

## UNEMPLOYMENT INSURANCE COVERAGE FOR SEAMEN EMPLOYED ON CERTAIN VESSELS OPERATED BY THE UNITED STATES

JULY 24 (legislative day, JULY 6), 1953.—Ordered to be printed

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

### REPORT

[To accompany H. R. 5303]

The Committee on Finance, to whom was referred the bill (H. R. 5303) to amend sections 1606 and 1607 of the Internal Revenue Code in order to permit unemployment insurance coverage under State unemployment compensation laws for seamen employed on certain vessels operated for the account of the United States, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

By virtue of this act the House report is accepted as follows:

#### PURPOSE

H. R. 5303 has for its purpose the extension of unemployment insurance coverage to seamen employed on vessels operated by the United States.

#### GENERAL STATEMENT

In summary, H. R. 5303 would amend the Internal Revenue Code to make eligible for unemployment compensation benefits those officers and members of the crews employed on vessels which are owned by or bareboat chartered to, and operated by the Secretary of Commerce, and whose shoreside business is conducted by general agents of the Secretary of Commerce. The definition of "employment" in sections 1606 and 1607 of the Internal Revenue Code would be amended to authorize States to extend coverage to services performed on or after July 1, 1953, by these merchant seamen. Limited to the stated purposes of the bill, general agents are designated "instrumentalities of the United States not wholly owned by it." As employees of such "instrumentalities," the employment of these merchant seamen is made subject to the Federal Unemployment Tax Act and, as a result, the seamen can be covered under existing definitions in State unemployment laws.

The vessel operation program, instituted on March 13, 1951, is carried on by the National Shipping Authority in the Maritime Administration established by the Secretary of Commerce to carry on the functions of transporting cargoes essential to Government military and other defense-related programs. The seamen employed on vessels operated in this program are employees of the United

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States. The vessels in the program are Government-owned vessels from the National Defense Maritime Reserve fleet.

The problem of affording unemployment compensation coverage for general agency agreement seamen presently excluded because of their status as Federal employees was considered by the 82d Congress and House Joint Resolution 457 was reported favorably by the Committee on Ways and Means.

Seamen are allowed to shift their employment from privately owned and operated vessels to Government owned and operated vessels in the interest of Government needs. Under the administrative policy of the Maritime Administration, Department of Commerce, these seamen are accorded, with a few exceptions, the same rights they would have if privately employed. One of the exceptions is unemployment insurance coverage, which H. R. 5303 is designed to provide.

The National Shipping Authority activities, from a peak operation on January 31, 1952, of over 500 ships with an average crew of 40 men, dropped by January 1, 1953, to a low of about 100 ships. While ship operations during the few months of this year have increased, there are no indications that the additional activity will substantially eliminate the growing maritime unemployment attributable to the decreased National Shipping Authority activities.

This bill provides for Federal consent for coverage by the States of the employees described herein. Federal consent is necessary because the seamen are employees of the United States.

Representatives of the industry, of maritime labor, of the various Federal agencies concerned with the problem, and representatives of the maritime States whose laws provide unemployment insurance coverage for privately employed seamen are in accord with the purpose of this legislation.

### CONCLUSION

In view of the need to provide the same unemployment insurance coverage for seamen who shift their employment between privately owned and operated vessels and Government-owned and operated vessels, your committee recommends the enactment of this bill.

### CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, H. R. 5303, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

### INTERNAL REVENUE CODE

#### SEC. 1606. INTERSTATE COMMERCE AND FEDERAL INSTRUMENTALITIES

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(f) The legislature of any State in which a person maintains the operating office, from which the operations of an American vessel operating on navigable waters within or within and without the United States are ordinarily and regularly supervised, managed, directed and controlled, may require such person and the officers and members of the crew of such vessel to make contributions to its unemployment fund under its State unemployment compensation law approved by the Federal Security Administrator<sup>1</sup> (or approved by the Social Security Board prior to July 16, 1946) under section 1603 and otherwise to comply with its unemployment compensation law with respect to the service performed by an officer or member of the crew on or in connection with such vessel to the same extent and with the same effect as though such service was performed entirely within such State. Such person and the officers and members of the crew of such vessel shall not be required to make contributions, with respect to such service, to the unemployment fund of any other State. The permission granted by this subsection is subject to the condition that such service shall be treated, for purposes of wage credits given employees, like other service subject to such State unemployment compensation law performed for such person in such State, and also subject to the same limitation, with respect to contributions required from such person and from the officers and members of the crew of such vessel, as is imposed by the second sentence (other than clause (2) thereof) of subsection

<sup>1</sup> Effective August 19, 1949, this function was transferred to the Secretary of Labor by Reorganization Plan No. 2 of 1949.

(b) of this section with respect to contributions required from instrumentalities of the United States and from individuals in their employ.

(g) *The permission granted by subsection (f) of this section shall apply in the same manner and under the same conditions (including the obligation to comply with all requirements of State unemployment compensation laws) to general agents of the Secretary of Commerce with respect to service performed on or after July 1, 1953, by officers and members of the crew on or in connection with American vessels (1) owned by or bareboat chartered to the United States, and (2) whose business is managed by such general agents. As to any such vessel, the State permitted to require contributions on account of such service shall be the State to which the general agent would make contributions if the vessel were operated for his own account. Such general agents are designated, for this purpose, instrumentalities of the United States not wholly owned by it and shall not be exempt from the tax imposed by section 1600. The permission granted by this subsection is subject to the same conditions and limitations as are imposed in subsection (f) of this section except that clause (2) of the second sentence of subsection (b) of this section shall apply.*

(h) *In the event the State permitted to require contributions by subsection (g) of this section does not do so, the Secretary of Commerce is authorized to make, or to require such general agents to make, application for voluntary election of coverage under the unemployment compensation law of any State.*

(i) *Any State may, as to service performed on or after July 1, 1953, and on account of which contributions are made pursuant to subsection (g) or (h) of this section, require contributions from persons performing such service under its unemployment compensation law or temporary disability insurance law administered in connection therewith and may require general agents of the Secretary of Commerce to make contributions under such temporary disability insurance law and to make such deductions from wages or remuneration as are required by such unemployment compensation or temporary disability insurance law.*

(j) *Each general agent of the Secretary of Commerce making contributions pursuant to subsections (g), (h), or (i) of this section shall, for the purposes of such subsections, be considered a legal entity in his capacity as an instrumentality of the United States, separate and distinct from his identity as a person employing individuals on his own account.*

SEC. 1607. DEFINITIONS.

When used in this subchapter—

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(c) EMPLOYMENT.—The term "employment" means any service performed prior to July 1, 1946, which was employment as defined in this section as in effect at the time the service was performed; and any service, of whatever nature 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 under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

\* \* \* \* \*

(6) Service performed in the employ of the United States Government or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the tax imposed by section 1600 by virtue of any other provision of law;

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(o) *Notwithstanding the provisions of section 1607 (c) (6), service performed on or after July 1, 1953, which would otherwise be included as employment under subsection (c) of this section shall not be excluded by reason of the fact that it is performed on or in connection with an American vessel (1) owned by or bareboat chartered to the United States and (2) whose business is managed by a general agent of the Secretary of Commerce. For the purposes of this subchapter, each such general agent shall be considered a legal entity in his capacity as such general agent, separate and distinct from his identity as a person employing individuals on his own account, and the officers and members of the crew of such an American vessel whose business is managed by a general agent of the Secretary of Commerce shall be deemed to be performing services for such general agent rather than the United States. Each such general agent who in his capacity as such is an employer within the meaning of subsection (a) of this section shall be subject to all the requirements imposed upon an employer under this subchapter with respect to service which constitutes employment by reason of this subsection.*