering self-employed farm operators and additional farm workers. Another important factor was the increased understanding among farm people of the benefits afforded by the program. As proposals for social security legislation became an increasingly important topic in the press, the interest of farm people in the program became more evident. From February 1 through March 5, 1954, for example, the Bureau of Old-Age and Survivors Insurance received more than 8,500 inquiries regarding old-age and survivors insurance for farm operators. Of these inquiries, 79 percent were in favor of coverage.

While there had been earlier indications of a growing interest in old-age and survivors insurance, evidence of the desire for coverage had been less pronounced. Consider, for example, the special studies that were con-

ducted in 1951 and 1952 by land-grant colleges in Connecticut, Texas, and Wisconsin, in cooperation with the United States Department of Agriculture. These studies examined, among other things, the attitudes of farmers toward old-age and survivors insurance. Of those in the sample groups who expressed their opinion on extension of coverage to farm operators, the proportion favoring coverage was 66 percent in Connecticut and 71 percent in both Texas and Wisconsin. In a similar study that was conducted in 1954 in Kentucky, 89 percent of the farm operators who expressed an opinion favored coverage of farm self-employment.

Another factor that influenced the decision to cover farm operators was the development of a simplified method of computing farm earnings for old-age and survivors insurance purposes. Such a simplification was originally proposed in the report² to the Secretary of Health, Education, and Welfare by the consultants on

² Consultants on Social Security, *A Report to the Secretary of Health, Education, and Welfare on Extension of Old-Age and Survivors Insurance to Additional Groups of Current Workers*, 1953. For a summary, see the *Bulletin*, September 1953.

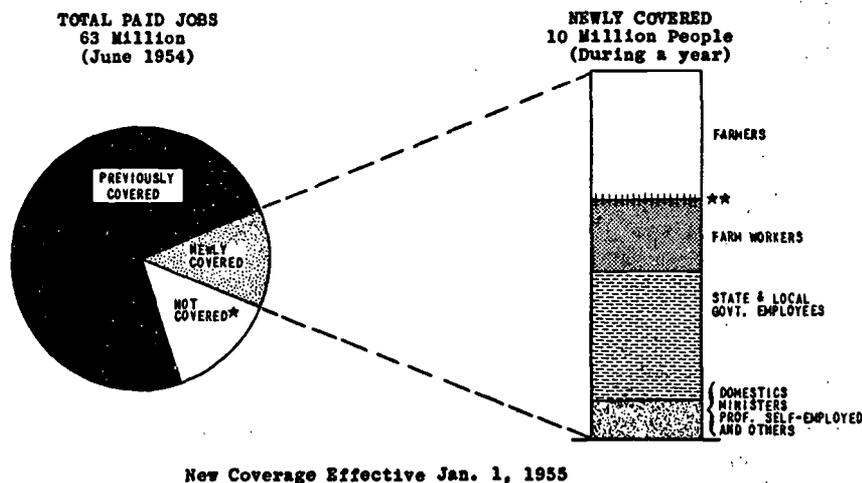
social security—a group that included representatives of the American Farm Bureau Federation and the National Grange.

The purpose of the simplification was to make it unnecessary for operators of small farms to assume a recordkeeping task they have not been performing. Of the 3.6 million farmers newly covered by old-age and survivors insurance, it is estimated that nearly 1 million have an annual gross farm income of \$1,800 or less. Most of these small-scale farmers pay no income tax because, after deducting expenses from their gross income, their net incomes do not exceed their personal and dependents' exemptions. Under the simplified reporting provision included in the amendments of 1954, farmers who have a gross income from farming of \$1,800 or less in a year and who compute their income-tax liability on a cash basis may be covered by old-age and survivors insurance on the basis of presumed net earnings. Thus they do not have to compute their actual net earnings from farm self-employment; instead, they may consider their net earnings from farm self-employment to be an amount equal to 50 percent of their gross income from such employment and may report this amount for old-age and survivors insurance purposes.

Farm operators who gross more than \$1,800 a year from their agricultural self-employment must compute their actual net earnings for social security purposes. More persons in this group are accustomed to computing their actual net earnings for income-tax purposes, and reporting for the purposes of old-age and survivors insurance will, generally speaking, not mean extra work. The "presumed net earnings" provision does, however, benefit this group too. Any person who has an annual gross income of more than \$1,800 from farm self-employment and who computes his income tax on a cash basis has the option of reporting \$900 as his net earnings for old-age and survivors insurance, provided his actual net earnings are less than \$900.

In addition to simplifying reporting for low-income farmers, then, the "presumed net earnings" provision

OASI COVERAGE AFTER 1954 AMENDMENTS



* Approximately 40 percent are members of the Armed Forces (wage credits under old-age and survivors insurance are provided for military service from

September 1940 to June 1955).

** During a year about 300,000 farmers are also employed as hired farm workers.

makes it easier for farmers to maintain unbroken coverage under old-age and survivors insurance. Such continuous coverage might otherwise be impossible because of years when the farmer's gross income produces little, if any, net earnings—years in which, for example, his earnings are cut down by adverse weather conditions or low prices.

Farm Workers

About 2.8 million farm workers, in all, will now have old-age and survivors insurance coverage during the course of a year. This is approximately four times the number who were able to acquire coverage under the restrictive and complicated test of coverage established by the Social Security Act Amendments of 1950. A hired farm worker (including a domestic worker in a farm home) is now covered with respect to his work for a farm employer if he is paid at least \$100 in cash wages by that employer during a year.

The amendments also change the coverage status of two minor groups of agricultural workers. Coverage is extended to persons employed in the ginning of cotton; they are covered on the same basis as other agricultural workers. A new provision excludes workers brought in from the British West Indies (under certificates issued by the Department of Agriculture) for farm work.

The extension of old-age and survivors insurance coverage to additional farm workers means that about 90 percent of the people whose major activity is hired farm work have an opportunity to acquire protection under the program. The amendments thus extend social security to almost all people who earn their living as hired farm workers. (Although some full-time migratory workers will continue to be excluded, the excluded group consists for the most part of housewives, children, and semiretired persons who are normally engaged in other activities but who do farm work for a few weeks during the peak harvest season.) Besides enabling more farm workers to be covered by the program, the annual test of coverage has another advantage. It ensures that,

once the coverage test has been met, all of a worker's earnings from one farmer during the year are covered; under a quarterly test, his earnings from one farmer might be covered in 1 quarter but not in the next.

The annual test of coverage was designed not only to bring under the program more persons who earn their living through hired farm work but to accomplish this without imposing a difficult recordkeeping and reporting burden on farm operators. Farmers will file only one annual report detailing the cash wages paid to individual farm workers who meet the coverage test, instead of the four quarterly reports that all other employers of covered employees must file. Only farm employers who, during the first 9 months of the year, pay a total of \$2,500 or more in cash wages to covered farm employees will have to make a return before the end of the year—and this a summary tax return requiring no entries of wages paid to each covered worker. The result is that no farmer will have to interrupt essential operations, such as planting or harvesting, in order to file detailed informational reports at the end of each calendar quarter, and relatively few farmers will have to file more than a year-end return.

The new coverage test for farm workers necessitated some provision for converting annual covered earnings into quarters of coverage. The amendments provide for crediting 1 quarter of coverage for cash farm wages amounting to \$100 but less than \$200, 2 quarters for \$200 but less than \$300, 3 quarters for \$300 but less than \$400, and 4 quarters of coverage for annual cash wages amounting to \$400 or more. The crediting of quarters of coverage is related not to covered wages earned from a single employer but to the worker's total covered farm earnings for the entire calendar year. If, for example, two farmers each report wages of \$150 for the same farm worker, the worker will be credited with 3 quarters of coverage on the basis of his farm employment during the year.

The amendments added a new provision to the Internal Reve-

nue Code relating to the collection of the employee tax. This provision authorizes employers, at their option, to deduct an amount equivalent to the employee tax from any wage payment made to agricultural workers, to domestic and other nonbusiness employees, and to industrial home workers, even though at the time of the wage payment the worker has not been paid enough wages to be covered. An unduly large deduction from earnings at any one time can thus be avoided. The employer is, of course, expected to return the amount withheld if the total wages he pays the employee are insufficient for coverage.

Household and Other Nonbusiness Workers

The amendments also improve and simplify the coverage of persons performing domestic service in nonfarm private homes and of other nonbusiness workers (persons who perform services not in the course of the employer's business). Under the amendments, these workers are covered for their work for an employer in any calendar quarter in which they are paid \$50 in cash wages by the employer. Thus, coverage is now based solely on the amount of cash wages that each employer pays for such work; housewives will no longer need to keep a record of the number of days on which a domestic worker performed services during a calendar quarter. The previous additional requirement that an employee work at least 24 days in the calendar quarter for the employer is deleted.

All household workers previously covered continue, of course, to be covered by the simplified test, and an estimated total of 200,000 additional household workers will be covered during 1955. Many of those who will be able to gain old-age and survivors insurance protection for the first time are regular day workers. These women work a day or a half day a week for each of several employers. Before the amendments they were completely excluded from coverage because they never worked as many as 24 days a quarter for any one employer.

Others who will benefit by the

change in the law are persons who perform some specialized household job, such as sewing or practical nursing. Such employees frequently are paid \$50 or more by an employer during a calendar quarter, but they work for a relatively short period for any one employer.

The amendments will also benefit an estimated 50,000 day workers by covering more of their domestic jobs. Under the original coverage test, these workers were covered for some of their domestic jobs but not for others. They worked on at least 24 days during a quarter for at least one employer but less than 24 days in the quarter for other employers.

While a large group of persons who do some paid domestic work—possibly two-fifths of the total—continue to be excluded from coverage under the amendments, it is estimated that about 9 out of every 10 persons whose domestic work is their major activity are covered by old-age and survivors insurance. Most of those still excluded are students, housewives, and others who spend comparatively little time in paid employment.

An estimated 50,000 persons who perform service (other than domestic service) not in the course of the employer's business are covered for this type of work for the first time. As in the past, the coverage tests for domestic service in private homes and for other service not in the course of the employer's trade or business are the same because certain services of the latter type are difficult to distinguish from domestic service.

State and Local Government Employees

The 1954 amendments make coverage under old-age and survivors insurance available to about 3.5 million employees of State and local governments who, during the course of a year, are in positions that could not previously be covered. Beginning January 1, 1955, almost all employees of State and local governments can be brought under Federal-State agreements for coverage. The only sizable group still not eligible for coverage under these agreements

consists of about 200,000 policemen and firemen who have their own retirement systems.

The 1950 amendments, which provided that State and local government employees could be covered under old-age and survivors insurance by means of agreements between the Federal Government and the individual States, specifically excluded employees who were in positions covered by a State or local retirement system on the date their coverage group was brought under the Federal system. The 1954 legislation permits the inclusion of these employees (except policemen and firemen) in the State agreements under certain conditions. To ensure that the interests and wishes of the retirement system members are respected, the amendments require that the Governor of the State certify that a referendum by secret written ballot was held among the members of the system and that a majority of those eligible to vote actually voted in favor of coming under old-age and survivors insurance. Generally speaking, all members of the system must be afforded an opportunity to vote and must be given at least 90 days' notice of the referendum. In effect, the new provisions relating to persons in positions covered by State or local retirement systems make old-age and survivors insurance coverage available if the responsible officials want to cover the employees and if the employees want to be covered. The amendments contain a statement that it is the policy of Congress that the total protection of retirement system members and beneficiaries should not be impaired by old-age and survivors insurance coverage.

In general, the members of each State or local retirement system constitute a separate group for purposes of the referendum; each retirement system may hold a separate referendum, and its members are covered or excluded as a group. However, a retirement system that covers State employees as well as employees of one or more political subdivisions, or a system that covers employees of more than one political subdivision, may be treated either as

a single voting group or as several independent voting groups. Each institution of higher learning (defined to include junior colleges and teachers' colleges) may also be regarded as a separate voting group if the State wishes.

The amendments exempt from the referendum provisions two groups of employees whose jobs are under a retirement system, or were under a retirement system when their coverage group was brought under old-age and survivors insurance in accordance with the provisions of the 1950 amendments. One such group consists of employees whose positions are under a retirement system but who are not themselves eligible for retirement system membership. Under the 1954 amendments, these employees must be covered if the retirement system that applies to their job is brought in under old-age and survivors insurance. Their coverage, however, does not depend entirely on coverage of the retirement system members. They may also be covered, if the State desires, when employees whose positions are not under a retirement system are covered under old-age and survivors insurance, or at any later date.

The second group consists of certain employees whose staff retirement systems had been dissolved or whose positions had been removed from coverage under such systems after the coverage group to which they belonged had been covered under old-age and survivors insurance. These employees were not eligible for old-age and survivors insurance coverage under the 1950 amendments. The 1954 amendments permit their coverage without a referendum, provided the action dissolving the retirement system or removing the positions from under the system was taken before September 1, 1954 (the date of enactment of the amendments), and provided they are covered before 1958. Special provision is made for these employees because, where the retirement system has been dissolved, there are no members of a retirement system who could vote in a referendum.

Generally speaking, the employees made eligible for coverage by the

amendments could not be covered until January 1, 1955, and could not receive credit for work done before that date. Coverage may be made retroactive to January 1, 1955, for groups of employees who are included in the State agreement at any time during 1955, 1956, or 1957. This is an exception to the general provision that coverage may not be made retroactive beyond the first of the calendar year in which the State or local group is brought under the agreement; it takes into account the fact that State legislation may be required before State and local employees can be covered under the new provisions. The provision permitting up to 3 years of retroactive coverage for groups covered before January 1, 1958, avoids penalizing employees in those States in which the legislature will not have a regular session until 1956, or in which the legislature, though meeting in 1955, will not be able to complete its action until 1957.

The new coverage provisions for these employees mark a significant advance toward improved retirement and survivorship protection for public employees. A large portion of the public employees in the United States may now have the same combination of protection under old-age and survivors insurance and a staff retirement system that is available to many employees both in private industry and in the nonprofit field.

Federal Civilian Employees

The amendments extend old-age and survivors insurance coverage to nearly all civilian employees of the Federal Government who are not under Federal staff retirement systems. In extending coverage to the several groups of Federal employees who had previously been excluded from both the old-age and survivors insurance program and the civil service retirement system, Congress took the position that any Federal employee who lacked retirement protection "should be covered by old-age and survivors insurance if the services he performs for the Government are of a type that would be covered if performed for a private employer." To ensure that the services of the

Federal employees to whom the amendments extend coverage are covered by only one retirement system, the crediting of such services under any other Federal retirement system is prohibited.

The Federal employees newly covered by the amendments are employees not covered by another retirement system who are employed in the field service of the Post Office Department; civilian employees in Coast Guard exchanges; temporary census-taking employees in the Bureau of the Census; employees paid on a contract or fee basis or receiving nominal compensation of \$12 or less a year; patients or inmates employed in Federal hospitals and other (except penal) institutions; members of certain types of committees and boards; and employees of instrumentalities not wholly owned by the Federal Government who are not covered by a Federal staff retirement system. The amendments delete the exclusion of services performed under Federal unemployment relief programs and the services of certain consular agents. At present, however, there are no Federal unemployment relief programs, and most consular agents are aliens working outside the United States and therefore excluded by another provision of the Social Security Act.

The following Federal employees, in addition to those covered by a Federal staff retirement system, continue to be specifically excluded from old-age and survivors insurance: the President, the Vice President, and Members of Congress; employees in the legislative branch; inmates employed in Federal penal institutions; interns, student nurses, and other students in Federal hospitals; and persons employed for emergency work in a disaster.

As has been noted, Congress did not consider methods of coordinating the civil service retirement system and other Federal staff retirement systems with old-age and survivors insurance because this matter was under study by the Committee on Retirement Policy for Federal Personnel. The reports of this Committee, which were submitted to Congress in May and June 1954, presented detailed recommendations and plans to establish a supple-

mentary relationship between the various Federal staff retirement systems and old-age and survivors insurance. Briefly, the Committee recommended that old-age and survivors insurance coverage be extended to employment subject to the Civil Service Retirement Act, with the civil service retirement benefits and contributions adjusted to take into account the fact that Federal employees would also have old-age and survivors insurance protection.

The Committee pointed out that there is a considerable movement of workers between private industry covered by old-age and survivors insurance and Federal service covered by the Civil Service Retirement Act. This shifting of employees between industry and Federal employment results in certain inequities. Some of these workers may qualify under both civil service retirement and old-age and survivors insurance and receive total benefits that may be unwarranted when considered in relation to their total service and contributions; others may fail to qualify under either system. Under the Committee's recommendations, the employee whose work life is divided between employment covered by the civil service retirement system and employment covered by old-age and survivors insurance (including certain Federal employment) would receive a total retirement benefit that would be closely related to his lifetime service. The employee who did not remain in Federal service long enough to qualify under the civil service retirement system would at least get an old-age and survivors insurance benefit, and this benefit would include some retirement credit for his period of Federal service.

Because Congress, in considering the bill that became the Social Security Amendments of 1954, limited its deliberations to the question of covering persons not covered by Federal staff retirement systems, the resulting coverage provisions affecting Federal employment cannot be considered to be of great significance. However, the amendments corrected certain inequities in the coverage of Federal employees, rid the law of some minor provisions, and, of course, extended old-age and survivors in-

insurance protection to some 150,000 workers who had no retirement-system protection of any kind.

Self-employed Professional Persons

Coverage is extended by the amendments to about 150,000 self-employed architects, funeral directors, engineers, and accountants on the same basis as that applicable to the self-employed who were covered by the 1950 amendments. Thus, individuals with annual net earnings of \$400 or more from self-employment in the indicated professions are compulsorily covered under old-age and survivors insurance. Self-employed physicians, lawyers, dentists, osteopaths, chiropractors, veterinarians, naturopaths, and optometrists continue to be excluded from coverage.

In the process of extending coverage to additional groups of workers, including self-employed groups, Congress considered both the administrative feasibility of their coverage and the wishes of the members of these groups. There is little question that coverage for all self-employed professional groups would be feasible from the administrative standpoint. The continued exclusion of certain groups was due primarily to the conflicting viewpoints expressed by members of these groups on the desirability of coverage. As a result of these conflicting viewpoints, some of which were presented in testimony before the congressional committees considering the bill, Congress was not certain that the majority of the members of these groups wanted to be covered by old-age and survivors insurance. In the Senate discussion of the amendments, both Senator Millikin and Senator George, chairman and ranking minority member, respectively, of the Senate Committee on Finance, expressed a desire to provide coverage for additional self-employed persons. Speaking for the Committee on this point, Senator Millikin stated: "We want to bring people under this system, but we do not want to bring them under it if they do not want to come under it."

Although serious consideration was given to proposals that old-age and survivors insurance be extended to

self-employed professionals under some form of voluntary coverage, Congress rejected this approach. In deciding to provide for coverage on a compulsory basis, Congress again emphasized one of the basic principles underlying the development of old-age and survivors insurance. In a broad sense this was the most significant aspect of the provisions that extended coverage to self-employment in the specified professions.

Ministers, Christian Science Practitioners, and Members of Religious Orders

The new amendments make old-age and survivors insurance coverage possible on an individual election basis for ministers, Christian Science practitioners, and members of religious orders who have not taken a vow of poverty. A person in one of these occupations can obtain coverage by filing a certificate indicating his desire to be covered as a self-employed person; he can take this action whether he is in fact an employee or a self-employed person. In general, the certificate must be filed within 2 years after coverage becomes available on January 1, 1955, or after the individual becomes a minister, practitioner, or member of a religious order. An election of coverage will be effective for the taxable year with respect to which it is filed and for all subsequent years.

An individual electing coverage under this provision will report his earnings and pay contributions in the same manner as all urban self-employed persons covered under the program. A special provision permits ministers working as missionaries abroad to pay the self-employment contributions and receive credit for their wages and salaries under old-age and survivors insurance, even though income taxes are not payable on such earnings.

About 250,000 ministers and 10,000 Christian Science practitioners, formerly excluded from coverage, will be able to participate in the old-age and survivors insurance program under these provisions. Since the law excludes members of religious orders who have taken a vow of poverty, only a few members of religious

orders will be able to obtain coverage under the program.

It is significant that, although proposals for coverage on an individual election basis were made in connection with several other groups—such as farm operators and self-employed professional persons—the clergy is the only group for which this basis for coverage was acceptable to Congress. Even here, individual voluntary coverage was not agreed upon until late in the legislative process.

In its report the Committee on Finance stated, "A provision for coverage on an individual election basis, while not generally desirable, is considered by your committee to be justified in this area because of the special circumstances. Many churches have expressed the fear that their participation in the old-age and survivors insurance program as employers of ministers might interfere with the well-established principle of separation of church and state. Many church representatives also believe that individual ministers who do not wish to be covered on grounds of conscience should not be required to participate in the program."³

United States Citizens Employed Outside the United States

The amendments round out and make more effective the 1950 provisions that extended old-age and survivors insurance coverage to United States citizens employed by American employers outside the United States. The 1950 legislation failed to cover citizen seamen and citizen airmen employed abroad by American employers on ships and aircraft operated under foreign flags. The 1954 legislation covers these seamen and airmen.

The 1954 amendments also expand the 1950 provisions to make coverage possible for citizens employed abroad by foreign subsidiaries of domestic corporations. Before the amendments, United States citizens working outside the United States for an American employer (defined to include "a corporation organized under the laws of the United States or of

³ Senate Report No. 1987 (83d Congress, 2d session), page 9.

any State") were compulsorily covered under old-age and survivors insurance, but citizens employed abroad by a foreign subsidiary of such a corporation were excluded. The latter group may now be covered if the domestic corporation makes a voluntary agreement with the Secretary of the Treasury to pay the contributions. Such an agreement may cover the United States citizens working for one or more of the corporation's foreign subsidiaries. All the United States citizens employed by each subsidiary included in the agreement must be covered. This special provision for coverage by agreement was necessary because the United States cannot impose the employer tax of the old-age and survivors insurance program upon foreign corporations, even though such corporations are subsidiaries of United States corporations.

The United States citizens made eligible for coverage are likely to have the same close economic and personal ties with the United States, and the same expectation of returning to the United States, as do United States citizens working abroad for American employers. Consequently, old-age and survivors insurance coverage will have the same value for these employees as for those covered in 1950. Often such coverage will prevent gaps in protection that would otherwise result when an individual interrupts his employment in the United States to go abroad for a period of time. Approximately 100,000

United States citizens working abroad for foreign subsidiaries of domestic corporations are eligible for coverage under the new legislation.

Fishermen and Homeworkers

Before the 1954 amendments, employees engaged in fishing or related activities (except those fishing for salmon or halibut) either on shore or on vessels of 10 net tons or less were excluded from coverage. The amendments extend coverage to such persons—about 50,000 of them in the course of a year. In this group are many of the lower-paid persons in the fishing industry—individuals who have the most need for the protection of the old-age and survivors insurance program.

The amendments cover as employees those homeworkers who, though not employees under the common-law test, meet all the special conditions that would make them employees under the previous law except the condition that their services be subject to licensing requirements under State law. The licensing requirement is eliminated. The result of this change is that all homeworkers who perform service under substantially the same conditions will be accorded the same treatment under old-age and survivors insurance irrespective of the State in which they live.

Conclusion

The 1954 amendments to the Social Security Act extend the coverage

of old-age and survivors insurance to a point where it is nearly universal. Nine out of every 10 gainfully employed persons are now under the program. Few persons with a substantial amount of employment or self-employment will be without some type of retirement protection. With nearly universal coverage, old-age and survivors insurance will be more important as a force helping to prevent family insecurity and promoting the economic and social welfare of the Nation.

The farm coverage provisions alone mark the amendments as an important achievement in the development of old-age and survivors insurance. A total of about 6 million farm operators and farm workers will be covered by old-age and survivors insurance during the course of a year, compared with the 700,000 persons who were covered in agricultural employment before. For the first time the program can assume a major role in helping to provide security for farm families.

The old-age and survivors insurance program, of course, will not remain static. Coverage, as well as the benefit provisions and other aspects of the law, will be subject to continuing examination. The direction any further changes may take, however, is likely to be greatly influenced by the fact that the 1954 amendments endorsed the principles on which old-age and survivors insurance is based.

1954 AMENDMENTS TO THE
SOCIAL SECURITY ACT

By
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1954 AMENDMENTS TO THE SOCIAL SECURITY ACT

ROBERT J. MYERS

FOR the third successive Congress, important amendments to the Social Security Act were enacted in 1954. Just as in the 1950 and 1952 Amendments, the major changes made were in connection with the Old-Age and Survivors Insurance system, although the public assistance program was also slightly modified. Each of the three amendments included increases in OASI benefits.

The 1950 Amendments affected the OASI system principally by a very considerable extension of coverage to types of employment previously not included, by roughly doubling the benefit level, by liberalizing the retirement test, and by making more definite the financing basis. The 1952 Amendments were of relatively less significance, the principal changes being a small increase in the benefit level, a further liberalization of the retirement test, and provision of "free" wage credits for military service after World War II. The 1954 Amendments followed several important studies in 1953 by the newly created Department of Health, Education, and Welfare and by a subcommittee of the House Ways and Means Committee. The major changes included further extension of coverage, another increase in the benefit level and in the maximum wage subject to contributions, further liberalization of the retirement test, introduction of a "disability freeze" provision, and revisions in the financing basis.

EXPERIENCE UNDER 1950 AND 1952 AMENDMENTS

Old-Age and Survivors Insurance

Increased benefit payments were effective in September of 1950, 1952, and 1954, with immediate results as shown by Table 1. Average monthly benefits increased substantially each time (for retired workers, by \$20 or 77% in 1950, by \$6.50 or 15% in 1952, and by almost \$7 or 13% in 1954). It will be observed that the average benefit fell by somewhat more than \$4 between September 1950 and August 1952; this occurred because the 1950 Amendments made eligible for the first time a very considerable number of individuals who generally qualified only for the minimum benefit of \$20 and so the average payment for the entire roll dropped as these individuals came onto the roll. The number of beneficiaries rose significantly over the 4-year period (from 3 million to 6 $\frac{2}{3}$ million), in part be-

cause of the maturing of the system, and in part because of the shorter qualifying requirements provided under the 1950 Amendments. As a result, the annual rate of monthly benefit payments rose five-fold, from \$740 million in August 1950 to almost \$4 billion in September 1954. The contribution income increased from about \$1.7 billion in 1949 and \$2.7

TABLE 1
SELECTED DATA ON MONTHLY BENEFITS UNDER OASI SYSTEM

MONTH	BENEFICIARIES (MILLIONS)		ANNUAL RATE OF BENEFITS (MILLIONS)	AVERAGE MONTHLY BENEFIT FOR RETIRED WORKERS
	Retired Workers	Total*		
August 1950	1.41	2.97	\$ 740	\$26.36
September 1950	1.44	3.03	1,368	46.62
August 1952	2.43	4.68	1,992	42.36
September 1952	2.50	4.79	2,325	48.79
August 1954	3.60	6.59	3,419	51.95
September 1954	3.64	6.66	3,911	58.75

* These figures are somewhat overstated by reason of counting twice those receiving both old-age benefits (as a retired worker) and wife's, widow's, or parent's benefits; as of December 1953 this overstatement amounted to about 55,000. On the other hand, some understatement exists by reason of retroactive payments, made some months later in respect to specific past months.

billion in 1950 to \$5.2 billion in 1954 (because of several factors—higher contribution rates, higher maximum wage subject to contributions, extension of coverage to more types of employment, and rise in wage levels).

The actual and estimated operations of the OASI Trust Fund for 1953, the only full calendar year of operations under the 1952 Act, are shown in Table 2. The estimated contributions were 8% lower than the actual experience, principally because of higher earnings and more full employment than used in the cost estimates. Estimated benefit payments were 18% too low, because insufficient account had been taken of the liberalized qualifying conditions in the 1950 Act (estimates subsequently used in the consideration of the 1954 Amendments were revised appropriately). The estimated administrative expenses, interest earnings, and balance in the fund were all reasonably close to the actual experience.

Public Assistance

Beginning in 1950, the number of OAA recipients has decreased slowly and steadily even though the number of aged persons in the country was increasing at about 3% per year. The roll declined from 2.81 million in August 1950 to 2.58 million four years later (including 46,000 in Puerto

Rico and the Virgin Islands, not in the program before the 1950 Act); the decrease in the last year, however, was only about 20,000. As a result of a rise in the average payment (from about \$44 a month to \$51.50), the annual rate of payments increased from \$1.47 billion per year to \$1.60 billion currently.

The number of child recipients under aid to dependent children fluctuated during the 4-year period from about 1.5 to 1.6 million. Total assistance expenditures under this program rose from a rate of about \$550 million a year to \$600 million. Recipients of aid to the blind were level during the 4-year period at about 100,000, with the annual rate of payments currently being almost \$70 million. The number of recipients of aid to the permanently and totally disabled (established in 1950) rose gradually and in August 1954 amounted to almost 220,000, with payments at an annual rate of about \$140 million.

OASI versus OAA

OASI beneficiaries aged 65 and over (including wives and widows) exceeded OAA recipients for the first time in the early part of 1951. In August 1954, there were twice as many such OASI beneficiaries as OAA recipients, namely, 5.1 million versus 2.6 million.

A very considerable, and growing, number of individuals aged 65 and over receive both OASI and OAA benefits. Since OASI over the long range is intended to be the major program for providing basic old-age security, it is important to consider the trend in the number of concurrent recipients of OASI and OAA as shown for recent years in the following table:

DATE	NUMBER OF CONCURRENT RECIPIENTS (THOU- SANDS)	CONCURRENT RECIPIENTS AS PERCENTAGE OF	
		OASI Bene- ficiaries Aged 65 and over	OAA Re- cipients
June 1948.....	146	10.0%	6.1%
September 1950.....	276	12.6	9.8
August 1951.....	376	11.9	13.8
February 1952.....	406	12.0	15.1
February 1953.....	426	10.7	16.3
February 1954.....	463	9.7	18.0

In the 7 years considered, about 10-12% of all OASI beneficiaries aged 65 and over have received supplementary OAA. Over the same period, as a result of more and more persons becoming eligible for OASI, the pro-

portion of OAA recipients receiving OASI tripled until currently about 1 out of every 5 OAA recipients is also on the OASI roll. Although some individuals have been removed from the OAA roll because of eligibility for OASI benefits or because of increased OASI benefits, the concurrent recipients showed an increase because of two factors—those on the OAA roll who became eligible for low OASI benefits and still needed supplementary OAA, and the growth of the OASI roll, with more persons thus “exposed” to the need of supplementary OAA.

TABLE 2
COMPARISON OF ACTUAL* AND ESTIMATED OPERATIONS
OF OASI TRUST FUND IN 1953

Item	Actual* (Millions)	Estimated† (Millions)	Ratio, Estimated to Actual
Contributions	\$ 4,105	\$ 3,785	92%
Benefit Payments	3,236	2,663	82
Administrative Expenses	92	92	100
Interest on Fund	424	402	95
Balance in Fund	19,102	18,793	98

* Including effect of railroad coverage under financial interchange provisions.

† As shown in Table 9 of “The 1952 Amendments to the Social Security Act” by Robert J. Myers, *TSA* V, 43.

One of the most significant comparisons in the analysis of the social security program is the proportionate relationship between aged OASI beneficiaries, OAA recipients, and total aged population. The following table summarizes these relationships as of June of each year from 1950 through 1954, and for the end of 1954:

DATE	PERCENT OF AGED POPULATION RECEIVING		
	OASI	OAA	OASI or OAA (or both)
June 1950	16.8%	22.5%	37.3%
June 1951	23.4	21.5	42.0
June 1952	26.0	20.3	43.1
June 1953	31.5	19.4	47.6
June 1954	36.0	18.6	51.2
December 1954	38.1	18.3	52.8

The percentages in the last column are less than the sum of the percentages in the two preceding columns because of the previously mentioned overlap between the two programs.

Since 1950, the relative proportion of the aged population receiving OASI benefits has increased by about 125%, while the proportion receiving OAA has decreased by about 20%. At the same time, the proportion receiving either or both has increased by about 40%, and since the early part of 1954 more than half of the aged population has been getting payments under one program or the other. In addition, about another 15% of the aged population are eligible for, but not receiving, OASI benefits (because of the continued employment of the insured individual).

HISTORY OF LEGISLATION

Old-Age and Survivors Insurance

In the first half of 1953, a group of consultants to Secretary Hobby of the Department of Health, Education, and Welfare studied various alternatives for extending the OASI program to additional groups of current workers (see items 1 and 3 of the appended bibliography). Later in the year, a Subcommittee of the House Ways and Means Committee (the so-called "Curtis Committee") held hearings on various aspects of the social security program (see item 2 of bibliography).

In April 1954, the House Ways and Means Committee held public hearings on a bill (H.R. 7199) representing the recommendations of the Administration (see item 4 of bibliography). This bill would have made the following major changes in the OASI program:

1. Coverage extended to include all gainful employment except Federal civilian service covered by a retirement system, military service, and policemen and firemen covered by a retirement system.
2. Maximum creditable and taxable wage increased to \$4,200 a year.
3. Average monthly wage determined by dropping out lowest 4 years.
4. Benefit amounts increased, the formula being 55% of the first \$110 of average monthly wage, plus 20% thereafter, with a minimum of \$30 and with a maximum family benefit of \$190.
5. Retirement test placed on an annual basis (rather than monthly), with first \$1,000 of earnings being exempt and with one month's benefits withheld for each additional \$80 (all earnings, rather than only covered earnings, to be counted).
6. Benefit rights of persons with an extended total disability preserved.
7. Ultimate contribution rates increased (same schedule up through 1969, but an ultimate combined employer-employee rate of 7%, as compared with 6½% in the then-existing law).

The Ways and Means Committee reported a revised bill (H.R. 9366), which was passed without change by the House on June 1. This bill differed from the Administration's recommendations in the following major respects:

1. Extension of coverage to self-employed physicians deleted.
2. Special insured status provision introduced for those continuously covered from 1955 on.
3. Drop-out of the lowest years in determination of average monthly wage increased to 5 years for those with 20 quarters of coverage.
4. Certain changes in benefit amounts made (maximum family benefit increased to \$200 a month, a minimum *family* benefit of \$30 a month provided, and a maximum of \$255 placed on lump-sum death payments—same as in then-existing law).
5. Benefits for dependents and survivors not to be payable when residing outside the United States, under certain circumstances.
6. Ultimate contribution rates increased (to a combined employer-employee rate of 7% for 1970-74 and 8% thereafter).

Then the Senate Finance Committee held public hearings and reported out a revised bill, which on August 13 was passed by the Senate with only minor amendments. The Senate bill differed from that passed by the House as follows:

1. Extension of coverage to self-employed professional groups and to farmers eliminated, as was also the coverage of certain Federal civilian employees not under a retirement system.
2. Maximum of \$255 for lump-sum death payment eliminated.
3. Retirement test provisions liberalized by raising annual exempt amount to \$1,200, by reducing from 75 to 72 the age after which the test would not apply, and by making the test applicable only to covered earnings.
4. Provisions relating to suspension of benefits for dependent and survivor beneficiaries residing abroad eliminated.

In the joint conference between the House and Senate, the final bill was agreed upon and after acceptance by both bodies was signed by the President on September 1. The Senate changes were agreed to with the following important exceptions:

1. Coverage extended as in the House bill, except that self-employed lawyers and all types of self-employed medical practitioners excluded.
2. Retirement test made applicable to earnings from all types of employment.
3. Maximum of \$255 for lump-sum death payment provided.

Public Assistance

The Curtis Committee studied the public assistance program as well as the OASI system. The House Ways and Means Committee also con-

sidered the Administration's recommendations for changes in the public assistance program (H.R. 7200). This bill would have made extensive changes in the Federal matching basis by taking into account each state's per capita income and proportion of OASI aged beneficiaries to total aged population. The Ways and Means Committee, however, did not act on these recommendations but rather included in H.R. 9366 a provision for extending for one year (from September 30, 1954) the temporary matching basis in then-existing law. Under this formula for OAA, the Federal share is 80% of the first \$25 of average monthly payment, plus 50% of the remainder, excluding in each individual case any amount in excess of \$55. The Senate Finance Committee extended this period another year, and this change was accepted by the Senate and then by the Conference Committee.

COVERAGE PROVISIONS OF OASI SYSTEM

Before the new legislation, the OASI program covered about 47 million employees and self-employed persons during the course of an average week, with about 60 million different persons being employed in covered jobs over the course of a year. As of 1955, coverage is extended to about 10 million persons who during a year work in newly covered jobs, as follows:

Farm operators	3,600,000
Professional self-employed	100,000
Ministers*	250,000
Employees of state and local governments*	3,500,000
Employees of Federal government	150,000
Agricultural workers	2,100,000
Domestic workers	200,000
Employees outside the United States*	100,000
Fishermen	50,000

* On an elective basis.

Nonfarm Self-Employed

In addition to those covered under this category by the 1950 Act, all professional self-employed persons other than lawyers and various types of medical practitioners are included on the same basis, namely by reporting their earnings on income tax returns; with no coverage when such earnings are less than \$400 a year.

Farm Operators

Farmers are covered by the 1954 Amendments on the same general basis as all other self-employed persons except that a special basis of simplified reporting may be used by farmers with gross incomes of not more than \$1,800 a year who report their income on a cash basis. Rather than

itemizing income and expenses, such a farmer may use 50% of his gross income as his earnings for OASI purposes. In part to provide a consistent, smooth junction, farmers with higher gross incomes than \$1,800 but with net incomes of less than \$900 may nevertheless report earnings of \$900 for OASI purposes.

Ministers

Ministers and members of religious orders may by individual voluntary election be covered, with their earnings being considered as self-employment income even though they are employees. Such elections must, in general, be made within 2 years after coverage is first available to the individual as a result of his having at least \$400 of self-employment income. This unique basis was provided because of the problem of separation of Church and State.

Employees of State and Local Governments

Under previous law, employees of state and local governments could be covered at the option of the state and employing unit but, in general, only if they were not covered by an existing retirement system. The 1954 Amendments permit coverage of those under an existing retirement system (other than firemen and policemen) if, in addition to the state and employing unit desiring coverage, the employees involved so vote (by a majority of those eligible).

Employees of Federal Government

The previous law covered a large number of Federal employees who were not under an existing retirement system. The amendments cover virtually all remaining Federal employees not under a retirement system, the new groups primarily being temporary census takers and temporary postal employees. The Committee on Retirement Policy for Federal Personnel (the so-called Kaplan Committee) recommended OASI coverage for Federal employees under a retirement system (see item 5 of bibliography), but no action was taken on this matter.

Agricultural Workers

Coverage of this group under the 1950 Act was rather complicated, based on regularity of employment. The new law simplifies the situation; such employment is covered if cash wages in a year from a particular employer amount to at least \$100.

Domestic Workers

This group had coverage under previous law under provisions requiring regularity of employment as well as a minimum amount of \$50

of cash wages in a quarter from the particular employer. The amendments eliminate the time requirement, leaving only the \$50 provision.

Miscellaneous Groups

United States citizens working for American employers abroad were covered by the 1950 Act; the amendments extend this type of coverage by applying it, on a voluntary basis at the employer's election, to United States citizens working for foreign subsidiaries of American companies. Coverage is extended to employee fishermen who either work on shore or work on very small vessels. The amendments also extend coverage, as employees, to certain groups of workers who manufacture or process articles at home; this group formerly could have been covered as self-employed if their earnings were sufficiently large.

Military Service Wage Credits

The provision granting "gratuitous" wage credits of \$160 a month for military service after September 15, 1940 was extended in 1953 to cover service up through June 1955. The 1954 Amendments did not affect this provision, nor was action taken on the Kaplan Committee's recommendation that those in military service should be covered on the same general contributory basis as other employees.

OASI INSURED STATUS CONDITIONS

Two kinds of insured status exist, "fully" and "currently." The former yields entitlement to all types of benefits (with certain minor exceptions where both kinds must exist), while the latter gives entitlement to certain survivor benefits. Insured status is defined in terms of quarters of coverage, either \$50 of wages paid in a calendar quarter or \$100 of self-employment income credited to that quarter (except as noted hereafter). With certain minor exceptions, covered self-employed individuals are always credited with 4 quarters of coverage each year, as is also the case for persons with wages of \$4,200 or more a year. Special rules similar to those for self-employed individuals apply to agricultural workers whose coverage depends on an annual rather than a quarterly earnings amount.

Under previous law, fully insured status was achieved if the individual's quarters of coverage numbered at least half of the quarters elapsing since 1950 (or age 21, if later) and before attainment of age 65 or prior death, with a minimum requirement of 6 quarters of coverage and a maximum requirement of 40 quarters of coverage. Currently insured status is achieved by having 6 quarters of coverage in the 13-quarter period ending with the quarter of death or retirement. These provisions were unchanged

by the 1954 Amendments, but a new alternative for fully insured status was introduced (primarily for those in the newly covered groups who have attained age 65 or will attain age 65 or die within the next few years). Under this provision, an individual is fully insured if he has a quarter of coverage in each of the first 6 quarters after 1954 and, if not then 65 years old, in every quarter thereafter up to the quarter in which he attains age 65 or dies. This alternative will be operative only for persons reaching age 65 after June 1954 and before October 1958, or dying after March 1956 and before October 1958; those who attained 65 before July 1954, by obtaining 6 quarters of coverage at any time, meet the "regular" requirements.

OASI BENEFICIARY CATEGORIES

An individual is eligible for an old-age insurance benefit if he is aged 65 or over and is fully insured. The amount of this benefit is 100% of the primary insurance amount, defined later. Payments are made after an individual files a claim (and for as much as 12 months retroactively, if then eligible—only 6 months' retroactivity under previous law) and is in effect substantially retired (retirement test provisions described hereafter). If the retired individual has a wife aged 65 or over (or, regardless of her age, if she has a child under age 18 in her care), an additional benefit of 50% is payable, with a similar addition for each eligible child. Husband's benefits are payable in respect to a retired female worker if he has been chiefly dependent on her and if she was currently insured at time of retirement.

Widow's benefits are payable at age 65 if the deceased husband was fully insured (including deaths after retirement). Parallel benefits are also payable with respect to dependent widowers. The amount of the benefit is 75% of the primary insurance amount. When a fully insured worker dies leaving no spouse or child under age 18, parent's benefits are payable upon attainment of age 65 to parents who have been dependent upon such individual; the amount of such benefits is 75% of the primary insurance amount for each parent.

When a fully or currently insured individual dies leaving children under age 18, benefits are payable to such children and to their widowed mother while a child under 18 is present. These child survivor benefits are also payable in respect to the death of an insured female worker where dependency of the child is provable and, in any event, in all cases where such woman was currently insured. The benefits, in effect, are 75% of the primary insurance amount for the widowed mother and for the first child and an additional 50% for each other child.

Certain limitations apply to the above benefit amounts. No individual can receive the full amount of more than one type of benefit. For instance, if a woman has an old-age benefit in her own right and a wife's or widow's benefit from her husband's earnings, then in effect only the larger of the two benefits may be received. In addition, there are certain minimum and maximum benefit provisions, described subsequently.

In all cases of death of a fully or currently insured individual, a lump-sum death payment of 3 times the primary insurance amount is payable. This payment, however, may not exceed \$255, the maximum amount available under the previous law; if it were not for this specific dollar limitation, the maximum lump-sum payment would have been larger as a result of the general benefit increases in the 1954 Amendments. The lump-sum is payable in full to a surviving spouse but in other cases may not exceed the actual burial costs. This benefit must be claimed within 2 years of death.

OASI BENEFIT AMOUNTS

The primary insurance amount, based on the average wage of the insured individual, determines all monthly and lump-sum benefits.

Average Monthly Wage

The concept of average monthly wage used in the OASI program is, in essence, that computed over the entire potential period of coverage but with certain periods of low earnings being disregarded. In general, the averages are computed in most cases from the beginning of 1951 (or age 22, if later) to the date of death, attainment of age 65, or retirement (at or after 65), whichever is applicable and produces the more favorable result. In computing this average, however, four calendar years may be dropped from both numerator and denominator (whichever years' omission will produce the highest average wage) and for those with at least 20 quarters of coverage, 5 years may be so omitted. In addition, periods of extended total disability may be eliminated; such disability must be of at least 6 months' duration, and the disabled worker must both have been currently insured and have 20 quarters of coverage in the last 40 quarters. Also the average wage may be computed back to the beginning of 1937 on this same basis if a larger benefit will result.

The 4 or 5 year "drop-out" provision was added by the 1954 Amendments to eliminate the handicap of years of "zero" earnings that would otherwise exist for groups newly covered, and at the same time to give some advantage to those already covered. The "disability freeze" provisions were also introduced by the 1954 Amendments, although such provisions, on an inoperative basis, had been included in the 1952 Act.

Increase of Existing Benefits

Benefits for those on the roll in September 1954 were increased in the same manner as in the previous two amendments, namely by a conversion table, a summary of which is as follows:

BENEFIT COMPUTED UNDER METHOD OF 1939 ACT	PRIMARY INSURANCE AMOUNT	
	Under 1952 Act	Under 1954 Act
\$10	\$25.00	\$30.00
15	35.00	40.00
20	42.00	47.00
25	52.40	57.40
30	60.80	66.30
35	66.60	73.90
40	72.00	81.10
45	77.10	88.50
*	80.10	91.90
*	85.00	98.50

* Maximum possible is \$45.60 (which produces same primary insurance amount as \$45.00).

This table is also used for those whose average wage is computed back to 1937, with the benefit therefrom being determined essentially under the provisions of the 1939 Act. The table is also used in certain cases where the new benefit formula combined with the drop-out provision does not provide a \$5 increase over the benefit that would have been payable under the 1952 Act. In most cases of future benefit determinations, the new benefit formula will be more advantageous.

New Benefit Formula

The new benefit formula is provided for all individuals having 6 quarters of coverage after June 1953, and in certain other instances. This formula is 55% of the first \$110 of average monthly wage, plus 20% of the next \$240 thereof (reflecting the new \$4,200 wage base, as compared with the previous \$3,600 one). The formula in the 1952 Act was 55% of the first \$100, plus 15% of the next \$200 (as contrasted with the 1950 formula of 50% of the first \$100, plus 15% of the next \$200). The maximum primary insurance amount is thus \$108.50 now, compared with \$85 for the 1952 Act and \$80 for the 1950 Act. The minimum primary insurance amount is \$30 a month, as contrasted with \$25 in the 1952 Act and \$20 in the 1950 Act. The maximum wage base for both benefit and tax purposes is increased to \$4,200 a year (as contrasted with \$3,600 during 1951-54, and \$3,000 previously).

Minimum and Maximum Family Benefits

Under the previous law no minimum family benefit provisions applied other than those resulting from the appropriate percentages of the minimum primary insurance amount (*i.e.*, a single survivor beneficiary would get a minimum of 75% of the minimum primary insurance amount). The 1954 Amendments provide that the minimum family benefit for survivors (applicable only when there is one such survivor) is \$30, the same as the minimum primary insurance amount. The maximum family benefit is the smaller of \$200 (\$168.75 under previous law) or 80% of average monthly wage. The 80% maximum, however, may not reduce benefits below \$50 or 150% of the primary insurance amount, whichever is larger; the latter provision is new and has the effect of full benefits being paid in all cases where there are only two beneficiaries.

Table 3 shows illustrative monthly benefits for various categories,

TABLE 3
ILLUSTRATIVE MONTHLY OASI BENEFITS FOR VARIOUS FAMILY CATEGORIES UNDER 1954 ACT BASED ON "NEW START" FORMULA
(All figures rounded to nearest dollar)

Average Monthly Wage after Drop-Out	Retired Worker Alone	Retired Worker and Aged Wife*	Retired Worker, Aged Wife, and 1 Child†	Aged Widow‡	Aged Dependent Parent
\$ 50.....	\$ 30	\$ 45	\$ 50	\$30	\$30
100.....	55	83	83	41	41
150.....	69	103	120	51	51
200.....	79	118	157	59	59
250.....	89	133	177	66	66
300.....	99	148	197	74	74
350.....	109	163	200	81	81
	Widow and 1 Child§	Widow and 2 Children	Widow and 3 or More Children	1 Child Alone	2 Children Alone
\$ 50.....	\$ 45	\$ 50	\$ 50	\$30	\$ 38
100.....	83	83	83	41	69
150.....	103	120	120	51	86
200.....	118	157	160	59	98
250.....	133	177	200	66	111
300.....	148	197	200	74	123
350.....	163	200	200	81	136

* Also applies to worker and aged dependent husband, and to worker and 1 child.
 † Also applies to worker, aged dependent husband, and 1 child, and to worker and 2 children.
 ‡ Also applies to aged dependent widower.
 § Also applies to 2 aged dependent parents.

giving consideration to the applicable benefit proportions and the minimum and maximum benefit provisions.

OASI RETIREMENT TEST

Benefits both for retired workers and their dependents and for survivors are, in general, not paid when the beneficiary is engaged in substantial employment, nor to dependents of a worker engaged in substantial employment. This provision is termed the "retirement test," although to some extent this is a misnomer when referring to young beneficiaries.¹ Benefits are payable for all months in a year if the annual earnings from all types of employment are \$1,200 or less. If earnings exceed \$1,200, one month's benefit may be withheld for each \$80 excess unit (counting a remainder of less than \$80 as a full unit), but in no event are benefits withheld for months in which the individual has wages of \$80 or less and does not render substantial self-employment services. Moreover, the retirement test is not applicable at all after the individual reaches age 72. Previous law was on a considerably different basis, namely, (1) monthly rather than annually for wage earners, (2) a lower exempt amount (\$75 a month for wages and \$900 a year for self-employment income), (3) applicable only to covered employment rather than to all employment, and (4) the age above which the retirement test did not apply was 75.

OASI FINANCING PROVISIONS

The tax or contribution schedule was increased in the ultimate years by the 1954 Amendments. The 4% combined employer-employee rate for 1954 was left unchanged through 1959, as were also the previously scheduled rates of 5% for 1960-64 and 6% for 1965-69. In the 1950 and 1952 Acts, the ultimate rate was 6½% for 1970 and thereafter, but this was changed to 7% in 1970-74 and 8% thereafter. In each instance, self-employed individuals pay 75% of the combined employer-employee rate. For wage earners, each employer must pay on the first \$4,200 of wages paid in a year to a given individual. If an employee has contributed on more than \$4,200 of wages in a year, a refund of such excess is obtainable on his income tax return. For self-employed persons, the tax is payable on a maximum of \$4,200 per year of self-employment income and wages combined.

From an actuarial standpoint, the revision of the tax schedule is of considerable interest. Two important factors are involved—the effect of re-

¹ For more complete details as to the history, philosophy, and basis of the retirement test see "Old-Age and Survivors Insurance: Retirement Test under the 1954 Amendments," Robert J. Myers, *Social Security Bulletin*, December 1954.

vised cost estimates for the 1952 Act and the effect of the various changes made by the 1954 Amendments.

Following the enactment of the 1952 Act, new cost estimates were developed in line with the policy of continuous study and revision of these estimates (*Actuarial Study No. 36* of the Social Security Administration). The level-premium cost of the benefit and administrative expense disbursements of the 1952 Act, according to the intermediate-cost estimate, was shown to be about .6% of payroll higher than the level-premium equivalent of the scheduled taxes, after taking into account interest on the existing trust fund.

The changes made by the original bill underlying the 1954 Amendments involved some items which increased cost (principally, dropping out certain periods in computing average wage, raising the benefit level, and liberalizing the retirement test) and other partially offsetting ones decreasing costs (principally, extension of coverage and raising the earnings base). The net effect of the changes proposed in the original bill was an increase in cost of about .55% of payroll on a level-premium basis. This rise would, of course, not quite be met by the proposed $\frac{1}{2}$ % increase in the ultimate tax rate, equivalent, on a level basis, to about .4% of payroll (see *Actuarial Study No. 38* of the Social Security Administration). In turn, no margin was left toward meeting the "insufficiency" in the 1952 Act indicated by the new cost estimates.

The bill, as reported out by the House Ways and Means Committee, had essentially the same relative benefit cost as the original bill, but the ultimate contribution rate was increased by $1\frac{1}{2}$ % of payroll over that in then-existing law and by 1% over that in the original Administration bill. This higher schedule took care of not only the increased benefit cost but also a very substantial part of the "insufficiency." The Senate Finance Committee, however, increased the benefit cost in a number of ways (such as liberalizing the retirement test and providing for less extension of coverage) so that for the Senate version of the bill the higher ultimate contribution rate did little toward meeting the "insufficiency." The final legislation was a compromise, costwise, between the House and Senate bills, so that the increase in the ultimate contribution rate could be said to meet all the additional cost of the benefit changes made and a substantial part of the "insufficiency" which the latest estimates indicated in regard to the financing of the 1952 Act. As of the beginning of 1955, this "insufficiency" amounted to about .4% of payroll on a level-premium basis (according to the high-employment intermediate-cost estimates at 2.4% interest). Using revised cost assumptions that reflect both the higher current earnings levels

TABLE 4
ACTUAL AND ESTIMATED NUMBERS OF OASI BENEFICIARIES
(In thousands)

CALENDAR YEAR	MONTHLY BENEFICIARIES*								LUMP-SUM DEATH PAYMENTS
	Retirement†			Survivor				Total§	
	Old-Age	Wife‡	Child	Widow‡	Parent‡	Mother	Child		
ACTUAL DATA									
1950	1,385	419	35	290	14	157	630	2,930	200
1951	2,091	596	61	350	17	192	726	4,034	414
1952	2,372	668	69	422	21	214	828	4,594	437
1953	2,977	827	83	499	22	245	920	5,573	512
1954	3,519	959#	99	586**	24	268	1,013	6,468	516
LOW-COST ESTIMATE									
1960	4,934	1,204	99	1,338	27	420	1,339	9,361	791
1980	10,598	1,743	175	3,072	35	507	1,575	17,705	1,309
2000	14,772	1,923	195	3,533	43	572	1,805	22,843	1,718
2025	20,708	2,821	290	4,217	43	694	2,173	30,946	2,253
HIGH-COST ESTIMATE									
1960	5,785	1,362	117	1,362	31	510	1,383	10,550	819
1980	12,736	1,892	180	3,109	47	570	1,457	19,991	1,342
2000	18,978	2,051	187	3,303	63	543	1,361	26,486	1,770
2025	26,837	3,216	274	3,832	63	546	1,340	36,108	2,284

* In current payment status at middle of year.

† Represents benefits paid to retired workers (i.e., old-age benefits) and their dependents.

‡ For future estimates, does not include those also eligible for old-age benefits; for actual data, includes those receiving old-age benefits smaller than the full wife's, widow's, or parent's benefit as case may be (as of December 1953, about 24,000, 30,000, and 1,000 respectively). For wife's and widow's benefits, includes husband's and widower's benefits respectively.

§ For actual data, total is overstated by number of dual beneficiaries (see footnote ‡)—by about 55,000 as of December 1953.

|| Number of insured deaths for which payments are made during the year.

Includes about 7,300 husbands and about 46,200 wives under age 65 with child beneficiaries in their care.

** Includes about 900 widowers.

than prevailed in 1951-52 and the 2.3% interest rate now being earned would reduce this "insufficiency" to about .2% of payroll.

ACTUARIAL COST ESTIMATES FOR OASI SYSTEM

The cost estimates made at the time of enactment of the 1954 Amendments (see item 11 of bibliography) were developed in a limited time, making necessary certain approximations and short cuts. Subsequently, detailed cost estimates were made (see *Actuarial Study No. 39* of the Social Security Administration for details as to assumptions and methodology) which naturally differ only slightly from the original ones. The following discussion, in general, is summarized from these latest estimates.

Table 4 gives the number of beneficiaries for the past 5 years and estimates for the future. Table 5 indicates the average benefit payments

TABLE 5
ACTUAL AND ESTIMATED AVERAGE OASI MONTHLY BENEFITS
IN CURRENT PAYMENT STATUS AND LUMP-
SUM DEATH PAYMENTS

CATEGORY	UNDER 1952 ACT, Au- gust 1954*	UNDER 1954 ACT		
		September 1954*	1960	2000
Old-age (retired worker) . . .	\$ 52	\$ 59	\$ 70	\$ 70
Male	55	63	76	83
Female	41	47	56	54
Wife	28	32	38†	44†
Child (of retired worker) . . .	16	18	25	26
Widow (over 65)	41	46	54†	64†
Parent (over 65)	42	47	62‡	60‡
Mother (with orphan chil- dren)	38	44	52	55
Child (survivor)	33	37	43	45
Lump-sum death §	176	190	196	193

* Rounded to nearest dollar. Partially estimated for some categories.
 † Does not include those eligible for old-age benefits. Includes husband's and widower's benefits.
 ‡ Does not include those eligible for old-age, widow's or widower's benefits.
 § Average amount per death for claims certified in given period.
 || Applicable only to deaths after August 1954. Estimated.

just before and after the 1954 Amendments, and estimates for the long-range future.

Table 6 presents costs in future years as a percentage of payroll for the different types of benefits. The ultimate cost is roughly 8% of payroll

according to the low-cost estimate and 12% according to the high-cost estimate.

Table 7 shows the actual and estimated operation of the trust fund. According to the low-cost estimate, the trust fund will rise continuously from its current level of about \$21 billion to almost \$150 billion by the year 2000. Under the high-cost estimate, the trust fund will grow only slowly, reaching a peak of about \$30 billion in 1980 and then decreasing until exhausted in 1995. Under the intermediate-cost estimate, a mere average of the low-cost and high-cost estimates, the trust fund grows

TABLE 6
ESTIMATED RELATIVE COSTS OF OASI IN PERCENTAGE OF PAYROLL
BY TYPE OF BENEFIT

Calendar Year	Old-Age	Wife*	Widow*	Parent	Mother	Child†	Disability Freeze	Lump-Sum Death	Total
LOW-COST ESTIMATE									
1960.....	2.47	.33	.52	.01	.16	.42	.04	.09	4.04
1970.....	3.47	.38	.93	.01	.17	.44	.05	.11	5.57
1980.....	4.41	.42	1.17	.01	.16	.43	.07	.12	6.79
1990.....	5.08	.41	1.27	.01	.15	.42	.07	.13	7.55
2000.....	4.91	.39	1.17	.01	.15	.40	.07	.13	7.24
2025.....	5.65	.46	1.15	.01	.15	.40	.08	.14	8.05
Level Premium †									
2½% interest...	4.53	.40	1.05	.01	.15	.41	.07	.13	6.73
2½% interest...	4.43	.40	1.03	.01	.15	.41	.06	.12	6.62
HIGH-COST ESTIMATE									
1960.....	2.92	.37	.55	.01	.19	.44	.05	.10	4.63
1970.....	4.11	.45	1.00	.01	.20	.45	.06	.11	6.39
1980.....	5.34	.47	1.27	.02	.18	.41	.08	.13	7.90
1990.....	6.48	.48	1.40	.02	.17	.38	.09	.14	9.15
2000.....	6.75	.48	1.33	.02	.16	.34	.09	.15	9.31
2025.....	9.25	.71	1.51	.02	.15	.34	.12	.18	12.28
Level Premium †									
2½% interest...	6.16	.52	1.22	.02	.17	.38	.08	.14	8.68
2½% interest...	5.97	.51	1.19	.02	.17	.38	.08	.14	8.44

* Included are excesses of wife's and widow's benefits over old-age benefits for female old-age beneficiaries also eligible for wife's or widow's benefits. Also includes husband's and widower's benefits, respectively.

† Includes child's benefits for both children of old-age beneficiaries and child-survivor beneficiaries.

‡ Level-premium contribution rate for benefit payments after 1954 and into perpetuity, not taking into account the accumulated funds at the end of 1954 or administrative expenses and assuming that after 2050 both benefit payments and taxable payroll are level.

TABLE 7
ACTUAL AND ESTIMATED PROGRESS OF OASI TRUST FUND
(In millions)

Calendar Year	Contributions*	Benefit Payments	Administrative Expenses	Interest on Fund†	Fund at End of Year
ACTUAL DATA‡					
1949.....	\$ 1,670	\$ 667	\$ 54	\$ 146	\$ 11,816
1950.....	2,671	961	61	257	13,721
1951.....	3,367	1,885	81	417	15,540
1952.....	3,819	2,194	88	365	17,442
1953.....	3,945	3,006	88	414	18,707
1954.....	5,163	3,670	92	468	20,576
LOW-COST ESTIMATE					
1960.....	\$ 7,807	\$ 6,822	\$117	\$ 672	\$ 29,126
1970.....	12,526	10,654	145	1,061	46,115
1980.....	16,245	14,335	173	1,870	80,649
1990.....	17,734	17,398	199	2,607	111,309
2000.....	19,740	18,559	217	3,413	146,087
2025.....	24,175	25,272	280	6,801	289,476
HIGH-COST ESTIMATE					
1960.....	\$ 7,736	\$ 7,736	\$153	\$568	\$24,139
1970.....	12,393	12,097	193	564	24,112
1980.....	15,819	16,235	232	722	30,497
1990.....	16,615	19,752	268	380	14,510
2000.....	17,753	21,470	289	§	§
2025.....	18,496	29,513	361	§	§
INTERMEDIATE-COST ESTIMATE					
1955.....	\$ 5,922	\$ 4,740	\$114	\$ 516	\$22,520
1960.....	7,772	7,279	135	620	26,632
1970.....	12,460	11,377	169	812	35,114
1980.....	16,032	15,285	202	1,296	55,573
1990.....	17,174	18,574	234	1,494	62,910
2000.....	18,747	20,014	253	1,436	60,494
2025.....	21,336	27,391	320	294	9,354

* Combined employer, employee, and self-employed contributions, less refunds of employee taxes paid in 1951-54 on wages in excess of \$3,600 in a year, and after 1954 in excess of \$4,200. For 1949-51 includes transfers from general funds to meet cost of certain veterans' survivor benefits. Combined employer-employee rate is 2% for 1937-49, 3% for 1950-53, 4% for 1954-59, 5% for 1960-64, 6% for 1965-69, 7% for 1970-74, and 8% thereafter. Self-employed pay $\frac{1}{4}$ of these rates (for 1951 and after).

† For estimates, 2.4% on average balance in fund during year.

‡ Excluding effect of railroad coverage under financial interchange provisions (which is included in future estimates); including this factor would increase the trust fund at the end of 1954 by about \$360 million.

§ Fund exhausted in 1995.

|| Based on an average of the low-cost and high-cost dollar figures.

steadily for about the next 30 years reaching a peak of about \$60 billion, remaining at this level for about 30 years, and then declining.

The results as to the progress of the trust fund for the low-cost and high-cost estimates are to be expected, since on an intermediate-cost basis the system is not far from being self-supporting. Thus a low-cost estimate should show that the system is more than self-supporting, and a high-cost estimate that a deficiency would arise. According to the philosophy underlying the Act, as set forth in various Congressional reports and statements, neither of these conditions would ever develop, because the tax schedule would be adjusted well in advance. In other words, if the experience followed the low-cost estimate, contributions would be kept lower, and vice versa.

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