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SOCIAL SECURITY ACT AMENDMENTS OF 1946

JULY 27 (legislative day, JULY 5), 1946.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 7037]

The Committee on Finance, to whom was referred the bill (H. R. 7037) to amend the Social Security Act and the Internal Revenue Code, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

GENERAL STATEMENT

SCOPE OF THE BILL

The scope of the bill is in general indicated by its seven titles, which are:

Title I—Social Security Taxes.
Title II—Benefits in Case of Deceased World War II Veterans.
Title III—Unemployment Compensation for Maritime Workers.
Title IV—Technical and Miscellaneous Provisions.
Title V—State Grants for Old-age Assistance, Aid to Dependent Children, and Aid to the Blind.
Title VI—Study by Joint Committee on Internal Revenue Taxation of All Aspects of Social Security.
Title VII—Income-Tax Provisions.

Title I amends the Federal Insurance Contributions Act so as to fix employer and employee contributions rates at 1 percent each, for the calendar year 1947.

Title II amends the old-age and survivors insurance provisions (title II of the Social Security Act) by adding provisions with respect to veterans who die within 3 years after discharge. In general, it guarantees survivors of veterans within its purview the same old-age and survivors insurance benefit rights they would have enjoyed had the veteran died fully insured under old-age and survivors insurance, with $160 per month average wages and as many years of coverage as

the calendar years in which he had military service after September 16, 1940.

Title III amends the Unemployment Compensation Tax Act so as to include maritime employment, and authorizes the States, under specified conditions, to subject maritime employment to State unemployment compensation laws. As credits under regular State coverage will not be effective for some time, the bill also provides for benefits during a temporary period, ending June 30, 1949. During this period unemployed seamen with Federal maritime service credit because of service on vessels operated by the Maritime Commission may receive unemployment compensation, using such credit for benefits under unemployment-compensation laws. Additional costs for paying these temporary benefits will be borne by the Federal Government.

Title IV contains amendments enlarging the authorizations of appropriations for grants, under title V of the Social Security Act, for maternal and child welfare; and also extending such grants to the Virgin Islands. The remainder of the provisions are, in general, technical changes facilitating payments and adjusting certain minor anomalies and inequities under old-age and survivors insurance.

Title V raises the ceiling of Federal matching for old-age assistance, aid to the blind, and aid to dependent children, and provides for an increased percentage of Federal matching in States with per capita incomes below the national average.

Title VI provides for a comprehensive study by the Joint Committee on Internal Revenue Taxation of all phases of the social-security program.

Title VII amends section 22 (b) (2) (B) of the Internal Revenue Code, relating to the taxation of annuities purchased by employers for their employees.

Your committee recognizes, as did the Ways and Means Committee, that many other changes in the social-security legislation demand earnest consideration. Extension of coverage of the social insurances, the adoption of a long-range program for financing these insurances, revision of the benefit formula, protection against additional risks, and many other amendments of the present legislation must receive the attention of Congress at an early date. Such changes as these are so interrelated and far reaching, however, that it would be unwise to undertake to deal with them until there is opportunity to review the whole subject and to be certain that amendments proposed on one phase of the program are consistent with those recommended on another, and with the creation of a balanced and stronger system for the protection of the people of the Nation. The committee has, therefore, included in the bill a provision authorizing the Joint Committee on Internal Revenue Taxation to make a full and complete study of all aspects of social security and to report its recommendations to the Congress not later than October 1, 1947. The joint committee is authorized to appoint an advisory committee of persons with special knowledge of social security to advise the joint committee with respect to its study. On the basis of the joint committee's study and recommendations the Committee on Finance hopes to make comprehensive recommendations for the revision of the social-security program.

PURPOSES AND EFFECTS OF THE BILL

TITLE 1—SOCIAL-SECURITY TAXES

The purpose of this title is to extend the present rates for employer and employee contributions under the Federal Insurance Contributions Act for a period of 1 year beginning January 1, 1947.

Under the original act, the contribution rates would have advanced to 1½ percent in 1940 and by the 1939 amendments the 1-percent rate was retained for an additional 3 years. Since 1942 the 1-percent rate has been frozen for successive years, but in the absence of legislation will advance to 2½ percent January 1, 1947, and to 3 percent January 1, 1949. It would appear desirable that the present rate should be continued a year pending decision as to various proposed basic changes in the program.

In the form in which the bill was passed by the House of Representatives, section 103 would have repealed a provision authorizing appropriations to the Federal old-age and survivors' insurance trust fund. This provision was added in 1943, in recognition of the fact that freezing of the tax at the 1-percent rate, if long continued, will result in a reserve which will ultimately be insufficient to meet the liability for benefits, and that contributions from general revenues, therefore, may eventually be necessary to make up this deficiency. To repeal this provision, as proposed by the House of Representatives, while continuing to freeze the tax, might be taken to imply an unwillingness of Congress to underwrite the solvency of the system. The committee has omitted section 103 of the House bill as being inconsistent with the continued freezing of the tax.

TITLE II—BENEFITS IN CASE OF DECEASED WORLD WAR II VETERANS

The purpose of this title is to bridge the gap in survivorship protection which a serviceman experiences when he shifts from wartime military service to established civilian employment. It undertakes to do this by adding a new section to the Social Security Act, section 210, which provides survivors insurance protection for a period of 3 years following discharge from the armed forces to veterans who were in active military or naval service of the United States after September 16, 1940, and prior to the termination of World War II.

In general, an individual must fulfill one of two requirements in order to be insured for survivors' benefits under the old-age and survivors insurance program. Either he must have worked in employment under the program for approximately half of the time elapsing after 1936, or after age 21, and prior to the time of his death or he must have worked in covered employment for one-half of the 3 years immediately preceding his death. Since service in the armed forces is not credited for old-age and survivors insurance purposes, many veterans upon discharge from service will have lost whatever protection they may have acquired under the program or by reason of their military service will have failed to gain the protection they might otherwise have acquired. Moreover, in computing a veteran's "average monthly wage" upon which old-age and survivors insurance benefits are based, it is usually necessary under present law to include in the computation the months in which the veteran was in service,

even though wages are not credited for these months. Consequently, even where the veteran does not lose his protection entirely by reason of his military service, his average wage and the benefits based on it will be reduced.

After the veteran has been back in civilian life for a reasonable period, he can be expected to have gained or regained his insurance protection. It is thought that 3 years is a reasonable time within which the veteran may be expected to acquire or reacquire old-age and survivors' insurance protection since he need only work during one-half of the 3 years immediately prior to death in order to have survivorship protection. In consequence, this section provides survivorship protection to the veteran's family for 3 years after discharge from service.

The amendment also provides for a minimum "average monthly wage" for the veteran during the 3-year period. This provision is needed to insure payment of adequate benefits.

The proposed new section 210 provides that any veteran who meets its service requirements (which, in general, are similar to those of the Servicemen's Readjustment Act of 1944, as amended) and who dies, or who has died within 3 years after separation from active military or naval service, shall be deemed to have died a "fully insured individual," to have an average monthly wage of not less than $160, and to have been paid wages of $200 in each calendar year in which he had 30 days or more of active military or naval service after September 16, 1940. The fact that the serviceman is deemed to have died a "fully insured" individual will mean that his survivors will be eligible for any of the various types of benefits provided under old-age and survivors' insurance. The purpose of the $160 average monthly wage is to insure a certain minimum level of benefits. This average monthly wage is believed to be realistic as an average of military pay, including quarters and subsistence allowances, the Government's share of family-allowance payments, and other similar benefits. The effect of the provision deeming the veteran to have been paid wages of at least $200 in each year of military service will be to increase the basic amount on which benefits are computed by 1 percent for each such year. Under present law, an individual gets such a 1-percent increment for each year in covered employment and it would seem equitable to treat service in the armed forces on a parity with civilian employment.

The benefits provided will not be available where death occurs in active military or naval service, since other benefits are, in general, payable in such cases. Neither will they be available by reason of the death of a veteran discharged after the expiration of 4 years and 1 day following the termination of World War II. The objective of this bill is to provide protection for those who served during the war and those who reenlist during the war period.

The section provides a further limitation on entitlement to benefits based on the guaranteed insured status. It bars the survivors of a veteran from receiving benefits for any month for which pension or compensation under veterans' laws is determined by the Veterans' Administration to be payable. (This provision does not preclude, however, payment of survivors' insurance benefits based on covered employment before or after the veterans' military service, but only precludes payment of the special benefits provided by the proposed

legislation.) This limitation is believed to be necessary to prevent the dependents of certain veterans who survived the hazards of war but die within 3 years after discharge under circumstances entitling such dependents to veteran's pensions, from receiving additional benefits for which the dependents of servicemen who died in line of duty are ineligible, and to avoid duplication by the Government of payments designed to meet comparable objectives. The cost of the section would be borne by the Federal Government rather than by the employers and employees who contribute to the trust fund.

Enactment of this section would assure the survivors of veterans covered by the measure of a guaranteed minimum level of benefits. Under the old-age and survivors insurance program, benefits to survivors are computed as fractions of an amount called the "primary insurance benefit," which is based on the average monthly wage of the individual and on the number of years in which he received $200 or more in wages. A guaranteed average monthly wage of $160 will insure that this primary insurance benefit amount will not be less than $31. In addition, this benefit amount will be increased by 1 percent for each calendar year in which the veteran had at least 30 days' service.

The primary insurance benefit amount for an eligible veteran who served, for example, 4 years in the armed forces, and had no other covered employment, would be $32.24. In the event of his death within 3 years, if no compensation or pension is payable by the Veterans' Administration, his widow, if she has a child of the veteran in her care or upon attainment of age 65, will be eligible to receive a monthly benefit amounting to three-fourths of the primary benefit amount, or $24.18 a month. His children under age 18 will each be eligible for one-half of the primary insurance benefit amount, or $16.12 a month; and his dependent parents, in the absence of a wife or child surviving the veteran, will each be eligible to receive one-half of the primary insurance benefit amount. The maximum amount of benefits payable in any month on the basis of any one veteran's death would be twice his primary insurance benefit amount, or, in the illustration mentioned above, $64.48 a month.

It has been estimated by the Federal Security Agency that the cost of this program through the year 1959 would amount to $175,000,000 and would probably benefit the survivors of approximately 105,000 veterans of World War II.

TITLE III—UNEMPLOYMENT COMPENSATION FOR MARITIME WORKERS

The purposes of this title are—

(1) To effect permanent coverage of maritime employment under State unemployment-compensation systems; and

(2) To provide temporary protection for persons whose maritime employment has been with general agents of the War Shipping Administration and thus has been technically Federal employment.

To accomplish the first of these purposes the Federal Unemployment Tax Act is amended to extend coverage to private maritime employment—with the same definition of maritime employment as was used in extending old-age and survivors insurance to maritime employment in 1939.

In addition the bill authorizes the State in which operations of a vessel are regularly supervised, managed, directed, and controlled, to extend its unemployment-compensation law to, and require contribution with respect to employment of, seamen on such vessel. The permission is thus granted in such form as to safeguard the operator of a vessel from possible taxation of employment on the vessel by two or more States.

The permission in addition safeguards various interests by (1) requiring that seamen's service, for purposes of wage credits, shall be treated like other services of covered employees of the employer, and (2) imposing on the permission the same prohibition against discriminatory taxation as has been imposed by the Federal authorization to tax Federal instrumentalities.

To accomplish the second purpose of the title, immediate protection is provided seamen whose employment could not have been covered by State laws because they were employed on behalf of the United States by general agents of the War Shipping Administrator. This protection in no event would extend beyond June 30, 1949.

The bill provides in general that these seamen shall receive the same benefits as would have been payable had their Federal maritime employment been under the State unemployment compensation law. Payments normally would be made pursuant to agreements between the State and the Federal Security Administrator, the States being reimbursed for additional costs incurred in making payments under the agreement. Only in case of failure of such an agreement would a direct payment be made the seaman by the Administrator, and in such case the terms, conditions, and amount of the payment would follow the State law. Some of the more important of the provisions of the title are referred to later.

During the war years employment in the maritime industry increased very substantially. The labor force in offshore shipping, which is the largest branch of the trade, is reported to have numbered between 55,000 and 65,000 in 1939, compared with about 230,000 at present; jobs currently available total 186,000. On the Great Lakes there are 14,000 to 15,000 seamen as compared to an average of 11,310 in the 1939 season. In addition to the offshore and Great Lakes employment there are maritime workers employed on inland rivers, lakes, and in harbors, aggregating probably approximately the same number as on the Great Lakes.

From the point of view of unemployment compensation the most critical problem is that of deep-sea shipping. If the volume of maritime operations should decline within the next few years to the level of the immediate prewar period there would not be maritime employment for perhaps two-thirds of those who are now employed in it; even if the permanant postwar level is 50 percent above that of prewar, probably not more than one-half of the present labor force would be needed. At the present time because of the great demand for the products of American industry and agriculture abroad it appears unlikely that a material decline is in prospect in the near future. But when and if such decline does occur it is of great importance, both to those who will become unemployed, to the industry, and to the country, that the maritime workers be placed in other industries in jobs for which their training and experience fit them.

Congress could have created an unemployment-compensation system for maritime workers and exclude from State jurisdiction the workers who were covered by such system. The fact that the Congress has, as a matter of policy, decided not to do so, does not preclude making another choice if the necessity arises at some future time. The Congress has long been concerned with the duty of fostering and protecting the instrumentalities of foreign and interstate commerce. It has, by many enactments, specifically encouraged, if not made possible, the maintenance of an adequate merchant marine. Such adequacy has been fostered not only by laws intended to encourage and enable employers to engage in the trade but also by provisions for the protection for seamen. In making the choice as to a long-time arrangement the committee believes that the Congress should be concerned to see to it that the peculiarities of the seamen's trade do not result in unwarranted discriminations against them;

When the Congress, in amending the Internal Revenue Code in 1939, authorized the States to lay a tax against national banks and certain other Federal instrumentalities for unemployment insurance purposes, it specified that such authorization was to apply only to the extent that no discrimination was made against the instrumentality, so that if the rate of contribution is uniform upon all other persons subject to the unemployment compensation and tax law of a State on account of having individuals in their employ, and upon all employees of such persons, the contributions required of such instrumentality or the individuals in its employ were not to be at a greater rate than was required of such other persons and such employees. Further, if the rates were determined separately for different classes of persons having individuals in their employ or for different classes of employees, the determination was to be based solely on unemployment experience and other factors bearing a direct relation to unemployment risks. Again, the authorization applied only so long as the State unemployment compensation and tax law was approved by the Social Security Board under section 1603 of the Internal Revenue Code. Because of the settled policy of fostering and protecting the merchant marine, the committee believes that the Congress should attach these same conditions to the authorization of the States to levy taxes on maritime employers and maritime workers. Your committee, however, recommends the elimination of a requirement that the State law provide for refund of contributions to maritime employers and employees if the State law should fail to be certified for a year by the Federal Security Administrator. Such a requirement would necessitate changes in the law of those States which have already covered maritime employment.

The Congress has also been concerned with the protection of the maritime workers. The laws affecting maritime employment are primarily Federal and not State laws; whereas in the case of the Federal instrumentalities which were affected by section 1606 (b) of the Internal Revenue Code, the statutes affecting employment are mainly those of the States. With respect to seamen, therefore, the Congress is in a somewhat different position than it was with respect to employees of national banks and the other Federal instrumentalities dealt with by section 1606 (b) of the Internal Revenue Code. The Federal interest in maritime employment would appear to afford a

basis not only for prohibiting discrimination with respect to contributions but also in assuring equality of treatment of maritime workers with respect to benefits. But the prohibition of discrimination has possible ramifications which require exploration before that course of action could safely be followed. The committee believes, therefore, it would be inadvisable to lay down a blanket prohibition against discrimination or to attempt to fix standards for the benefit of seamen. There has been included in the bill, however, a provision which enunciates the principle of no discrimination as compared with other employees of the same employer as regards wage credits. The language is included as an indication of general intent, subject to review if the occasion warrants, in cases in which actions taken in connection with extending the coverage of State unemployment-compensation laws to maritime workers are alleged to have resulted in unwarranted and unjust distinctions.

The committee has been concerned with the protection of seamen not only because of the normal interest of the Congress in maritime affairs but also because of indications of a possible tendency to include in State laws special provisions with respect to seamen which would affect them unfavorably as compared with other workers. The committee expresses the hope that the indication of intent will serve as a sufficient guide in the implementation of the long-range objective embodied in the proposed sections 301 to 305.

The provision is not intended to preclude treating certain maritime service, notably that on the Great Lakes, as seasonal employment, and denying compensation based on such service for unemployment occurring outside the season, if this is done on terms comparable to those applied to other seasonal occupations in the State. At least one State law, however, apparently denies to seamen engaged in seasonal employment the right, in determining their eligibility and benefit amounts, to have their maritime wage credits combined with other wage credits earned during the season; but permits such combination in all other cases, including other seasonal employment. In order to afford opportunity for the correction of such discrimination, your committee recommends an amendment to the effect that no provision of State law presently in force shall be rendered invalid on this account prior to July 1, 1947.

One of the major concerns of maritime workers has been the safeguarding of union hiring halls; they feel that the employment system now in effect in the maritime industry has served to prevent abuses from which they suffered in times past. Seamen are concerned at the possibility that the establishment of unemployment insurance will become either the occasion or the means for breaking down existing employment practices.

Under the contracts in effect between the maritime labor unions and the maritime employers the hiring hall is the normal agency through which the employer recruits seamen, and in some cases, licensed personnel. It is no part of the function of unemployment insurance to break down the established employment procedures of an industry. On the contrary, since the operation of an unemployment-insurance system is intended not only to pay benefits but also to make sure that unemployed workers have every opportunity to obtain employment, it is highly desirable that the unemployment-insurance agencies make use of the normal channels for obtaining employment and not attempt to supplant them.

The cost of the temporary protection which would be afforded under the proposal is most difficult to estimate. The cost will depend on such factors as the degree of unemployment during the reconversion period in the maritime industry and in nonmaritime industries. It will also depend upon the extent persons with Federal maritime credit also have other credit which is used along with their Federal maritime credit in computing their benefits.

Assuming that the general rate of maritime and nonmaritime unemployment never gets higher than at present, the cost should not exceed $3,000,000 for the entire reconversion period. On the other hand, if maritime and nonmaritime unemployment reaches a higher level, the annual cost of the temporary benefits may be substantially higher.

TITLE IV. TECHNICAL AND MISCELLANEOUS PROVISIONS

The purpose of the amendment in section 401 (a) of this title is to extend the provisions of title V of the Social Security Act (Child Health and Welfare Services) to the Virgin Islands. The title at present includes Puerto Rico, and testimony has established both the need for and equity of this extension.

The Virgin Islands has a population of about 32,000. There were 609 births in St. Thomas in 1945, and of this number 78 infants died before they were 1 year of age, the rate being 128 per thousand live births, which is much higher than for any State. There were 3 maternal deaths. This is equivalent to a mortality rate of 49 per 10,000 live births. There was no State which had a rate which exceeded this in 1943.

Diarrhea is very prevalent among children, and this disease causes many deaths. Malnutrition among children is great. No real effort has been made to locate crippled children on the islands. Funds are needed for clinic, hospital, and field services.

A high rate of illegitimacy, large numbers of children becoming delinquent—many of them because of neglect and broken homes—much truancy, coupled with lack of provision to cope with these problems, point to a great need for child welfare services.

The purpose of the amendment in section 401 (b) of this title is to increase the amount of the appropriations authorized to be made pursuant to title V of the Social Security Act to provide for increased grants to States for maternal and child health services, services for crippled children, and child-welfare services.

The sole effect of the amendment to title V of the Social Security Act would be to increase the amounts now authorized to be appropriated for the purposes of the maternal and child health, crippled children, and child-welfare services now provided in parts 1, 2, and 3 of title V of the Social Security Act and to authorize an increase in the amount for administrative expenses under that title. The conditions of allotment in parts 1, 2, and 3 remain unchanged.

Half of the total appropriations for maternal and child health and for crippled children's services would be matched dollar for dollar by the States. The other half of the appropriation would be distributed among the States in accordance with the provisions of the act. State funds would thus constitute one-third of the total expenditures for all States.

For maternal and child health services the method of allotment of the matched funds as defined in the Social Security Act, except for the minimum allotment, is on the basis of the relative number of live births in each State, and allotment of the unmatched funds would be according to the financial need of each State for assistance in carrying out its State plan, as determined after taking into consideration the number of live births in the State. The method of allotment of the matched portion of the appropriation for crippled children's services, except for the minimum allotment, takes into consideration the number of crippled children in each State in need of the services and the cost of furnishing the services. The allotment of unmatched funds would be made according to the financial need of each State for assistance in carrying out its State plan, as determined after taking into consideration the number of crippled children in each State in need of such services and the cost of furnishing the services to them.

The following table shows the amounts presently authorized to be appropriated by the respective parts of title V of the Social Security Act, and the new amounts which would be authorized by the proposed amendment:

Part	Present total authorization	Proposed new authorization
Part 1: Maternal and Child Health	$5,820,000	$15,000,000
Part 2: Crippled Children	3,870,000	10,000,000
Part 3: Child Welfare	1,510,000	5,000,000
Part 5: Administration	[1] 574,500	1,500,000

[1] Appropriated, 1947.

The proposed amendment increases the minimum amounts required to be allotted to the States under parts 1, 2, and 3. The minimum for part 1 is increased from $20,000 to $50,000, and the minimum for part 2 from $20,000 to $40,000. These minimum allotments are subject to the matching requirements. The minimum under part 3 is increased from $10,000 to $30,000.

The proposed amendment has been recommended to your committee by the Committee on Education and Labor. That committee has held extensive hearings on maternal and child welfare and has advised that the testimony and evidence presented to it demonstrate the need for extending the services now provided by States under title V of the Social Security Act. Among these are medical, dental, hospital, and other services for maternity patients, health and medical services for children, including school health programs and preventive mental health services, and special services for crippled and otherwise physically handicapped children.

Maternal and infant mortality rates have been reduced greatly over the past 10 years. There is good reason to believe that these rates could again be cut in half. The lives of at least one-half of the babies who die in their first year could be saved if they were provided the kind of care medical science knows how to give. In 1944, however, there were still more than 188,000 mothers delivered without a medical attendant. These 188,000 newborn babies, therefore, did not have medical care at birth.

At the end of the last fiscal year, there were 20,000 crippled children known to State agencies to be in need of care who were not receiving

such care because of lack of funds. There are 20 States which have initiated programs under the provisions of the Social Security Act for the care of children with rheumatic heart disease. These programs are small and should be expanded. In addition, at least 20 other States wish to initiate programs as soon as funds are available. There are 10 States which have small programs for the care of children with cerebral palsy, the so-called spastic children. Many other States would begin to organize such programs as soon as money becomes available.

At least one out of every three counties now has no public health nurse to give advice and care to mothers and children. Three out of four rural counties have no regularly established prenatal clinics, and there are still two out of three rural counties which have no child health clinics.

During recent months the State health agencies responsible for the maternal and child-health program have reviewed their existing services and estimated the amounts of Federal funds that they will need during the current fiscal year to carry these services forward. For extension of the maternal and child-health program, 46 State health agencies have reported that their immediate needs for 1947 would require $7,000,000 more than the total grants now authorized. It is estimated that the needs of the remaining six States and Territories would bring the total to more than the $15,000,000 authorized in the amendment. There are now requests from the States for funds for the fiscal year 1947 for crippled children's services in the amount of $6,245,000 in excess of funds now available.

In connection with the child-welfare provisions of the Social Security Act, the Committee on Education and Labor reports that additional funds are required to expand child-welfare services for dependent and neglected children and children in danger of becoming delinquent, including foster care, day care, detention and other temporary care for children as essential parts of a child-welfare program.

In State after State the demand for services of local child-welfare workers is greater than the supply. Approximately 5 out of 6 counties do not now have the services of a full-time child-welfare worker. Increased funds for extending the child-welfare service program to these counties is urgently needed.

Recently 39 States reported the need for funds for foster care. Many States report lack of facilities suitable for the detention of children coming to the attention of the courts and the police. Many States report the need for funds to establish day-care services for children of working mothers; a majority of places outside of the large cities are entirely without such services. Reports from the State agencies responsible for administering child welfare services indicate immediate need for at least the amount of the increased authorization for child welfare.

The Committee on Education and Labor has advised us that the whole problem of a health and welfare program would have to be given thorough study at the next session. Because of the immediate need for additional funds to expand the present programs of title V of the Social Security Act, however, it is recommended that, pending study of a more complete program, the funds authorized to be made available under parts 1, 2, 3, and 5 should be increased in the amounts set forth in the Committee amendment.

The remainder of the amendments in this title, except for sections 416 and 417, are those affecting old-age and survivors' insurance.

During the 7 years of operation of Federal old-age and survivors' insurance a number of administrative problems have developed. In some cases, technical provisions of the law result in a denial—probably unintended—of benefits in situations where equity would require payment. In other cases, inequalities in benefits, anomalous situations, and provisions which require an undue amount of administrative machinery have come to light. The changes proposed would correct these minor flaws. The section-by-section analysis which follows this part of the report, points out the purpose and effect of these amendments.

The proposed changes would require no appropriation, and would entail comparatively minor additional costs to the old-age and survivors' insurance trust fund.

Section 416, added by your committee, permits States which have collected payments from employees under their unemployment compensation laws to withdraw the amount of such payments from the Federal unemployment trust fund and use it to finance disability compensation payments.

Section 417, also a committee addition, authorizes the Federal Security Agency during the fiscal year 1947 to expend existing appropriations, both for administration of the Social Security Act and for payments to the States, at faster than the normal rate where the necessary expenditures have been increased by this bill. Some portions of the bill will impose substantial new costs, and it is deemed wise to make clear that these may be met, at such times as the several amendments require, from existing appropriations.

TITLE V.—STATE GRANTS FOR OLD-AGE ASSISTANCE, AID TO DEPENDENT CHILDREN, AND AID TO THE BLIND

The purpose of title V is to increase Federal participation in old-age assistance, aid to the blind, and aid to dependent children and accordingly to increase the protection afforded by these programs. The title will result in additional Federal funds for all States.

The bill provides (1) an increase in the Federal share of assistance payments in States with per capita income below the average for the Nation; and (2) an increase in the Federal matching maximums.

Under the bill as passed by the House of Representatives, 11 States would not have received any additional Federal funds for the aged, 4 States would not have received anything additional for dependent children, and 13 States would not have received anything more for the blind. Under the bill as reported out by the committee, however, every State will receive additional Federal funds.

Table 1 shows the amounts which would be received by each State under the bill as passed by the House and under the bill as reported out by your committee.

TABLE 1.—*Comparison of increased annual cost to Federal Government for old-age assistance, aid to dependent children, and aid to the blind, over current expenditures under title V of bill [1] as passed by the House and bill as reported to the Senate, and Federal matching percentages under Senate bill*

[Based on operations July-December 1945]

State	Increased cost under—		Federal matching percentages under Senate bill [2]
	Bill as passed by House	Bill as reported to Senate	
Total	$56,179,000	$144,876,000	54
Alabama	37,000	4,014,000	66⅔
Alaska	70,000	70,000	50
Arizona	392,000	798,000	59
Arkansas	3,000	3,320,000	66⅔
California	11,717,000	11,717,000	50
Colorado	2,655,000	3,595,000	53
Connecticut	805,000	805,000	50
Delaware	25,000	25,000	50
District of Columbia	122,000	122,000	50
Florida	147,000	4,681,000	60
Georgia	3,000	5,413,000	66⅔
Hawaii	55,000	55,000	50
Idaho	294,000	731,000	55
Illinois	3,963,000	3,963,000	50
Indiana	360,000	360,0000	50
Iowa	728,000	2,079,000	53
Kansas	800,000	1,745,000	54
Kentucky	0	3,980,000	66⅔
Louisiana	871,000	6,554,000	66⅔
Maine	193,000	583,000	53
Maryland	48,000	48,000	50
Massachusetts	7,408,000	7,408,000	50
Michigan	2,110,000	2,110,000	50
Minnesota	1,032,000	3,932,000	56
Mississippi	(3)	3,224,000	66⅔
Missouri	88,000	4,878,000	56
Montana	197,000	197,000	50
Nebraska	334,000	1,776,000	57
Nevada	80,000	80,000	50
New Hampshire	122,000	602,000	58
New Jersey	795,000	795,000	50
New Mexico	283,000	1,105,000	66⅔
New York	7,467,000	7,467,000	50
North Carolina	5,000	3,788,000	66⅔
North Dakota	450,000	1,073,000	57
Ohio	990,000	990,000	50
Oklahoma	1,017,000	9,151,090	66⅔
Oregon	802,000	802,000	50
Pennsylvania	2,950,000	2,950,000	50
Rhode Island	382,000	382,000	50
South Carolina	0	2,646,000	66⅔
South Dakota	108,000	1,200,000	60
Tennessee	14,000	5,397,000	66⅔
Texas	0	16,914,000	62
Utah	537,000	805,000	52
Vermont	4,000	288,000	57
Virginia	153,000	1,099,000	59
Washington	4,610,000	4,610,000	50
West Virginia	3,000	2,810,000	66
Wisconsin	850,000	1,552,000	52
Wyoming	116,000	184,000	52

[1] Maximum Federal payment of $25 for old-age assistance and aid to the blind; for aid to dependent children, $13.50 for the first child and $9 for each additional child.
[2] Based on per capita incomes of 1941–43 as reported by the Department of Commerce.
[3] Less than $500.

The committee is strongly of the opinion that raising the Federal matching maximums on individual payments as proposed in the House bill, without simultaneously providing special Federal aid to low-income States, will only serve to increase the very inequities we are seeking to minimize. Under the House bill, the already large disparity in payments between the high- and low-income States would

be widened. Under the House bill, the richer States, i. e., most of those that are now making payments in excess of the present Federal matching maximums on individual payments, will receive additional Federal funds to assist them in making such payments. The low-income States, on the other hand, for the most part are unable to make payments that even approach the present Federal matching maximums. Their limited resources are already strained to the utmost in taking care of the increased number of individuals who have sought aid since VJ-day; they have no margin of funds available to raise payments to take full advantage of even the present Federal maximums; in fact, in recent months some of these States have had to cut the payments of those receiving assistance so that new cases could be placed on the rolls.

Under the House bill, almost 60 percent of the additional Federal expenditures required to meet the cost of raising the maximums on individual payments as proposed, would flow to the 10 States with highest per capita income; in sharp contrast, the 10 lowest-income States would receive but 2 percent of the additional Federal funds. Three of the 10 States with lowest per capita income would receive no increase under the House bill. The committee believes that giving more money to those States which now have most, at the expense of those which have least, will not serve the best interests of the Nation.

In May 1946, average payments for old-age assistance ranged from a low of less than $20 in 11 States (Alabama, Arkansas, Delaware, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia) to highs of more than $40 in the States of California, Colorado, Connecticut, Massachusetts, and Washington. Of the 11 States in which average payments were less than $20, all but Delaware is among the States with per capita income lower than the national average. Similarly in aid to dependent children, average payments per family in May 1946 amounted to $75 or more in the States of California, Delaware, Massachusetts, New York, Oregon, Utah, and Washington. In sharp contrast average payments of less than $35 per month per family—which usually averages at least 3.5 members including the adult who cares for the children—were made in 13 States (Alabama, Arkansas, Florida, Georgia, Iowa, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Texas, Virginia, and West Virginia). As in old-age assistance, the majority of States in which payments are lowest are those with low per capita income. The picture is essentially the same in aid to the blind.

To those who claim that these low payments reflect differences in living costs, the committee wishes to point out that though some difference in living costs exists between high- and low-income States, the differences in levels of assistance are far greater than can be justified on this ground alone. In support of this statement the difference in cost of living in certain cities included in the index of the Bureau of Labor Statistics was compared with the difference in average payments of old-age assistance. The cost of living in Boston, for example, was only 3 percent higher than that in Memphis. But the average payment of old-age assistance in Boston was more than two and a half times the average in Memphis. The cost of living in Los Angeles was only about 1 percent higher than that in Atlanta, but a recipient of old-age assistance in Los Angeles got nearly three times as much as a recipient in Atlanta.

A review of recent trends in some of the low-income States shows their immediate need for more funds for public assistance. In these States as in others the end of the war brought an upturn in the number of persons applying for assistance and an increase in the amount of money required to provide minimum necessities.

Some of the low-income States in the South have been able to add new persons to the rolls only if they reduced payments. One of these States has recently cut each payment by $3.35 per person. Several States, which have never been able to give 100 percent of the amounts which they found that recipients needed, have had to cut the fraction still further, especially for aid to dependent children The common practice in the low-income States of making payments on the basis of only a fraction of the amount found to be needed is evidence of the fact that lower payments in these States result chiefly from less adequate assistance rather than from lower cost of living

When they have insufficient funds, assistance agencies have to choose between aiding fewer persons more adequately although they refuse aid to other needy people, and making still smaller payments to more recipients.

In the fiscal year 1944–45, the 12 States with the lowest per capita income had 21 percent of the population of the country but received only 15 percent of the total amount granted by the Federal Government for public assistance.

Increase in Federal share in low-income States.—Federal grants-in-aid for public assistance are intended to help in aiding needy aged and blind persons and dependent children in all parts of the country and to some extent to equalize the financial burden throughout the Nation. The present system of equal matching, however, has not adequately fulfilled these objectives. The present 50-percent basis for Federal participation does not recognize differences in the ability of States to finance public assistance, nor does it recognize the greater incidence of poverty in States with low economic resources. To assist their needy people, the low-income States must make greater tax effort than States with larger resources where relatively fewer persons are in need. This is illustrated by the fact that, in 1942, the latest year for which complete information is available, two-thirds of the States with less than average per capita income appreciably exceeded the average for all States in tax effort to finance the special types of public assistance. In contrast, only one-sixth of the States with per capita income above the national average exerted above-average tax effort for this purpose.

In all but 2 of the 12 States with highest per capita income, the average old-age assistance payment in November 1945 exceeded $32. In all but 2 of the 12 States with lowest per capita income, the average payment was under $24. Similarly, in aid to dependent children, the 12 States with highest per capita income included only 1 with average payments per family below $60, while the 12 States with lowest resources all had average payments below $40. Some of the low-income States have in recent months been forced either to cut payments, despite rapidly rising living costs, or to refuse aid to eligible applicants.

For States with per capita income below the average for the Nation, the committee proposes an increase in the proportion of assistance costs borne by the Federal Government. The share of the cost to be paid by each low-income State will depend upon how its per capita

income compares with that for the country as a whole. The State proportion will be equal to one-half the percentage which its per capita income is of the national per capita income. For example, a State whose per capita income is only 80 percent of the national per capita income would contribute 40 percent of its expenditures for assistance; the Federal share would be 60 percent in this State. All States whose per capita income falls below two-thirds of the national per capita income will pay 33⅓ percent of assistance costs from State and local funds and will receive 66⅔ percent of such costs from Federal funds.

No change in relative State and Federal shares of assistance payments is proposed for the States with per capita income equal to or greater than that for the Nation. In no State will the increased Federal share apply to individual payments in excess of $50 in old-age assistance and aid to the blind, and, in aid to dependent children, in excess of $27 for the first child in the home and $18 for each additional child. Though the Federal Government stands ready to pay a larger percentage of the cost of individual payments in low- than in high-income States, it will not contribute a larger sum to any payment in low-income States than in those with relatively more resources.

The bill provides that the relative State and Federal shares shall be published by the Federal Security Administrator in even-numbered years, to take effect the following July, so that the public-assistance agencies and State legislatures will have ample time to plan their requirements and to make appropriations. Legislatures in 39 States meet only every other year in odd-numbered years. Such shares shall be determined on the basis of the per capita income figures determined by the Department of Commerce and shall be computed from figures for the three most recent years for which data are available. The percentages of Federal participation, based on per capita income data for the 3 years 1941 to 1943, are given for each State in table 1.

Increase in amounts subject to Federal matching.—Under the present law, the Federal Government reimburses all States for 50 percent of their assistance payments up to maximums of $40 for old-age assistance and aid to the blind and, for aid to dependent children, $18 for the first child in a family and $12 for each additional child. Thus, at present, Federal funds may represent no more than $20 a month of the payment to an aged or blind person and, for families receiving aid to dependent children, $9 a month for one child receiving aid and $6 additional for each other child aided in the family. Because of the maximums, the Federal Government is unable to match payments in excess of these amounts in States with relatively large resources that are able and willing to put up larger sums. The effect of the Federal maximums has been to force many States to shoulder much more than half the cost of assistance. On the other hand, the amount of Federal funds that goes to low-income States is small because the amounts these States are able to appropriate are small, and payments do not in general reach even the present Federal matching maximums.

The bill provides that the Federal matching maximums be raised from $40 to $50 for old-age assistance and aid to the blind and, for

aid to dependent children, from $18 and $12 to $27 and $18 for the first and additional children, respectively, in the same family; but adds a new limitation, that, for payments to the aged and blind, the maximum Federal contribution would be $25, and in aid to dependent children, $13.50 for the first child and $9 additional for each other child aided. One or other of these maximums will limit the Federal contribution in each State, whatever the relative State and Federal matching percentages. In the States in which it is proposed that the Federal share shall be more than 50 percent, the provisions would have the effect of establishing ceilings on Federal matching below the maximums applicable in the States that would continue to receive 50 percent matching. For example, in old-age assistance, a State with two-thirds Federal matching could get no more than $25 from Federal funds. Its contribution of one-third would bring the maximum payment subject to full Federal matching to $37.50 instead of $50. Thus, in any State, regardless of per capita income, the Federal share of a $50 payment would be $25.

Many persons testifying before the committee recommended removal of Federal maximums. The committee believe, however, that it is appropriate to retain the principle of the maximums.

State experience has demonstrated the urgent necessity of raising the maximums on individual payments subject to Federal matching. Year after year the number of States making payments entirely from their own funds to meet need in excess of the Federal matching limits has increased. As living costs have mounted in recent years, ceilings have become increasingly inadequate. At the end of 1945, some payments exceeded the Federal maximums, in 26 States for old-age assistance, 23 States for aid to the blind, and 36 States for aid to dependent children. Payments in excess of the amounts matchable from Federal funds comprised about 18 percent of all payments for old-age assistance and aid to the blind, and 51 percent of all payments for aid to dependent children. In the States with lowest per capita income, very few payments for old-age assistance and aid to the blind even reach the Federal matching maximums. In aid to dependent children, however, with its considerably lower Federal ceilings, payments in some of the lowest-income States are above these ceilings.

As a result, the Federal share of total assistance payments is considerably less than half in a large number of States. In 1945, the Federal share for old-age assistance was less than 50 percent in 29 States and for aid to the blind, less than 50 percent in 23 States. In aid to dependent children, the Federal share was less than 50 percent in 34 States, less than one-third in 20 States, and even fell below 20 percent in 1 State.

Over-all, the Federal share of assistance payments in 1945 was 47.2 percent for old-age assistance, 46.3 percent for aid to the blind, and 33.5 percent for aid to dependent children. Had the proposed Federal ceilings been in effect at the end of 1945 with the 50 percent matching, the Federal Government could have shared equally with the States the cost of about 99 percent of all payments of old-age assistance, about

98 percent of all payments for aid to the blind, and in a large proportion of the payments for aid to dependent children.

Increase in Federal participation in cost of administration.—The committee proposes that the State and Federal shares of administrative expenses for aid to the aged, as well as for aid to dependent children and aid to the blind, be determined on the same basis as for assistance payments. Thus, the Federal share would continue to be one-half in all States with per capita income equal to or greater than the per capita income of the Nation. The Federal share would also be one-half for the District of Columbia, Alaska, and Hawaii. For States with per capita income below the national average, the Federal share would vary up to 66⅔ percent. The increase in the Federal share of administrative costs should result in improved administration in low-income States that have found it difficult to raise adequate funds for administering their programs.

Estimated cost of committee amendment.—On the basis of State and local expenditures in 1945, it is estimated roughly that the provisions of the bill would have increased the cost to the Federal Government for assistance payments by about $144,876,000. This estimate of the increase assumes that the States would spend all the additional Federal money to raise assistance payments.

The additional cost might be more or less than this amount. The cost to the Federal Government would be greater if the States increased the amount of State and local expenditures or used the additional Federal funds to raise the number of needy persons aided. Already States have found it necessary to increase expenditures over the amount in 1945 because of the rising cost of living and the increase in the number of needy persons since the end of the war. The data on recipients and payments in April 1946 are shown in tables 2 to 4.

If the States should spend less from State and local funds, the additional cost to the Federal Government would be less than the estimate and might be as low as $100,000,000. This seems a reasonable estimate for the first year. When the percent of Federal participation for aid to dependent children was raised by the 1939 amendments, a temporary decline in State and local expenditures occurred during the period when the necessary legal and administrative changes to implement the new Federal provisions were being made in the States. After such changes were made, however, State and local expenditures again increased. In the light of past experience, it is unlikely that the full effect of the amendments on the Federal cost will be felt during the first year of their operation, because some States will have to amend State plans to take advantage of the provisions of this bill.

In addition, in future years, operations under the old-age and survivors insurance program will permit a reduction in expenditures for public assistance. The extent of the reduction will depend upon the provisions and maturity of operation under the old-age and survivors insurance program.

Of the total estimated increase of 144.8 million dollars, the amount for old-age assistance is 110.9 million dollars, for aid to dependent children, 30.1 million dollars, and for aid to the blind, 3.8 million dollars.

It is estimated that the provisions in the bill for matching the costs of administering the programs would increase annual Federal expenditures by an additional 7 million dollars.

Effective date of amendments.—To enable the States as quickly as possible to benefit from the increase in Federal funds so that assistance may be made more nearly adequate for the nearly 3,000,000 persons aided by old-age assistance, aid to dependent children, and aid to the blind, the committee proposes that the amendments become effective September 30, 1946. Some States will be required to amend their public assistance plans to adjust to the changes in relative Federal, State, and local shares in the costs of assistance and administration and to permit payments in excess of current State maximums on individual payments. Some States, however, will be able to benefit from the amendments without changing their plans. In many States, the committee believes, the changes will be effected promptly because of the acute need which generally prevails to increase the incomes of recipients in the fact of mounting prices.

TABLE 2.—*Old-age assistance—Recipients and payments to recipients, by State, April 1946*

State	Number of recipients	Payments to recipients		State	Number or recipients	Payments to recipients	
		Total amount	Average			Total amount	Average
Total	2,088,025	$65,444,935	$31.34	Missouri	103,857	$2,863,602	$27.57
				Montana	10,759	349,777	32.51
Alabama	37,763	638,987	16.92	Nebraska	24,158	775,835	32.12
Alaska	1,357	55,164	40.65	Nevada	1,940	75,170	38.75
Arizona	9,617	372,623	38.75	New Hampshire	6,583	204,188	31.02
Arkansas	26,578	448,385	16.87	New Jersey	22,938	758,458	33.07
California	160,811	7,640,809	47.51	New Mexico	6,475	202,104	31.21
Colorado	40,537	1,681,219	41.47	New York	103,808	3,972,291	38.24
Connecticut	14,525	598,646	41.21	North Carolina	32,703	451,647	13.81
Delaware	1,198	22,558	18.83	North Dakota	8,695	301,800	34.71
District of Columbia	2,308	77,561	33.61	Ohio	116,355	3,668,799	31.53
Florida	44,611	1,347,755	30.21	Oklahoma	84,984	3,006,691	35.38
Georgia	68,643	869,896	12.67	Oregon	20,782	814,224	39.18
Hawaii	1,467	36,375	24.80	Pennsylvania	85,345	2,633,205	30.85
Idaho	9,828	321,865	32.75	Rhode Island	7,503	263,179	35.08
Illinois	124,834	4,211,859	33.74	South Carolina	22,540	361,078	16.02
Indiana	54,162	1,426,508	26.34	South Dakota	12,678	341,816	26.96
Iowa	48,378	1,622,805	33.54	Tennessee	38,026	618,301	16.26
Kansas	29,140	896,409	30.76	Texas	178,806	4,399,652	24.61
Kentucky	44,832	524,919	11.71	Utah	12,792	499,539	39.05
Louisiana	37,264	782,664	21.00	Vermont	5,199	123,282	23.71
Maine	15,097	464,561	30.77	Virginia	14,889	226,606	15.22
Maryland	11,455	323,569	28.25	Washington	64,794	3,443,361	53.14
Massachusetts	78,729	3,638,808	46.22	West Virginia	18,669	319,207	17.10
Michigan	88,618	2,959,507	33.40	Wisconsin	46,093	1,420,930	30.83
Minnesota	54,308	1,807,246	33.28	Wyoming	3,496	136,269	38.98
Mississippi	27,038	443,224	16.39				

TABLE 3.—*Aid to dependent children: Recipients and payments to recipients, by State, April 1946* [1]

State	Number of recipients		Payments to recipients	
	Families	Children	Total amount	Average per family
Total	300,936	772,570	$16,195,053	$53.82
Total, 50 States [2]	300,885	772,472	16,193,465	53.82
Alabama	6,566	18,257	185,746	28.29
Alaska	84	240	4,338	51.64
Arizona	1,749	5,084	70,112	40.09
Arkansas	4,277	11,422	119,027	27.83
California	7,582	19,289	674,750	88.99
Colorado	3,674	10,034	227,774	62.00
Connecticut	2,607	6,486	235,946	90.50
Delaware	272	782	20,320	74.71
District of Columbia	733	2,344	48,796	66.57
Florida	6,563	16,214	223,958	34.12
Georgia	4,500	11,355	120,296	26.73
Hawaii	610	1,922	42,950	70.41
Idaho	1,380	3,738	85,025	61.61
Illinois	21,564	52,176	1,450,997	67.29
Indiana	6,416	15,431	243,395	37.98
Iowa	3,526	9,054	118,902	33.74
Kansas	3,422	8,776	195,953	57.26
Kentucky	5,656	14,910	121,293	21.45
Louisiana	9,324	24,414	330,179	35.41
Maine	1,589	4,514	115,730	72.83
Maryland	3,687	10,619	139,696	37.89
Massachusetts	8,105	20,208	693,825	85.60
Michigan	16,281	39,012	1,122,839	68.97
Minnesota	5,077	12,876	272,445	53.66
Mississippi	3,275	8,623	86,138	26.30
Missouri	14,070	37,145	509,035	36.18
Montana	1,457	3,852	80,380	55.17
Nebraska	2,487	6,916	162,072	65.17
Nevada	*51*	*98*	*1,588*	*31.14*
New Hampshire	920	2,363	65,440	71.13
New Jersey	3,520	8,945	226,077	64.23
New Mexico	2,781	7,338	102,700	36.96
New York	27,632	67,023	2,265,167	81.98
North Carolina	6,404	17,326	178,318	27.84
North Dakota	1,476	4,135	88,774	60.14
Ohio	8,154	22,324	468,217	57.42
Oklahoma	18,395	44,902	644,168	35.02
Oregon	1,377	3,421	116,988	84.96
Pennsylvania	30,474	80,364	2,004,819	65.79
Rhode Island	1,713	4,373	116,740	68.15
South Carolina	4,144	12,102	96,907	23.38
South Dakota	1,642	3,998	64,496	39.28
Tennessee	11,648	30,780	359,042	30.74
Texas	8,290	20,325	232,082	28.00
Utah	2,048	5,522	154,775	75.57
Vermont	607	1,616	21,874	36.04
Virginia	3,812	10,891	130,024	34.27
Washington	4,880	12,020	448,010	100.00
West Virginia	7,733	21,543	243,096	31.44
Wisconsin	6,384	15,646	404,618	63.38
Wyoming	318	882	19,166	60.27

[1] Italic figures represent program administered without Federal participation. Data exclude programs administered without Federal participation in Florida, Kentucky, and Nebraska, which administer such programs concurrently with programs under the Social Security Act; see the Bulletin, April 1945, p. 26. All data subject to revision.

[2] Under plans approved by Social Security Board.

TABLE 4.—*Aid to the blind: Recipients and payments to recipients, by State, April 1946* [1]

State	Number of recipients	Payments to recipients	
		Total amount	Average
Total	72,738	$2,462,533	$33.85
Total, 47 States [2]	56,796	1,856,212	32.68
Alabama	841	14,764	17.56
Arizona	512	23,961	46.80
Arkansas	1,162	21,814	18.77
California	5,743	333,121	58.00
Colorado	446	16,314	36.58
Connecticut	137	5,224	38.13
Delaware	40	1,221	(3)
District of Columbia	196	7,294	36.84
Florida	2,325	73,031	31.41
Georgia	2,060	31,820	15.45
Hawaii	63	1,668	26.79
Idaho	200	7,004	35.02
Illinois	5,016	175,750	35.04
Indiana	1,920	56,534	29.44
Iowa	1,212	46,302	38.20
Kansas	1,065	36,020	33.82
Kentucky	1,552	20,542	13.24
Louisiana	1,382	23,567	24.29
Maine	789	25,054	31.75
Maryland	446	14,191	31.82
Massachusetts	1,049	49,314	47.01
Michigan	1,320	47,567	36.04
Minnesota	941	37,411	39.76
Mississippi	1,533	$34,909	$22.77
Missouri	*2,786*	*[4] 89,580*	*[4] 30.00*
Montana	344	12,231	35.56
Nebraska	435	14,136	32.50
Nevada	*27*	*1,862*	(3)
New Hampshire	285	9,119	32.00
New Jersey	550	19,155	34.83
New Mexico	244	6,900	28.28
New York	3,066	131,641	42.94
North Carolina	2,543	53,399	21.00
North Dakota	116	4,047	34.89
Ohio	3,087	87,004	28.18
Oklahoma	1,963	71,712	36.53
Oregon	369	17,505	47.71
Pennsylvania	*13,199*	*631,489*	*59.72*
Rhode Island	107	3,685	34.44
South Carolina	1,001	21,018	21.00
South Dakota	216	5,214	24.14
Tennessee	1,549	30,941	19.97
Texas	4,775	125,100	26.20
Utah	140	5,828	41.63
Vermont	164	5,192	31.66
Virginia	969	18,382	18.97
Washington	629	36,753	58.43
West Virginia	824	15,997	19.41
Wisconsin	1,354	41,964	30.99
Wyoming	114	4,772	41.86

[1] Italic figures represent programs administered without Federal participation. Data exclude program administered without Federal participation in Connecticut which administered such program concurrently with program under the Social Security Act; see the Bulletin, April 1945, p. 26. Alaska does not administer aid to the blind. All data subject to revision.
[2] Under plans approved by the Social Security Board.
[3] Not computed. Average payment not calculated on a base of less than 50 recipients.
[4] Represents statutory monthly pension of $30 per recipient; excludes payments for other than a month.

SECTION-BY-SECTION ANALYSIS OF THE BILL

TITLE I—SOCIAL SECURITY TAXES

SECTION 101. RATES OF TAX ON EMPLOYEES

This section amends clauses (1) and (2) of section 1400 of the Federal Insurance Contributions Act, which prescribe the rates of tax on employees with respect to wages received during the calendar years 1939 to 1948, both inclusive. Under existing law the rate of tax on employees is scheduled to increase on January 1, 1947, from 1 percent of the wages to 2½ percent. The amendment provides for a 1-percent rate during the calendar year 1947, but leaves unaffected the 2½ percent rate for 1948 and the 3-percent rate thereafter.

SECTION 102. RATES OF TAX ON EMPLOYERS

The amendment made by this section to clauses (1) and (2) of section 1410 of the Federal Insurance Contributions Act, relating to the rates of tax on employers, makes the same change in the rate of tax on employers as is made by the bill in the rate of tax on employees. (See the discussion under sec. 101 of the bill.)

TITLE II—BENEFITS IN CASE OF DECEASED WORLD WAR II VETERANS

Section 201 amends title II (old-age and survivors insurance) of the Social Security Act, by adding a new section, section 210, at the end thereof.

Subsection (a) of the section provides veterans meeting specified service requirements (in general similar to those of the Servicemen's Readjustment Act) as insured status under old-age and survivors insurance, in the event of death within 3 years after termination of active military or naval service. Surviving wives, children, or parents, if otherwise eligible under the provisions of the old-age and survivors insurance system, would thus be entitled to monthly benefits, and where no monthly benefits are payable lump-sum death payments would under certain circumstances be made. Such benefits would be in the same amounts which would have been paid if the veteran had died a fully insured individual, with average wages of $160, and 1 year of coverage for each calendar year in which he had 30 or more days of military or naval service (in addition to other years of coverage acquired in covered employment). The section does not apply to deaths in service or to cases where separation from active service occurs more than 4 years and a day after the date of termination of World War II. Nor would it reduce any benefits otherwise payable under old-age and survivors insurance to the survivors of any veteran.

Subsection (b) excludes from the section veterans with respect to whom any veterans' pension or compensation is determined payable, but makes clear that this exclusion does not affect any old-age and survivors insurance rights arising from covered employment before or after military service. The subsection also contains administrative provisions to facilitate coordination between the Veterans' Administration and the Federal Security Administrator in connection with payments.

Subsection (c) concerns cases in which the veteran died prior to enactment of the legislation. Paragraph (1) of the subsection provides that in such cases benefits conferred by the bill will be paid retroactively if application is filed within 6 months after enactment. Paragraph (2) provides that where an individual having retroactive benefit rights dies before the expiration of the 6 months' filing period, his rights are transferred to any other survivor entitled to benefits arising out of the veteran's death. Paragraph (3) provides for an extension of the time within which survivors of veterans who died prior to enactment may file certain proofs and applications required by the Social Security Act. Paragraph (4) provides for the recomputation of lump-sum death payments awarded prior to enactment.

Subsection (d) authorizes appropriation to the Federal old-age and survivors' insurance trust fund of such sums as may be required to meet the payments contemplated by the section.

Subsection (e) defines the date of the termination of World War II.

TITLE III—UNEMPLOYMENT COMPENSATION FOR MARITIME WORKERS

SECTION 301. STATE COVERAGE OF MARITIME WORKERS

This section amends section 1606 of the Federal Unemployment Tax Act by adding thereto a new subsection (f). Subsection (f) grants permission to State legislatures to require private operators

of American vessels operating on navigable waters within or within and without the United States and the officers and members of the crew of such vessels to comply with State unemployment compensation laws with respect to the service performed by such officers and members of the crew on or in connection with such vessels to the same extent and with the same effect as though such service was performed entirely within the respective State. Only the legislature of the particular State in which the operator maintains the operating office from which the operations of the vessel are ordinarily and regularly supervised, managed, directed, and controlled may require such operator and the officers and members of the crew of such vessel to comply with its unemployment compensation law with respect to the service performed by such officers and members of the crew on or in connection with such vessel. The permission granted by subsection (f) to State legislatures is subject to the condition that such service shall be treated, for purposes of wage credits given employees, like other covered service performed for the operator in such State and, as your committee recommends that the bill be amended, is also subject to the same conditions as those imposed by the second sentence of section 1606 (b) (other than clause (2)) of the Federal Unemployment Tax Act upon permission to State legislatures to require contributions from instrumentalities of the United States. The permission granted State legislatures by subsection (f) is not applicable with respect to service performed in the employ of the United States Government or of an instrumentality of the United States which is either wholly owned by the United States or otherwise exempt from the tax imposed by the Federal Unemployment Tax Act.

Your committee recommends an amendment to the effect that no presently existing provision of State law shall be invalidated by this subsection prior to July 1, 1947.

SECTION 302. DEFINITION OF EMPLOYMENT

Effective July 1, 1946, this section amends section 1607 (c) of the Federal Unemployment Tax Act, which defines the term "employment" for the purposes of such act. Under the amendment the term "employment" is defined to mean any service performed prior to July 1, 1946, which constituted employment as defined in section 1607 of the Federal Unemployment Tax Act as in force and effect at the time the service was performed; and also to mean any service performed after June 30, 1946, by an employee for the person employing him, irrespective of the citizenship or residence of either, (*a*) within the United States, or (*b*) on or in connection with an American vessel (defined in sec. 1607 (n)) under a contract of service entered into within the United States or during the performance of which the vessel touches at a port therein, if the employee is employed on and in connection with the vessel when outside the United States. No substantive change in existing law is effected by the amendment other than the extension of the definition to include service on or in connection with American vessels. This extension is designed to include, with the qualifications noted, all service which is attached to or connected with the vessel (e. g., service by officers and members of the crew and other employees such as those of concessionaires). Individuals who are passengers on the vessel in the generally accepted

sense, such as an employee of an American department store going abroad, will not be included because such service has no connection with the vessel. Service performed on or in connection with an American vessel within the United States will be on the same basis as regards inclusion as other service performed within the United States.

Under existing law, service performed within the United States (which otherwise constitutes employment) is covered irrespective of the citizenship or residence of the employer or employee. The amendment makes clear that this will be true also in the case of maritime service covered by the amendment, regardless of whether performed within or without the United States. The basic reasons which caused the original coverage to be made without distinction on account of citizenship or residence apply in the case of seamen.

The definition of the term "employment" under the amendment, as applied to service performed prior to July 1, 1946, is subject to the applicable exemptions under the laws in force prior to such date. The definition applicable to service performed on and after that date continues unchanged the exemptions contained in the present law, except as such exemptions are amended by sections 303 and 304 of the bill.

SECTION 303. SERVICE ON FOREIGN VESSELS

Effective July 1, 1946, this section amends paragraph (4) of section 1607 (c) of the Federal Unemployment Tax Act, relating to one of the exclusions from the term "employment" for the purposes of such act. Paragraph (4) of the existing law excludes from the term "employment" service performed as an officer or member of the crew of a vessel on the navigable waters of the United States. The new paragraph (4), which takes the place of the existing exclusion, excludes from the term "employment" service performed on or in connection with a vessel not an American vessel by an employee, if the employee is employed on and in connection with such vessel when outside the United States. The amendment excludes all service, although performed within the United States, which is rendered by an employee who was rendering service on and in connection with such a vessel upon its entry into the United States or who is rendering such service upon departure of the vessel from the United States. Thus, officers and members of the crew and other employees whose service is rendered both on and in connection with the vessel (such as employees of concessionaires and others whose service is similarly connected with the vessel) when on its voyage are excluded even though the vessel is within the United States, if they come into or go out of the United States with the vessel.

SECTION 304. CERTAIN FISHING SERVICES

Effective July 1, 1946, this section amends section 1607 (c) of the Federal Unemployment Tax Act by adding at the end thereof a new paragraph (17), relating to an additional class of excepted services. Paragraph (17) excludes from the term "employment," for purposes of the Federal Unemployment Tax Act, 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).

SECTION 305. DEFINITION OF AMERICAN VESSEL

Effective July 1, 1946, this section amends section 1607 of the Federal Unemployment Tax Act by adding at the end thereof a new subsection (n). Subsection (n) defines the term "American vessel" to mean any vessel documented or numbered under the laws of the United States; and also to include any vessel neither so documented nor numbered nor documented under the laws of any foreign country while the crew is in the employ only of citizens or residents of the United States or corporations organized under the laws of the United States or of any State.

SECTION 306. RECONVERSION-UNEMPLOYMENT BENEFITS FOR SEAMEN

This section amends the Social Security Act by adding thereto a new title XIII—Reconversion Unemployment Benefits for Seamen. The title consists of six sections—1301 to 1306, inclusive.

Section 1301 provides that the title is to be administered by the Federal Security Administrator.

Definitions

Section 1302 (a) defines the term "reconversion period" to mean the period beginning with the fifth Sunday after the date of enactment of this title and ending June 30, 1949. The significance of the definition is that it defines the period in which benefits under the title may be paid. The actual operation of the program, however, may be for a much shorter period. In a majority of the States of the United States the benefits during a benefit year are based on the wages received in the first four out of the last five completed calendar quarters preceding the beginning of the benefit year. Thus, if a person becomes unemployed for the first time in a benefit year in April, the benefits in most States would be based on the wages of the preceding calendar year. If he becomes unemployed for the first time in a benefit year in July or September, benefits would be based on wages in the 12 months ending on the preceding March 31. If, as is now anticipated, the Federal Government should cease to operate ships through the War Shipping Administration or a successor agency by the end of 1946, in the majority of States no benefits could be payable on the basis of such wages for any benefit year beginning after March 1948, and therefore no benefits could be payable after March 1949. If the presently expected withdrawal of the Federal Government from the operation of ships should be completed in 1946, substantially all payments of benefits based on such wages would be completed by June 1948. The main effect of the limiting date of June 1949 in this section would be to cover the relatively few cases in which

base periods of more than four quarters are provided in State laws (there are such provisions in not more than three States) and to provide against the possibility that the Federal Government may not have been able to withdraw completely from maritime operations by the end of the present year. Irrespective of what happens, benefits under title XIII would cease on June 30, 1949.

Section 1302 (b) defines the term "compensation" to mean cash benefits payable to individuals with respect to their unemployment (including any portion thereof payable with respect to dependents). Benefits are payable with respect to dependents only in the States of Nevada, Connecticut, and Michigan, and in the District of Columbia.

Section 1302 (c) defines the term "Federal maritime service" to mean service determined to be employment pursuant to section 209 (o) of the Social Security Act. Section 209 (o) of the Social Security Act was inserted into that act by Public Law 17, Seventy-eighth Congress, and specifies that the term "employment" shall include such service as is determined by the Administrator of the War Shipping Administration to be performed after September 30, 1941, and prior to termination of the First War Powers Act of 1941, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration, or, in respect of such service performed before February 11, 1942, the United States Maritime Commission. By an amendment approved April 4, 1944 (Public Law 285, 78th Cong.), it was made clear that the term "employment" includes neither service performed under a contract entered into without the United States and during the performance of which a vessel does not touch at a port in the United States, nor service on a vessel documented under the laws of any foreign country and bare boat chartered to the War Shipping Administration. The Administrator of the War Shipping Administration makes all determinations with respect to questions relating to employment within the purview of section 209 (o) of the Social Security Act, remuneration therefor, and periods in which or for which paid.

Section 1302 (d) defines "Federal maritime wages" to mean remuneration determined pursuant to section 209 (o) of the Social Security Act to be remuneration for service referred to in that subsection. The Federal Security Agency has thus recorded on its books the wages paid with respect to Federal maritime service. The records can be used as a source of such wages for the States, though they will frequently require supplementation to bring them sufficiently up to date.

Definitions of "State" and "United States" have been eliminated by your committee because identical definitions already appear in section 1101 of the Social Security Act.

Compensation for seamen

Section 1303 (a): This section authorizes the Federal Security Administrator on behalf of the United States to enter into an agreement with any State or with the unemployment compensation agency of such a State under the terms of which such a State agency will pay compensation in accordance with the law of that State to individuals who have performed Federal maritime service. The agreement must provide that the State will cooperate with the Administrator and with other State unemployment compensation agencies in making payments of compensation authorized by the proposed title.

Section 1303 (b) stipulates the conditions which must be included in any agreement between the Federal Security Administrator and a State or a State agency. The agreement must provide that with respect to unemployment occurring in the reconversion period compensation will be paid to an individual who has had Federal maritime service in the same amounts and on the same terms and subject to the same conditions as the compensation which would be payable to such individuals if the State unemployment compensation law had (subject to regulations relating to the allocation of such wages among the States) included Federal maritime service and Federal maritime wages as employment and wages under that law; except that in the event an employee receives an annuity or retirement pay by virtue of having been retired as an officer or employee of the United States the weekly compensation would be reduced by 15 percent of the amount of the annuity or retirement pay which the individual is entitled to receive unless the State law provides for a different deduction. The committee amendments to this subsection give the Administrator broad discretion in establishing regulations for the allocation of maritime services among the several States. Such discretion will permit allocations to be made so as to facilitate the prompt payment of benefits to seamen, and to prevent the splitting of one seaman's Federal maritime wages among several States.

Section 1303 (c) authorizes the Federal Security Administrator to arrange for payments to individuals having Federal maritime service, even though the State or States to which such individuals would look for benefits fail to enter into an agreement or to make payments in accordance with an agreement of the sort provided for in section 1303 (a). The payments must be, insofar as possible, the same as if an agreement under section 1303 (a) had been entered into. The determinations by the Administrator to entitlement in such cases would be subject to review by the courts in the same manner and to the same extent as provided in title II of the Social Security Act with respect to decisions by the Federal Security Administrator.

Section 1303 (d) directs operators of vessels who are general agents of the War Shipping Administration or of the United States Maritime Commission to furnish such information as may be appropriate to individuals, or to State agencies or to the Administrator for the purpose of carrying out the provisions of the title.

Section 1303 (e) authorizes the Administrator, if he finds that it is not feasible to secure the necessary wage and salary information in time to make prompt determinations, to prescribe regulations pursuant to which he, or a State agency making payments of compensation pursuant to an agreement, may pay benefits on the basis of compensation equal to the seaman's average weekly wages or salary for the last pay period of Federal maritime service which occurred prior to the time he filed his initial claim for unemployment insurance. Further, if neither the exact wages and salaries nor the alternative basis is available promptly, this section authorizes acceptance of a certification, under oath executed by the applicant, as to the facts relating to his Federal maritime service and wages.

Administrative

Section 1304 (a) provides that determination of entitlement to payments of compensation by a State unemployment compensation agency under an agreement under this title shall be subject to review

in the same manner and to the same extent as determinations under the State unemployment-compensation law, and only in such manner and to such extent.

Section 1304 (b) provides that for the purpose of payments made to a State under title III, administration by the unemployment-compensation agency of such State pursuant to an agreement under this title shall be deemed to be a part of the administration of the State unemployment-compensation law. Therefore, the Federal Government would bear additional State administrative expenses incurred under an agreement made pursuant to section 1303 (a).

Section 1304 (c) directs the State unemployment-compensation agency of each State to furnish to the Federal Security Administrator such information as he may find necessary in carrying out the provisions of this title, and such information would be deemed reports required for the purposes of section 303 (a) (6).

Payments to States

Section 1305 (a) provides that each State shall be entitled to be paid by the United States an amount equal to the additional cost to the State of all payments of compensation made under and in accordance with an agreement under this title, which would not have been incurred by the State but for the agreement.

Thus, where an individual applying for benefits under the law of a particular State is entitled to both nonmaritime and maritime wage credits under the law of that State in the appropriate base period, if the nonmaritime wage credits are a sufficient basis for two-thirds of the aggregate benefits actually paid on the basis of both maritime and nonmaritime wage credits, the Federal Government would reimburse the State for one-third of the benefits paid to such individual. In a case where crediting of Federal maritime wages would serve at most merely to extend the duration of the benefit the Federal Government would make no reimbursement to a State unless the duration of the benefit extends beyond the period which the regular State wage credits would support. In any case where the maximum benefit for the maximum duration is payable without regard to Federal maritime wages, no reimbursement would be payable to the State.

Section 1305 (b) provides that in making payments pursuant to subsection (a) of this section there shall be paid to the State, either in advance or by way of reimbursement, as may be determined by the Administrator, such sum as the Administrator estimates the State will be entitled to receive under this title for each calendar quarter; reduced or increased, as the case may be, by any sum by which the Administrator finds that his estimates for any prior calendar quarter were greater or less than the amounts which should have been paid to the State. The amount of such payments may be determined by such statistical, sampling, or other method as may be agreed upon by the Administrator and the State agency.

Section 1305 (c) provides for payments by the Secretary of the Treasury to the States pursuant to certifications by the Administrator. Your committee recommends an amendment which, for the current fiscal year, would make available for this purpose funds already appropriated for grants to the States under title III of the Social Security Act. It is contemplated that the title III appropriations should be reimbursed when an appropriation under this new title becomes available.

Section 1305 (d) requires that payments to States for compensation based on Federal maritime employment shall be used only for this purpose, and that any balances remaining at the end of the agreement, or at the end of the reconversion period, if earlier, shall be returned to the Treasury of the United States.

Section 1305 (e) authorizes the bonding of State employees administering benefits provided under the title.

Sections 1305 (f) and (g), to facilitate payments, relieve disbursing and certifying officers from liability in the absence of gross negligence or intent to defraud the United States.

Penalties

Section 1306 provides that giving false statements in connection with claims, fraudulent receipt of payments to which not entitled, and willful refusal to furnish certain information, shall be offenses punishable by fines of not more than $1,000, imprisonment for not more than 1 year (or, in the case of refusal of information, not more than 6 months), or both.

TITLE IV.—TECHNICAL AND MISCELLANEOUS PROVISIONS

SECTION 401. AMENDMENTS OF TITLE V OF THE SOCIAL SECURITY ACT

Subsection (a) of this section expands the definition of "State" in section 1101 (a) (1) of the Social Security Act, so as to include, for purposes of title V of the act, the Virgin Islands. The effect of this amendment is to extend to those islands the programs of grants for maternal and child-health services, for services for crippled children, and for child-welfare services. These programs are presently applicable to the 48 States, the District of Columbia, Alaska, Hawaii, and Puerto Rico.

Subsection (b) increases the authorization of appropriations for the grants under title V of the Social Security Act, as described in the general discussion in an earlier part of this report. Subsection (c) postpones the making of new allotments for the fiscal year 1947 until additional appropriations become available, and directs that such additional allotments be made as provided in the appropriation act.

SECTION 402. CHILD'S INSURANCE BENEFITS

Subsection (a) amends subsection 202 (c) (1) of the Social Security Act, as amended, which provides that a child's benefit shall terminate on his or her adoption. Under the amendment these benefits would not be terminated in case of adoption after the death of the wage earner by a stepparent, grandparent, uncle, or aunt. Such adoptions are usually undertaken for the purpose of securing to the child the legal and psychological advantages of adoption within a close family group in which the child is to be cared for in any event. Adoption by such relatives seldom changes the financial conditions under which the child is then living, and the prospective loss of benefits as a result of adoption may deter a relative from adopting the child.

Subsection (b) amends subsection 202 (c) (3) (C) to make uniform the conditions under which a child is deemed dependent upon his natural or adopting father. Under existing law, a child neither living with nor receiving contributions for his support from his father, and

both living with and being supported by his stepfather, is deemed dependent upon and may draw benefits with respect to the wage record of his father provided the latter is a primary beneficiary. If, however, under the same circumstances, the father dies, the child is not deemed to be his dependent and cannot become entitled to benefits. This section prevents considering a child dependent upon a living father who was in fact not supporting the child, when a stepfather was furnishing his chief support, thus making the rule the same in cases where the father is living as it now is in survivorship cases.

SECTION 403. PARENT'S INSURANCE BENEFITS

This section makes two changes in section 202 (f) (1), both designed to make the limitations on payments of monthly benefits to dependent parents slightly less restrictive. Under existing law, no payment can be made to a dependent parent if the deceased wage earner is survived by a widow or an unmarried child under the age of 18 even though such widow or child might fail to meet the qualifications which would permit entitlement to benefits. The amendment provides that the payment of benefits to such parent will be prevented only if, at the date of the wage earner's death, there is a widow or a child who could, either immediately or at a later time, become entitled to monthly benefits. Your committee has revised and clarified the language to accomplish this result. This follows the general principle that benefits will be paid to the deceased wage earner's dependent parent in cases where no other monthly benefits will ever be payable on his wage record.

The section also changes the existing requirement that the parent must have been wholly dependent on the deceased wage earner. Under the amendment a parent chiefly, rather than wholly, dependent upon and supported by the worker at the time of the worker's death will be eligible. This intent can be more effectively achieved with less administrative complication by making it necessary for the parent to prove only chief support, rather than entire support, from the deceased wage earner. This would make possible the payment of benefits to parents in the fairly typical situation in which one child has assumed the major support of his parents but other children have contributed some minor part toward it, and the parents suffer a serious financial loss upon the death of the child who was their chief support.

Section 403 (b), relating to the effective date of these amendments, is discussed below, in connection with the effective date of other amendments made by this title.

SECTION 404. LUMP-SUM DEATH PAYMENTS

Section 404 (a) makes two changes in section 202 (g) of the Social Security Act. The first change is that the lump sum will be paid to the widow or widower of the deceased insured worker only if such spouse was living with such deceased worker at the time of the latter's death. This will prevent the payment of a lump sum to an estranged or deserted spouse while those who have assumed the cost of the last illness and burial receive nothing. It will also avoid administrative complications which now arise when the existence or probable existence

of a spouse, whose address may be unknown, prevents or delays the payment to any other person.

The section further provides that if there is no spouse living with the deceased individual at the time of the death, the lump sum shall be paid to the person or persons equitably entitled thereto in the proportion and to the extent that he or they shall have paid the burial expenses. This eliminates children (and individuals entitled to share with them as distributees of intestate property) and parents as beneficiaries of lump-sum payments, except where such person may be equitably entitled because of having borne the burial expenses. This prevents the lump sum from becoming a windfall to persons who may have suffered no economic loss by reason of the wage earner's death. It avoids the situation in which the lump sum has been divided equally among several children although one child had assumed sole financial responsibility for the burial of the worker. It ends the administrative complication which occasionally prevents payment to a worthy claimant merely because of the possible existence of someone with a prior right, whose whereabouts is unknown.

Section 404 also provides for tolling in certain cases the 2-year limitation for filing application for lump-sum death payments and extends the period for filing. This amendment would authorize the Administrator to make payment on applications filed within 2 years after enactment of this bill, for lump-sum death payments based on deaths found by the Administrator to have occurred outside the United States after December 6, 1941, and before the enactment. Under existing law, no lump-sum death payment may be made unless the application was filed by or on behalf of the claimant prior to the expiration of 2 years after the date of death of the deceased wage earner.

However, in hundreds of known cases and in many others, wage earners have died outside the United States while engaged in construction or other work, usually connected with the war effort, in such Pacific bases as Wake Island and the Philippines, or in Japanese prison camps, as well as in friendly or in neutral countries. Owing to break-down, disruption, or delay of communications, or to negligence of the responsible foreign authorities, the reports of such deaths were frequently transmitted too late for application to have been filed within the 2-year period by the spouse, child, parent, or other person. Such cases must be, and have been, disallowed under the present terms of the act.

Although the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, tolled the 2-year requirement in connection with deaths in military service, no such relief was furnished with respect to civilian deaths. Nevertheless, in many cases, such civilians were in the service of their country abroad at the time of death. Accordingly, a modification of the time for filing applications for benefits would appear to be equitable.

SECTION 405. APPLICATION FOR PRIMARY INSURANCE BENEFITS

This section amends section 202 (h) of the Social Security Act, as amended, to permit a primary beneficiary to receive benefits retroactively for as much as 3 months. It was not anticipated, when section 202 (h) was adopted, extending this retroactive privilege to wives,

widows, children, and parents, that insured workers might also fail to file claims for benefits immediately upon retirement from work at or after age 65, though it was expected that dependents and survivors, through ignorance of their rights or because of the numerous adjustments necessary after the death of the wage earner, might fail to apply in the month when they were first eligible. Experience in administering the act has revealed that retired workers also fail to apply in the month when they are first eligible. Under the amendment primary beneficiaries are, therefore, given the same privilege of receiving retroactive benefits for 3 months, if otherwise entitled, that is now accorded to auxiliary beneficiaries.

Because there are maximum limitations on the total amount that may be paid in monthly benefits on the basis of one wage record, if one dependent or survivor files his claim a month or more after other members of the family, payment of benefits retroactively for those months sometimes results in total family benefits in excess of the maximum. Such overpayments require later adjustments in the benefits of each beneficiary until the entire amount of the excess is repaid. To eliminate unnecessary work in adjusting payments which were correct when made, this section also provides that when retroactive payments are to be made pursuant to section 202 (h), only that amount shall be paid which will not make incorrect any monthly benefit previously paid on the basis of the same wage record.

SECTION 406. DEDUCTIONS FROM INSURANCE BENEFITS

Subsection (a) repeals section 203 (d) (2) of the act, which contains the requirement that children over age 16 attend school, when feasible, in order to avoid deduction from monthly insurance benefits. The number of children between ages 16 and 18 who are not attending school and whose attendance has been found feasible has been too small to justify the cost of the investigation. Many children over 16 who are not in school are in employment and the provision for deduction from benefits for wages in excess of $14.99 operates to suspend their benefits. For many other children over 16 who are not in school, attendance is not feasible because of physical or mental handicap or other reasons.

Subsection (b) amends subsection 203 (g) of the act to provide a less severe penalty for the first occasion on which a penalty is applied because of failure to comply with the provisions with respect to reporting events which require deductions from monthly benefits. In order that the Administrator may make deductions from the benefits as required under subsection 203 (d) or (e), beneficiaries are required to report to him the occurrence of the event which occasions a deduction. Failure to make such a report may result in an additional deduction for each month in which such event occurred, if the beneficiary had knowledge of the event and of the provision in the law requiring reporting. Even though a beneficiary may have this knowledge, he may violate the provision negligently or forgetfully and, in the absence of a reminder, he may continue the violation over a number of consecutive months. The number of such penalty deductions, therefore, often depends on the length of time required by the Administrator to receive and process wage reports, and thus to discover that the beneficiary failed to report the occurrence of an event which requires a deduction.

Deductions can be made only for a month in which the beneficiary would otherwise receive a benefit. The more penalty deductions that have been applied, the more difficult it becomes for the beneficiary to live without benefits until both the normal deductions and the penalty deductions have been completed. This section reduces the penalty to one deduction for the first failure to report as required, regardless of the number of months before the Administrator discovered the failure to report. A penalty deduction of 1 month, in addition to the normal deductions, for each month for which the beneficiary received a benefit when a deduction should have been made, should be sufficient. Subsequent violations are more likely to be deliberate, and the penalty for such subsequent failure to report, after a penalty has once been imposed, would be one additional deduction, as at present, for each month in which the individual failed to report an event requiring a deduction.

SECTION 407. DEFINITION OF "CURRENTLY INSURED INDIVIDUAL"

This section amends section 209 (h) in two ways. First, it defines "currently insured individual" in the same terms as that used for "fully insured individual"—namely in terms of quarters of coverage. The present definition of currently insured individual uses the phrase "having been paid wages of not less than $50 for each of not less than 6 of the 12 calendar quarters." But the definition in the act of a quarter of coverage calls for wages paid in a quarter. This amendment will end a troublesome and confusing discrepancy in the two provisions for insured status. The amendment also permits wages paid in the quarter in which death occurs to count toward an individual's qualifying as currently insured, as is now the case for fully insured status. This will extend protection to persons who have had only six recent quarters of coverage and the final quarter of coverage is the quarter of death.

SECTION 408. DEFINITION OF "WIFE"

This amends subsection 209 (i) to permit a wife, age 65 or over, even though she is not the mother of the wage earner's son or daughter, to qualify for wife's benefits after having been married for at least 36 calendar months. Under the present provisions, such a wife could not qualify for wife's benefits unless she had been married to the wage earner before he attained age 60 or before January 1, 1939. The original provision was intended to prevent exploitation of the fund by claims for benefits from persons who married beneficiaries solely to get wife's benefits. Experience has shown that the requirement is unnecessarily restrictive for this purpose and that, in a number of cases, a wife is permanently barred from benefits even though the marriage was entered into many years before the wage earner became a beneficiary. The amendment, taken with the provision in section 202 (b) that the wife be living with her husband in order to be eligible for benefits, should be sufficient protection for the trust fund and will remedy situations which now seem inequitable. Few persons are likely to marry because of the prospect of receiving a modest insurance benefit which will not be payable until after 3 years.

SECTION 409. DEFINITION OF CHILD

This section alters the definition of stepchild and adopted child (sec. 209 (k)) to correspond with the amendment proposed in section 408 for the definition of wife. Under the present provisions of the act a stepchild or an adopted child is not a "child" for benefit purposes unless the relationship had existed before a primary beneficiary attained age 60, and for more than a year before an insured worker or primary beneficiary died. Where a worker marries after age 60 a woman with children under 18, no insurance protection is given to the children on the basis of the worker's wages; nor can a child adopted after the worker attained age 60 qualify for child's benefits. This section permits a stepchild of a primary beneficiary to qualify for benefits if the marriage between the child's parent and stepparent has endured for at least 36 calendar months. Likewise, an adopted child of a primary beneficiary may become eligible for child's benefits after the adoptive relationship has existed for 36 calendar months. For a stepchild or an adopted child of a deceased worker, the relationship must have existed for at least 12 months prior to the death, and this provision seems compatible with the amendment.

SECTION 410. AUTHORIZATION FOR RECOMPUTATION OF BENEFITS

This subsection amends section 209 of the Social Security Act by the addition of subsection (q). The Administrator is given authority to compute or recompute the amount of a monthly benefit in cases where there is a delay in filing application or additional wages are earned after a fully insured person reaches 65. It would not authorize the payment of any monthly benefit, or of the increased amount of a recomputed benefit, retroactively for a month for which, apart from this subsection, such payment would not have been made.

The amount of a monthly old-age and survivors insurance benefit depends upon the average monthly wage. This is figured by dividing the total wages a worker has been paid in covered employment before the quarter in which he dies or retires, by all the months after 1936 and before that quarter (with exceptions for the period before age 22). If, because of illness, lack of knowledge or other reason, an aged insured individual does not file his application for benefits until some quarters or years after he has stopped working, his benefit amount will be lower than if he had filed his application at the earliest possible date. Many primary beneficiaries, on the other hand, continue in or return to work in covered employment after their benefit amounts have been figured. Their average wages, if as high or higher than the previous average monthly wage, should be reflected in a higher benefit amount when they stop work and draw benefits. The Social Security Act now permits the recomputation of primary benefits under rigidly limited circumstances. Under the amendment the Administrator is given broader authority to compute or recompute the primary insurance benefit in order to prevent unintended losses in the size of monthly benefits resulting solely from the date of application for benefits. The monthly rate of the benefit payable after application for such computation or recomputation will be calculated as though an original application for benefits had been filed at the time most favorable to the claimant. The Administrator would be author-

ized to impose reasonable limitations, such as a restriction that recomputation would not be made more frequently than once a year.

SECTION 411. ALLOCATION OF 1937 WAGES

This subsection amends section 209 of the Social Security Act, as amended, by adding subsection (r) to provide a method of allocating to calendar quarters wages paid to an individual during 1937. In that year, wages were reported in semiannual rather than quarterly intervals. The intervals for which wages were reported in any given year were of no importance under the original act, because eligibility depended on total wages. When the act was amended in 1939, eligibility and, under some circumstances, average monthly wage were made dependent on the quarterly distribution of wages. With the passage of time, it has become almost impossible to secure from employers data on the quarter in which certain wages were paid in 1937.

The administrative task of determining in which quarters wages were paid in 1937, in the absence of a statutory authorization to allocate to quarters, the wages reported for half years, is burdensome to employers and the Administrator and results in delays in payments.

The formula in the amendment for allocation when an individual's wages in either half of 1937 were at least $100, is to credit one-half of the total amount to each of the calendar quarters of that half year. If the total wages paid in either half of 1937 were less than $100, the entire amount would be deemed to have been paid in the latter quarter of that half year. If the individual attained age 65 in either of these half years, all of the wages paid in that half year would be deemed to have been paid before he attained that age. This formula will permit finding an insured status for each person for whom such status could be found on the basis of the actual distribution of his 1937 wages.

SECTION 412. DEFINITION OF WAGES—INTERNAL REVENUE CODE

This section amends the $3,000 limitation contained in the definition of the term "wages" in section 1426 (a) (1) and section 1607 (b) (1) of the Internal Revenue Code for purposes of the Federal Insurance Contributions Act and the Federal Unemployment Tax Act, respectively. Under the definition of the term contained in existing law there is excluded from "wages," for such purposes, all remuneration with respect to employment during any calendar year paid to an individual by an employer (irrespective of the year of payment) after remuneration equal to $3,000 has been paid to such individual by such employer with respect to employment during such year. This section amends such definitions, effective January 1, 1947, to constitute as the yardstick the amount paid during the calendar year (with respect to employment to which the taxes under the code are applicable), without regard to the year in which the employment occurred.

Subsection (a) amends section 1426 (a) (1) of the Federal Insurance Contributions Act to effect the above change. Such section as it would be amended contains two exclusions, that is, the one contained in existing law but with a modification making it applicable only to payments of remuneration made before January 1, 1947; and the new exclusion applicable to remuneration payments made after December

31, 1946. The latter of the two excludes from "wages" that part of the remuneration which, after remuneration equal to $3,000 with respect to employment after 1936 has been paid to an individual by an employer during any calendar year after 1946, is paid to such individual by such employer during such calendar year. Thus in applying the $3,000 limitation on wages, the employer, employee, and those administering the taxes, may, beginning with the calendar year 1947, look only to the amount of remuneration paid by the employer to the employee during the calendar year, and exclude all remuneration paid during the calendar year after $3,000 has been paid during the year with respect to employment performed on or after January 1, 1937 (that is, the employment with respect to which the taxes imposed by secs. 1400 and 1410 of the Federal Insurance Contributions Act are applicable). This change conforms with the changes in section 209 (a) of title II of the Social Security Act, which are provided in section 414 of the bill.

Subsection (b) amends section 1607 (b) (1) of the Federal Unemployment Tax Act to effect a corresponding change. Such section as it would be amended contains two exclusions, that is, the one contained in existing law but with a modification making it applicable only to payments of remuneration made before January 1, 1947; and the new exclusion applicable to remuneration payments made after December 31, 1946. The latter of the two excludes from "wages" that part of the remuneration which, after remuneration equal to $3,000 with respect to employment after 1938 has been paid to an individual by an employer during any calendar year after 1946, is paid to such individual by such employer during such calendar year. Beginning with the calendar year 1947, there is thus excluded all remuneration paid by the employer to the employee during the calendar year after $3,000 has been paid during the year with respect to employment performed on or after January 1, 1939 (that is, the employment with respect to which the tax imposed by section 1600 of the Federal Unemployment Tax Act is applicable).

SECTION 413. SPECIAL REFUNDS TO EMPLOYEES

This section amends section 1401 (d) of the Federal Insurance Contributions Act to conform the special refund provisions to the change in the definition of "wages" made by section 412 (a). Under the existing provisions of section 1401 (d) an employee is permitted to obtain a refund of the employee's tax paid on the aggregate of wages in excess of $3,000 earned after December 31, 1939, by reason of earning wages from more than one employer during a calendar year. Inasmuch as the pertinent exclusion of remuneration from wages will depend upon the amount of wages paid during the calendar year to the employee by each of his employers, rather than the amount earned during the year by the employee, a corresponding change is required in section 1401 (d). Accordingly, section 1401 (d) would be amended to contain two paragraphs. Paragraph (1) constitutes a restatement of the existing section 1401 (d) with the limitation that no refund shall be made under such paragraph with respect to wages received after December 31, 1946. Paragraph (2), relating to wages received after 1946, is new, and provides that if by reason of an employee receiving wages from more than one employer during any calendar

year after 1946, the wages received by him during such year exceed $3,000, 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 $3,000 of such wages received.

SECTION 414. DEFINITION OF WAGES UNDER TITLE II OF THE SOCIAL SECURITY ACT

This section amends section 209 (a) of the Social Security Act, defining the term "wages," to correspond with the amendment of section 1426 (a) (1) of the Internal Revenue Code, made by section 412 (a) of the bill. The amendment changes paragraphs (1) and (2) of section 209 (a) by making them inapplicable to payments of remuneration made after December 31, 1946; and inserts a new paragraph (3) prescribing the rule applicable to all such payments after that date. This new paragraph would exclude from the "wages" credited to an individual's account all remuneration paid him in a calendar year after 1946, after $3,000 of remuneration for "employment" (as defined in section 209 (b)) has been paid him during that year, without regard to the year in which the employment occurred.

SECTION 415. TIME LIMITATION OF LUMP-SUM PAYMENTS UNDER 1935 LAW

This section provides a cut-off date for the payment of lump sums under the Social Security Act as originally passed in 1935. The number of these claims has become insignificant but their existence makes necessary the retention by the Administrator of detailed regulations and procedures, and imposes unjustifiable administrative expense. The wage earner must have died prior to 1940, and it is obvious that the lump-sum death payment is no longer used to meet the costs of his last illness and burial. The lump-sum death payment provided under the 1939 amendments is made only if application is filed within 2 years after date of death, and it seems reasonable to put a limit now to such payments as were provided under the original act.

Effective date of foregoing amendments

Most of the amendments made by title IV of the bill become effective as of January 1, 1947. The committee does not intend that retroactive payments be made to persons who could not qualify under the Social Security Act, as amended, before the effective date of these amendments. However, any individual whose claim was previously disallowed but who can qualify after December 31, 1946, on the basis of having met all requirements, as modified by these amendments, may become entitled to monthly benefits currently upon filing an application. Benefits would thus become available to parents of workers who died less than 2 years before the filing of a new application, when benefits previously had been denied them either because of the existence of a widow or child who could never qualify for monthly benefits, or because they had been chiefly but not wholly supported by the worker. Survivors of workers who died neither fully nor currently insured under present definitions could become eligible for monthly benefits or a lump-sum payment, upon

application after December 31, 1946, if they meet all other requirements, and the Administrator finds the worker died currently insured under the amended definition of that term.

A wife of a primary beneficiary whose claim for monthly benefits was previously denied only because she and the beneficiary had not been married before he attained age 60, and a stepchild or adopted child of a living primary beneficiary whose benefits were denied because the relationship did not come into being before the beneficiary attained age 60, may now receive benefits for months after December 1946, upon application and if they meet all other requirements, if, at the time of the new application, the relationship has existed for more than 36 months. So, too, a stepchild or an adopted child of a deceased worker who previously could not qualify for monthly benefits only because its relationship to the worker began after he attained age 60, might now qualify upon application after December 31, 1946, if the relationship had lasted for more than 12 months before the worker's death, and if the child met all other requirements.

A child whose benefits were terminated only because of adoption by a stepparent, grandparent, aunt, or uncle after the worker's death, could, if otherwise qualified, become reentitled to monthly benefits upon application at any time after enactment of this bill.

Where a lump sum is payable upon the death of a worker before January 1, 1947, payment will be made as now provided in the Social Security Act. If the worker died after December 31, 1946, the lump sum will be paid in accordance with the amendment in this bill.

Three months' retroactive payments to primary beneficiaries who delayed filing their claims will be made only on claims filed after December 31, 1946. Deductions from benefits will not be made after the effective date of the amendment if a child between ages 16 and 18 fails to attend school, but no payments will be made for benefits suspended for that cause before that date. Nor will benefits be made up where penalty deductions in excess of one were applied before that date for the first failure to report a deduction event.

SECTION 416. WITHDRAWAL OF EMPLOYEE CONTRIBUTIONS FOR DISABILITY BENEFITS

This section, which was added by your committee, makes three amendments to permit the withdrawal from the Federal unemployment trust fund, for the payment by a State of disability compensation, of any payments which that State may have collected from employees under its unemployment compensation law and deposited in the trust fund, or which it may in the future collect and deposit. The present Federal definition of a State "unemployment fund" will not be affected except in the one particular noted. Withdrawals from the trust fund other than those specifically authorized by the amendments will still be permissible only for the same purposes as in the past.

SECTION 417. EXPENDITURES NECESSITATED BY THIS ACT IN THE FISCAL YEAR 1947

This section, which was added by your committee, authorizes the Federal Security Agency during the fiscal year 1947 to expend existing appropriations, both for administration of the Social Security Act and

for payments to the States, at faster than the normal rate where the necessary expenditures have been increased by this bill.

TITLE V.—STATE GRANTS FOR OLD-AGE ASSISTANCE, AID TO DEPENDENT CHILDREN, AND AID TO THE BLIND

SECTION 501. OLD-AGE ASSISTANCE

This section makes several amendments to section 3 of the Social Security Act.

In lieu of the present provision that the United States will pay each State one-half of its expenditures (within stated limits) for old-age assistance, the amendment substitutes the phrase "Federal percentage" as the measure of the payment to the State. This change incorporates the variable matching formula, added to title XI of the Social Security Act by section 504 of the bill, and thus requires the Federal Government to pay an increased percentage of State expenditures in those States having average per capita incomes less than the average for the Nation as a whole.

The second amendment made by section 501 is to increase from $40 to $50 the maximum State expenditure, for any individual recipient for any month, to which the Federal Government will contribute; and to add a further limitation, that the Federal contribution is not to exceed $25 for any individual recipient for any month. This additional limitation will have no effect in those States which will continue to be entitled to only 50 percent matching, but will furnish the effective limitation on Federal contributions in States entitled to a higher "Federal percentage." Thus, in States in which the matching ratio is 2 to 1 (that is, in which the "Federal percentage" is 66⅔), this limitation means that the maximum State payment in which the Federal Government will participate is $37.50 for any individual recipient for any month.

This section also amends the provision in section 3 of the Social Security Act respecting the method of determining the amounts paid to the States for administration of old-age assistance, to provide that the "Federal percentage" of such expenses will be paid by the Federal Government, instead of the payment, under present law of 5 percent of the grant for assistance.

SECTION 502. AID TO DEPENDENT CHILDREN

This section amends section 403 of the Social Security Act, relating to grants for aid to dependent children, in the first two respects in which section 501 of the bill amends section 3 of the act. The limitations presently in the act, $18 a month for the first child and $12 a month for each additional child in the same home, are increased to $27 and $18, respectively; and the limitations upon the Federal payment to the State, for any individual recipient for any month, are set at $13.50 and $9.

SECTION 503. AID TO THE BLIND

This section amends section 1003 of the Social Security Act, relating to grants for aid to the blind, in the first two respects in which section 501 of the bill amends section 3 of the act. The limitations imposed would be the same as in the case of old-age assistance.

SECTION 504. DEFINITIONS

This section adds a new section to title XI of the Social Security Act, defining, for purposes of titles I, IV, and X, the terms "Federal percentage" and "State percentage." Paragraph (1) of subsection (a) provides that for States with average per capita income equal to or greater than that for the continental United States as a whole, the Federal and State percentages shall each be 50. Paragraph (2) provides that for States with per capita incomes of two-thirds of the national average or less, the Federal percentage shall be 66⅔ and the State percentage 33⅓. Paragraph (3) provides that for States with per capita incomes less than the national average but greater than two-thirds of the national average, the State percentage shall be one-half of the percentage which the State per capita income is of the national per capita income, rounded to the nearest whole percent; and the Federal percentage shall be 100 percent minus the State percentage. Thus, the State percentage will be 50 for the group of wealthiest States and 33⅓ for the group of least wealthy States, and for the intermediate group will vary so as to bear the same ratio to 50 percent as the per capita income of the State bears to the national per capita income.

Subsection (b) provides that the Federal and State percentages shall be promulgated by the Federal Security Administrator in July or August of each even-numbered year, on the basis of computations of per capita income by the Department of Commerce. Each computation is to be based on the three most recent years for which satisfactory data are available. The percentages promulgated in any even-numbered year are to be conclusive for the 2-year period beginning July 1 next following the promulgation, and in the case of the percentages promulgated in 1946 are also to be conclusive for the last three quarters of the fiscal year 1947.

Subsection (c) defines "continental United States" to include the 48 States and the District of Columbia.

SECTION 505. EFFECTIVE DATE OF TITLE

This section provides that the amendments made by the title shall apply to grants for quarters beginning after September 30, 1946. Thus, while initial determination of grants under the amendments, and promulgation of matching ratios, can be made immediately, the initial liberalized grants will be for the quarter beginning October 1, 1946.

TITLE VI—STUDY BY JOINT COMMITTEE ON INTERNAL REVENUE TAXATION OF ALL ASPECTS OF SOCIAL SECURITY

SECTION 601

This section authorizes and directs the Joint Committee on Internal Revenue Taxation to make a full and complete study and investigation of all aspects of social security. The committee is required to report to the Congress not later than October 1, 1947, the results of its study and investigation, together with its recommendations.

SECTION 602

This section authorizes the joint committee to appoint an advisory committee of individuals having special knowledge concerning matters involved in the study to assist, consult with, and advise the joint committee. Members of the advisory committee will serve without compensation.

SECTION 603

This section gives the joint committee, for the purposes of its study and investigation, the usual powers to hold hearings, to require by subpena the attendance of witnesses and the production of documents, and to make expenditures necessary in conducting the study and investigation.

SECTION 604

This section authorizes the joint committee to employ such personnel as may be necessary to enable it to conduct the study and investigation.

SECTION 605

This section limits the expenses of the committee in conducting the study and investigation to $10,000 and provides for payment of the expenses from the contingent funds of the Senate and House of Representatives.

TITLE VII—INCOME TAX PROVISIONS

SECTION 701. EMPLOYEES' ANNUITIES

This section, for which there appears no corresponding provision in the House bill, would amend section 22 (b) (2) (B) of the Internal Revenue Code, relating to the taxation of annuities purchased by employers for their employees. The present provisions of this section are to the effect that, in the case of such an annuity contract other than one purchased by an employer under a plan meeting certain requirements prescribed by section 165 and other than one purchased by an employer exempt from the income tax under section 101 (6), if the employee's rights under the contract are nonforfeitable except for the failure to pay premiums, the amount contributed by the employer for such annuity contract is required to be included in the income of the employee in the year in which the amount is contributed. The amendment contained in this section of the bill would add a proviso to the foregoing provision so that amounts contributed by an employer to a trust for the purchase of annuity contracts for the benefit of an employee shall not be included in the income of the employee in the year in which the contribution is made, if the contribution is made pursuant to a written agreement between the employer and the employee, or between the employer and the trustee, prior to October 21, 1942, and if the terms of such agreement entitle the employee to no rights, except with the consent of the trustee, under the annuity contracts other than the right to receive annuity payments.

This amendment would become effective with respect to taxable years beginning after December 31, 1938.

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