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SOCIAL SECURITY AMENDMENTS OF 1954

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

REPORT

[To accompany H. R. 9366]

The Committee on Finance, to whom was referred the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

I. PURPOSE AND SCOPE OF THE BILL

A basic program of contributory old-age and survivors insurance is important to the economic security of American families. Your committee is convinced that coverage of this system should be substantially broadened. Further than that, changes are needed in the benefit structure to bring benefits more in line with present-day price and wage levels. Special provisions are needed to prevent the reduction of benefits for workers who, because of total disability, cannot continue to work, and finally the retirement test should be amended so as to promote greater freedom for older workers to take part-time or seasonal work.

In making recommendations for bringing a sizable proportion of these workers under the old-age and survivors insurance system, your committee has considered both the administrative feasibility of their coverage and the wishes of the members of these groups, as expressed through their spokesmen in testimony before the committee. Your committee found that, in some instances, there was a division of opinion, particularly among the farm operators and the professional self-employed.

In the interest of securing as broad coverage as possible under the program, your committee carefully considered the possibility of allowing individuals working in such occupations to elect coverage on a voluntary basis. In this way the problem of diverse opinion on entrance into the program could have been resolved. Your committee concluded, however, that extension of coverage on an individual voluntary basis involved grave dangers with respect to the financing of the system, as well as discrimination against the great majority of workers covered under the program on a compulsory basis. Therefore, where the committee found that substantial agreement did not exist among a group as to whether it desired to be covered, the committee concluded that it would be wiser to continue the exclusion of that group rather than allow its members to elect coverage as individuals.

The old-age and survivors insurance system contains benefit provisions which allow for the payment of benefits in individual cases that are considerably in excess of the value of the contributions paid. Thus workers retiring in the early years after their coverage under the program started are permitted to draw full-rate benefits on the basis of a short period of work and contributions. Also, the survivors' insurance protection to individuals with large families is especially valuable. These provisions are necessary to the effective fulfillment of the purposes of the system in preventing dependency. They would, however, make the program vulnerable to adverse selection if coverage were to be made available on the basis of individual choice. Those who would elect coverage under a voluntary option are primarily those who could expect the largest return for a relatively small contribution. The deficit in their contributions would have to be made up by increasing the contribution rate for the covered group as a whole. The result would be that those who are compulsorily covered along with their employers would have to bear a large part of the cost of the difference between what the select group pays and what it receives.

Your committee is convinced that the compulsory character of the system must be preserved, and that in the absence of overriding considerations of a special character, as is present in the case of members of the clergy, any extension of coverage must be on a mandatory basis with respect to individuals.

The amendments recommended by your committee would extend coverage to some 7 million people who during the course of a year work in jobs not now covered by the program. This represents a substantial expansion of coverage over present law. With more people qualifying for old-age and survivors insurance, fewer will have to rely on public assistance to meet their daily living expenses after retirement or death of the breadwinner.

As a means of affording security for the American people in a way consistent with their independence and dignity, your committee recommends approval of fundamental reforms in the old-age and survivors insurance benefit structure. These changes will raise the level of benefits and relate benefits more realistically to the individual's customary earnings while working. Thus, provision is made for increasing the maximum on the annual amount of earnings on which workers pay social-security taxes and which count in the computation of their benefits. The rise in wage levels makes such an increase

imperative so that normal work earnings may be reflected in the benefit amounts payable under the system. Provision is also made for disregarding limited periods of low or no earnings in the computation of average earnings.

Further, special provisions are made to protect the benefit rights of workers who become totally disabled. Where a worker who has been regularly employed under the program is prevented from continuing his coverage by reason of total disability, your committee believes that his insured status under the system should be preserved and that the benefit payable on his record upon his retirement or upon his death should not be reduced. A further desirable effect of the provision for the protection of the benefit rights of disabled workers will be the impetus given to referral of handicapped persons to the State vocational rehabilitation programs.

The general improvement of benefit levels that may be expected from enactment of the above provisions is rounded out by an amendment to the formula used in computing benefit amounts and by increased payments to the 6.5 million beneficiaries currently on the benefit rolls.

Finally your committee believes older people who are retired, but who are able to undertake at least some productive employment should have more generous provisions made than in present law with respect to their receipt of benefit payments under the program. To ease the situation of retired workers who undertake part-time, intermittent, or seasonal work, your committee recommends a more liberal and flexible test of retirement, applied on an annual basis for wage-earners as well as self-employed persons. The recommended test would allow for higher earnings while drawing benefits. Moreover, after an individual reaches 72 years of age, he could draw benefits without any limitation on his earnings.

II. Summary of Principal Provisions of the Bill

A. Old-age and survivors insurance

1. *Extension of coverage.*—Old-age and survivors insurance coverage would be afforded to approximately 7 million persons who work during the course of a year in jobs now excluded from the program. The groups brought into the program under the bill are as follows:

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

(*b*) Farmworkers who are paid at least $50 in cash wages by a given employer in a calendar quarter (about 2.6 million).

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

(*d*) Ministers and members of religious orders, whether self-employed or employees, if they elect individually for coverage as self-employed persons (about 260,000).

(*e*) American citizens employed outside the United States by foreign subsidiaries of American companies—under voluntary agreements between the Federal Government and the parent American concern (about 100,000).

(*f*) Homeworkers who are now excluded from coverage as employees (whether or not they are now covered as self-employed persons) because their services are not subject to State licensing laws (about 100,000).

(*g*) Employees engaged in fishing and related activities, on vessels of 10 net tons or less or on shore (about 50,000).

(*h*) American citizens employed by American employers on vessels and aircraft of foreign registry (a very small number).

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

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

4. *Increase in benefits.*—(*a*) More than 6.5 million persons now on the benefit rolls would have their benefits increased. The average increase for retired workers would be about $6 a month, with proportionate increases for dependents and survivors. The range in primary insurance amounts for those now on the rolls would be $30 to $98.50 as compared to $25 to $85 under present law.

(*b*) Persons who retire or die in the future would, in general, have their benefits computed by the following new formula: 55 percent of the first $110 of average monthly wage (rather than $100 as in present law) plus 20 percent of the next $240 (rather than 15 percent of the next $200).

(*c*) The minimum monthly benefit amount for a retired worker would be $30, and the minimum amount payable where only one survivor is entitled to benefits on the deceased insured person's earnings, would be $30.

(*d*) The maximum monthly family benefit of $168.75 would be increased to $200; the provision of existing law that total family benefits cannot exceed 80 percent of the worker's average monthly wage would not reduce total family benefits below 1½ times the insured workers primary insurance amount or $50, whichever is the greater.

5. *Limitation on earnings of beneficiaries.*—The earnings limitation would be removed at age 72. For beneficiaries under age 72 the earnings limitation would be made the same for wage earners and self-employed persons. A beneficiary could earn as much as $1,200 in a year from covered work without loss of benefits. He would lose 1 month's benefit for each unit of $80 (or fraction thereof) of covered earnings in excess of $1,200, but in no case would he lose benefits for months in which he neither earned more than $80 in wages nor rendered substantial services in self-employment. Beneficiaries engaged in noncovered work outside the United States would have their benefits withheld for any month in which they worked on 7 or more days.

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

(*b*) Benefits would be paid to the surviving aged widow, widowed mother, and children, or parents of any individual who died after 1939 and prior to September 1, 1950, and had at least 6 quarters of coverage.

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

8. *Recomputation of benefits for work after entitlement.*—An individual may have his benefit recomputed to take into account additional earnings after entitlement if he has covered earnings of more than $1,200 in a calendar year after 1953 and after the year in which his benefit was last computed.

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

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

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

B. Public assistance

1. The provisions of the 1952 amendments, presently scheduled to expire on September 30, 1954, with respect to temporary increases in Federal payments to States for old-age assistance, aid to dependent children, aid to the blind, and aid to the permanently and totally disabled are extended through September 30, 1956.

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

III. Extension of Old-Age and Survivors Insurance Coverage

A. General

The old-age and survivors insurance program now covers about 8 out of 10 of the Nation's jobs. During the course of a year about 62 million people work in employment or self-employment covered under the program. The committee-approved bill would afford coverage to about 7 million people who in the course of a year work in jobs that are not now covered.

Under the bill, coverage would be extended to members of State and local retirement systems (other than policemen and firemen), additional farm workers and domestic workers, ministers and members of religious orders, and certain other smaller groups.

The major groups who would still remain excluded from the program are self-employed farm operators and self-employed professional persons, members of the Armed Forces, most Federal civilian employ-

ees, and policemen and firemen covered by a State or local government retirement system.

B. Specific coverage groups added

1. *Employees of State and local governments under retirement systems.*—In the course of a year about 3.5 million employees (other than policemen and firemen) are in positions covered by State and local retirement systems. The present law, which provides for covering State and local government employees under voluntary agreements between the individual State and the Federal Government, excludes from coverage under an agreement employees who are in positions covered by a State or local retirement system on the date the agreement is made applicable to the coverage groups to which they belong (except for members of the Wisconsin retirement fund, for whom coverage was made available under special provisions enacted in 1953).

Under present law the only way in which employees under a retirement system can be covered is by dissolving the system before the group is brought under the Federal-State agreement. Several States and a large number of local governments have secured old-age and survivors insurance coverage for employees by this method. In all except a few cases where the old-age and survivors insurance system alone provides greater protection than the dissolved system, a supplemental system has been established to replace the abandoned system after old-age and survivors insurance coverage was secured. An estimated 300,000 employees now have the combined protection of old-age and survivors insurance and a supplemental system.

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

The bill continues the present exclusion of policemen and firemen who are covered by a State or local retirement system. Policemen and firemen, because of the special demands made by their work, usually have special provisions in their retirement systems (retirement at age 50 or 55, for example) and most of them believe that it would be unwise to attempt to coordinate these provisions with the provisions of the old-age and survivors insurance system.

The bill states that it is the policy of the Congress in making coverage available to retirement system members that the protection of members and beneficiaries of the retirement system not be impaired by reason of coverage of the retirement system members under old-age and survivors insurance. The bill also removes the possibility that retirement system members (other than policemen and firemen) may be covered without a referendum, by dissolving the retirement system.

Under present law, employees whose positions are covered by a retirement system but who are not themselves eligible for membership in the system cannot be covered under old-age and survivors insurance. The bill would permit these employees (other than policemen and firemen) to be covered without a referendum even if the members of the retirement system were not covered. The employees would not be

permitted to vote in any referendum on coverage for the retirement system members, since they could be covered regardless of the outcome of the referendum. If the retirement system members were covered after a favorable referendum, however, employees in positions covered by the system but not themselves eligible for membership in the system would also be included under the agreement.

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

The bill amends the provision of the House bill so a State may consider any political subdivision or any combination of political subdivisions as having a separate retirement system for the purposes of the referendum. The bill also requires that each public institution of higher learning shall be considered as having a separate retirement system for the purposes of the referendum. Special provision is made in the bill for coverage under the Utah agreement of employees performing services for certain enumerated units of the State in positions covered by a retirement system who are precluded from coverage under present law. Special provision is also made for coverage under a State agreement, at the option of the State, of services of inspectors of agricultural products employed to perform services in connection with agreements between States and the United States Department of Agriculture. As in the House bill, civilian employees of State National Guard units would be covered at the option of the State.

2. *Farmworkers.*—Under the present law, in order to be covered, a farmworker must be "regularly employed" by one employer and receive cash wages of $50 or more in a calendar quarter from that employer. The definition of "regularly employed" is complicated and difficult to apply. In general, after a farmworker has worked for one employer continuously for an entire calendar quarter, he is "regularly employed" in succeeding quarters if he works for that employer on a full-time basis on at least 60 days during the quarter. Records must be kept over a substantial period before it is clear whether or not an individual is covered. The bill would substitute a simple coverage test for the present test. A farmworker would be covered with respect to his work for an employer if he is paid at least $50 in cash wages by that employer in a calendar quarter. The complexities of the time test would be eliminated; yet the recommended test would continue to exclude from coverage the most intermittent or short-term workers and avoid nuisance reporting of small amounts of wages.

The coverage test for farmworkers under the House bill is more restrictive than the test in the committee-approved bill. Under the House bill, a farmworker would be covered with respect to his work for an employer if he is paid $200 or more in cash wages by that employer during the course of a year; and employers would make annual, rather than quarterly, reports of the cash wages paid to farmworkers who meet the test.

Both the House-approved and the committee-approved bills would extend coverage to cotton-gin workers. The House bill would have

extended coverage to gum naval stores workers; the committee bill continues the present exclusion of these workers.

The committee-approved bill would cover a total of about 2.6 million additional farmworkers, or about 1.3 million more than would be covered under the House bill.

3. *Domestic workers in private homes and others who perform work not in the course of the employer's business.*—The bill, like the House bill, would cover all domestic workers who work in nonfarm private homes and who are paid $50 in cash wages by an employer in a calendar quarter. It would delete the unnecessary and complicated requirement of present law limiting the coverage of domestic workers to those who work for a single employer on 24 days during a calendar quarter. The simplified test of coverage for domestic services in private homes provided by the bill would cover, during the course of a year, about 250,000 more household workers than does the present law. It would also afford additional coverage for from 50,000 to 100,000 workers who under present law are covered on some but not all of their domestic jobs.

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

Persons performing other types of service not in the course of the employer's trade or business would, like domestic workers, be covered by the bill if they are paid $50 in cash wages by an employer in a calendar quarter. It is estimated that this would give coverage to about 50,000 persons. Your committee proposes this provision to improve and simplify the coverage of such services and to retain the principle, now in the present law, of applying the same coverage test for these nonbusiness services as is applied to domestic services performed in private homes. It is important to establish uniform tests for these two types of work because there are certain kinds of nonbusiness services which are not, strictly speaking, domestic service in private homes but which are difficult to distinguish from domestic service.

4. *Ministers and members of religious orders.*—Under the present law any service performed by a minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order is excluded from coverage. About 260,000 ministers and 160,000 members of religious orders are affected by this exclusion. The committee bill would permit ministers and the few members of religious orders who have not taken a vow of poverty to secure coverage by filing a certificate indicating their desire to be covered as self-employed persons. In general, a minister or a member of a religious order who has not taken a vow of poverty would have 2 years after coverage became available, or after he became a minister or a member of such religious order, in which to take advantage of this provision. An election of coverage once made would be irrevocable.

Under the House bill ministers and members of religious orders employed by a nonprofit organization (other than a member of a religious order who has taken a vow of poverty as a member of the order) could be covered if the organization filed a certificate covering them and at least two-thirds of the ministers and members of religious orders

employed by the organization signed the certificate indicating their desire for coverage. Ministerial employees who signed the certificate and those employed after coverage of the organization began would have been covered. The House-approved bill would have covered self-employed ministers on a compulsory basis.

A provision for coverage on an individual election basis, while not generally desirable, is considered by your committee to be justified in this area because of the special circumstances. Many churches have expressed the fear that their participation in the old-age and survivors insurance program as employers of ministers might interfere with the well-established principle of separation of church and state. Many church representatives also believe that individual ministers who do not wish to be covered on grounds of conscience should not be required to participate in the program.

5. *United States citizens employed outside of the United States by foreign subsidiaries of American employers.*—Under present law, United States citizens working outside of the United States for American employers are covered under old-age and survivors insurance. The bill would extend this coverage to include United States citizens working for foreign subsidiaries of American companies. These provisions would make coverage available to roughly 100,000 United States citizens working abroad for such subsidiaries.

American employers frequently find it necessary to carry on their operations in other countries through subsidiaries established under the laws of a foreign country. The United States citizens working for such subsidiaries are likely to have the same close economic and personal ties with the United States, and the same expectation of returning to the United States, as do United States citizens working abroad for American employers.

The coverage of these citizens will prevent the gaps in coverage under old-age and survivors insurance which would otherwise occur when citizens who ordinarily work in covered employment within the United States work abroad for a period for a subsidiary of an American company. Additional disadvantages also arise because workers may refuse to accept employment, realizing that their old-age and survivors insurance protection will suffer if they do so. This new coverage would eliminate these difficulties.

Because the United States cannot levy the employer tax of the old-age and survivors insurance program upon foreign subsidiaries of American employers, the United States citizens employed by these subsidiaries must be covered under special provisions which will avoid the levy of a tax on these foreign subsidiaries. Accordingly, the bill provides for the coverage of United States citizens working abroad for a foreign subsidiary of an American employer if the American employer involved makes an agreement with the Secretary of the Treasury to pay the social-security taxes for the United States citizens employed abroad by the foreign subsidiary.

In order to avoid adverse selection, the bill provides that all of the American citizens employed by a given subsidiary would have to be covered if any were covered.

The committee bill is the same as the House bill with respect to United States citizens employed by foreign subsidiaries of American employers except for minor technical amendments.

6. *Homeworkers.*—The Committee-approved bill, like the House-approved bill, would extend employee coverage to about 100,000 additional homeworkers. Homeworkers who have the status of employees under the usual common-law rules applicable in determining employer-employee relationship have been covered since 1937. In addition, under the 1950 amendments, homeworkers who do not have employee status under the usual common-law rules are covered as employees if they work according to specifications of the person for whom the work is done on materials or goods furnished by that person and required to be returned to him or his designee, if they are paid cash wages of $50 or more during a calendar quarter by a given employer, and if they are subject to State licensing laws. The bill would cover as employees those homeworkers who meet all the conditions specified in the 1950 amendments except the condition that the services be subject to licensing requirements under State law. By eliminating the licensing requirement, the bill provides employee coverage to all homeworkers who perform service under substantially the same conditions irrespective of the State in which the individual is located.

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

8. *United States citizens employed by American employers on vessels and aircraft of foreign registry.*—Since 1950 most United States citizens working outside the United States for American employers have been covered under old-age and survivors insurance. The amendments of 1950 failed, however, to make this coverage extension applicable to American ctizens employed by American employers on vessels and aircraft of foreign registry. The bill would correct this situation by covering this small group of American citizens on the same basis as other American citizens working outside the United States for American employers.

9. *Civilian employees of Federal Government.*—The House bill would have extended coverage to certain Federal employees including temporary employees in the field service of the Post Office Department, employees of district Federal home-loan banks, Tennessee Valley Authority, and others. These provisions were deleted by your committee because it was thought unwise to extend coverage to additional Federal employees and in some instances afford Federal employees overlapping benefit rights under old-age and survivors insurance as well as under another Federal retirement system. Moreover, under present law services of Federal employees that have been covered by old-age and survivors insurance are also creditable in certain circumstances under the civil-service retirement system. Your committee believes the practice of allowing dual benefits on the basis of the same service should be discontinued. The bill,

therefore, would prohibit the use of Federal service that has been credited under old-age and survivors insurance for benefit purposes under any other Federal retirement system.

IV. Average Monthly Wage

The bill changes the method for computing the average monthly wage, on which the primary insurance amount (and thus, the amount of every dependent's and survivor's benefit) is based. For individuals who qualify for benefits after the effective date of the bill, or who meet certain other conditions after that date, up to 5 years in which their earnings were lowest (or nonexistent) will be eliminated from the computation of the average monthly wage. In general, every individual who first qualified for benefits after the effective date, or who had at least 6 quarters of coverage after June 1953 (which means that the sixth quarter of coverage must be earned after September 1954), or who qualified for certain types of benefit recomputations after the effective date, could eliminate up to 4 years of lowest or no earnings from the computation. If, in addition to meeting the applicable requirements stated above, he had at least 20 quarters of coverage (acquired at any time), he could eliminate an additional low year.

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

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

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

V. Earnings Base

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

The major reason for this proposal is to maintain the principle of old-age and survivors insurance that benefits should vary significantly with the individual's previous earnings. Since the benefits paid upon retirement or death are figured on the basis of the indi-

vidual's past earnings, it follows that the basic factor in the determination of benefit amounts if the level of previous earnings which can be counted. Over three-fifths of the male workers regularly covered by the program now earn more than $3,600, the maximum amount counted for benefit purposes. About half of retired men who have had their benefits based on their earnings after 1950 are getting benefits at or within $10 of the $85 maximum benefit payable under present law. The reason why their benefits do not vary more is not that their earnings have been the same but that the maximum is too low to reflect the differences in their earnings. Your committee believes that if the principle that benefits should vary with earnings is to be maintained, additional earnings above the $3,600 limit must be counted toward benefits. It follows that those who earn above that amount should receive higher benefits than those whose earnings are less.

Earnings somewhat above $3,600 do not, under present conditions, mark a man as high paid but are typical earnings in major sections of commerce and industry. Average annual full-time earnings in manufacturing industries in 1953 were about $4,000. The average for mining was about $4,400 and for transportation, almost $4,400. Skilled workers in any industry earn more than the average for the industry.

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

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

VI. Increase in Old-Age and Survivors Insurance Benefits

A. General

Improvement in benefit levels will result from extension of coverage, elimination of up to 5 years of lowest or no earnings in computing the average monthly wage, the provision to preserve the benefit rights of persons with extended total disability, and the increase in the maxi-

mum annual earnings which can be included in the computation of benefits. In addition, the bill provides for an increase in the percentage of average monthly wage yielded by the benefit formula. The level of benefits thus established will represent a more realistic floor of protection in line with current price and wage levels.

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

B. Revised benefit formula

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

A further amendment in the formula is made by increasing the second step from 15 to 20 percent, and raising the maximum earnings to which the formula applies from $300 a month to $350 in line with the increase in the annual earnings base from $3,600 to $4,200. (See table 1 for illustrative benefits for a retired worker under this bill as compared with present law.) A higher percentage of the upper earnings must be provided to maintain the relative protection the average earner can expect to obtain from benefits under the old-age and survivors insurance system. At the same time, higher paid workers can be expected to make more adequate supplementary provision for themselves and their families than can the lowest paid. Under the revised formula, benefits for a retired worker (without dependents) with average earnings of $350 a month will represent only 31 percent of his earnings as compared to 55 percent for a worker in the very lowest group.

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

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

TABLE 1.—*Illustrative monthly benefits for retired workers*

ASSUMING LEVEL EARNINGS

Average monthly wage		Present law		Bill	
On basis of present law	With dropout as provided in bill	Single	Married [1]	Single	Married [1]
$50	$50	$27.50	[2] $41.30	[3] $32.50	[3] $48.80
$100	100	55.00	[4] 80.00	[3] 60.00	[3] 90.00
$150	150	62.50	93.80	68.50	102.80
$200	200	70.00	105.00	78.50	117.80
$250	250	77.50	116.30	88.50	132.80
$300	300	85.00	127.50	98.50	147.80
$350	350	[5]	[5]	108.50	162.80
ASSUMING SPECIFIED INCREASE IN EARNINGS ARISING FROM DROPOUT PROVIDED IN BILL [6]					
$50	$70	$27.50	[2] $41.30	$38.50	[7] $57.80
$100	120	55.00	[4] 80.00	62.50	93.80
$150	170	62.50	93.80	72.50	108.80
$200	220	70.00	105.00	82.50	123.80
$250	270	77.50	116.30	92.50	138.80
$300	310	85.00	127.50	100.50	150.80
$350	350	[5]	[5]	108.50	162.80

[1] With wife aged 65 or over.
[2] Application of 80 percent maximum may not reduce benefits below $45.
[3] These amounts produced by the 1952 benefit formula and conversion table; with level average monthly wage amounts below $130, amounts are higher if the conversion table used.
[4] Reduced to 80 percent of average wage.
[5] Present law includes earnings only up to $300 a month.
[6] These assumed increases in earnings arising from the dropout provisions in regard to computation of average wage are merely illustrative. Actually the dropout will produce varying results which may be lower or higher than those shown.
[7] Application of 80 percent maximum may not reduce benefits below 1½ times primary insurance amount.

C. Increase for present beneficiaries

The bill provides increases in benefits for the 6.5 million present beneficiaries under the system. In thus making benefit increases effective for those already on the rolls, the bill follows the precedent of the 1950 and 1952 amendments. The purpose of helping beneficiaries to meet their current living needs through their benefit payments is served only if the value of the benefits being paid is kept adjusted to changes in economic conditions.

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

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

Present primary insurance amount	*New primary insurance amount*
$25.00	$30.00
30.00	35.00
40.00	45.00
50.00	55.00
60.00	65.10
70.00	78.50
80.00	91.90
85.00	98.50

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

D. Family benefits

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

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

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

minimum payment on any individual's record be $30, regardless of whether it is his own benefit or that for a survivor. See table 3 for illustrative survivor benefits under the bill as contrasted with those under present law.

E. Lump-sum death payment

The bill retains the present provision that the lump-sum death payment be computed as three times the primary insurance amount.

No provision is made to further limit the amount to the present maximum of $255, as was specified by the House bill. The maximum of three times the primary insurance amount in itself restricts the lump sum to a reasonably modest amount, consistent with the objective of helping to meet the special expenses connected with a worker's last illness and death. A further restriction does not appear warranted, particularly since in some cases, the lump sum represents the only payment made on the individual's record. Under the committee bill the maximum lump-sum death benefit could under no circumstances exceed $325.50.

TABLE 3.—*Illustrative monthly benefits for survivors of insured workers*

ASSUMING LEVEL EARNINGS

Average monthly wage		Aged widow or widower [1]		Widow and 1 child [2]		Widow and 2 children		Widow and 3 children	
On basis of present law	With dropout as provided in bill	Present law	Bill	Present law	Bill	Present law	Bill	Present law	Bill
$50	$50	$20.70	[3] $30.00	[4] $41.30	[5] [6] $48.00	[4] $45.00	[5] $50.00	[4] $45.00	[5] $50.00
$100	100	41.30	[6] 45.00	[7] 80.00	[8] [6] 90.00	[7] 80.00	[8] [6] 90.00	[7] 80.00	[8] [6] 90.00
$150	150	46.90	51.40	93.80	102.80	[7] 120.00	[7] 120.00	[7] 120.00	[7] 120.00
$200	200	52.50	58.90	105.00	117.80	140.00	157.00	[7] 160.00	[7] 160.00
$250	250	58.20	66.40	116.30	132.80	155.00	177.00	[9] 168.80	[9] 200.00
$300	300	63.80	73.90	127.50	147.80	[9] 168.80	197.00	[9] 168.80	[9] 200.00
$350	350	([10])	81.40	([10])	162.80	([10])	[9] 200.00	([10])	[9] 200.00
ASSUMING SPECIFIED INCREASE IN EARNINGS ARISING FROM DROPOUT PROVIDED IN BILL [11]									
$50	$70	$20.70	[3] $30.00	[4] $41.30	[5] $57.80	[4] $45.00	[5] $57.80	[4] $45.00	[5] $57.80
$100	120	41.30	46.90	[7] 80.00	93.80	[7] 80.00	[7] 96.00	[7] 80.00	[7] 96.00
$150	170	46.90	54.40	93.80	108.80	[7] 120.00	[7] 136.00	[7] 120.00	[7] 136.00
$200	220	52.50	61.90	105.00	123.80	140.00	165.00	[7] 160.00	[7] 176.00
$250	270	58.20	69.40	116.30	138.80	155.00	185.00	[9] 168.80	[9] 200.00
$300	310	63.80	75.40	127.50	150.80	[9] 168.80	[9] 200.00	[9] 168.80	[9] 200.00
$350	350	([10])	81.40	([10])	162.80	([10])	[9] 200.00	([10])	[9] 200.00

[1] Also single surviving parent or child.
[2] Also 2 aged parents.
[3] Application of $30 minimum family benefit.
[4] Application of 80 percent maximum may not reduce benefits below $45.
[5] Application of 80 percent maximum may not reduce benefits below $50.
[6] These amounts produced by the 1952 benefit formula and the conversion table; with level average monthly wage amounts below $130, the benefit is higher if the conversion table is used.
[7] Reduced to 80 percent of average wage.
[8] Application of 80 percent maximum may not reduce benefits below 1½ times primary insurance amount.
[9] Dollar maximum on benefits.
[10] Maximum average wage under present law is $300.
[11] These assumed increases in earnings arising from the dropout provisions in regard to computation of average wage are merely illustrative. Actually, the dropout will produce varying results which may be lower or higher than those shown.

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VII. Improvement of the Retirement Test

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

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

A. Age where retirement test does not apply reduced from age 75 to 72

Under present law, persons age 75 and over are exempted from the retirement test primarily as a means of assuring some return on contributions for people who continue working to a very advanced age and who would otherwise draw very little, if any, payment under the system. The committee bill would lower the exempt age from 75 to 72. The House bill would make no change in present law in this respect.

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

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

Under the bill, the test is put on an annual basis for both wages and self-employment earnings, and the two types of income are combined for purposes of determining the individual's total earnings. The bill also provides an increase in the amount of earnings which individuals may have without loss of benefits. The annual exempt amount is set at $1,200, rather than $1,000 as provided by the House bill. In view of today's earnings levels, your committee believes that the more liberal amount is justified. One month's benefit would be withheld for each $80 or fraction thereof in excess of $1,200, but no benefit would be suspended for any month in which the individual neither earned wages of more than $80 nor rendered substantial services as a self-employed person in his trade or business.

Under the new test, wage earners will not lose a benefit each month they earn above a specified amount but will be able to take intermittent full-time work or more regular part-time work then at present without the loss of benefits or with the loss of only a few months' benefits, depending on what they earn. For example, a beneficiary could work throughout the year at $110 a month and lose only 2 months' benefits, whereas under present law he would lose all 12.

As another example, a beneficiary could earn $300 a month working full time for 3 months without losing any benefits, whereas under present law he would lose 3 months' benefits.

The combination of wage and self-employment earnings for retirement test purposes will eliminate the possibility which arises under the dual test now in the law that individuals having both types of earnings receive the advantage of the exempt amount on each.

Your committee has not included the House-approved provision which would extend the retirement test to earnings in noncovered work. Your committee believes that such extension would be administratively practicable only if employment coverage is made substantially universal.

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

The retirement test under the bill would continue to apply to covered earnings outside the United States in the same way as in this country. In addition, a test is established for employment in noncovered work outside the United States.

No specific earnings amount could possibly differentiate between full-time and part-time work in all countries where beneficiaries might be working. For this reason a different type of test is provided. Under this test benefits would be withheld for any month in which a beneficiary under age 72 engages in noncovered remunerative activity (either employment or self-employment) outside the United States on 7 or more different calendar days. For administrative reasons, a monthly test, rather than an annual test is recommended.

VIII. Insured Status

The Social Security Act Amendments of 1950 greatly liberalized the the requirements for insured status by granting a "new start" whereby an individual was fully insured if he had quarters of coverage (acquired at any time) equal in number to half the calendar quarters elapsing after 1950 (rather than 1936). Your committee believes that it is unnecessary, in this bill, to provide for another "new start" in the requirements for insured status. Successive "new starts," reducing the insured status requirements to the minimum of 6 quarters of coverage, tend to weaken the principle that benefits should be payable only on the basis of a substantial degree of attachment to employment covered by the system.

There is, however, good reason to grant a temporary liberalization to benefit those newly covered workers who, although they are continuously engaged in covered work after 1954, die or retire before they can meet the requirements for insured status in present law. For this reason, the bill provides that an individual is deemed to be fully insured at the time of his death or attainment of age 65, whichever is earlier, if all of the quarters elapsing after 1954 and up to that time are quarters of coverage, provided that at least 6 of the quarters after 1954 are quarters of coverage. This provision ceases to be applicable in the case of those reaching age 65 or dying after the third quarter of 1958. Any newly covered individual who worked continuously in covered employment after 1954 and up to the fourth quarter of that year would meet the requirements of present law with regard to fully insured status.

IX. Preservation of Benefit Rights for Disabled

A. Need for disability freeze

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

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

B. Emphasis on rehabilitation

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

C. Earnings requirements

The earnings requirements which must be met to qualify for the freeze are intended to limit the application of this provision to individuals who have had a reasonably long, as well as recent, record of covered earnings. They operate to screen out those who have not established a reasonably substantial attachment to the labor force and those who have voluntarily retired from gainful activity, and have not been compelled to leave the labor force by reason of their disability.

D. Definition of disability

Only those individuals who are totally disabled by illness, injury, or other physical or mental impairment which can be expected to be

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

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

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

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

E. Determinations of disability

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

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

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

F. Effective dates

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

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

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

X. Miscellaneous Provisions

A. Recomputation because of continued work after entitlement

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

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

In view of the increase in the amount of earnings exempted under the retirement test by the bill, retention of the requirement for 12 months' benefit suspensions would frequently prevent recomputations for individuals who should be able to obtain them. Your committee believes, therefore, that it is necessary to revise the condition determining when an individual may have his benefit recomputed because of additional earnings. Under the proposed change an individual

may qualify for the recomputation if he has been credited with covered wages and self-employment income of more than $1,200 in a completed calendar year after 1953 and after the year in which the individual's benefit was last computed or recomputed. As under present law, the requirement that the individual have at least six quarters of coverage after 1950 will be retained.

The changed provision is similar to that in the House bill; however, earnings of more than $1,200 are required instead of $1,000 or more, conforming to the change in the annual exempt amount under the retirement test made by the committee bill.

The recommended provision will remove certain present restrictions on the recomputation of benefit amounts of persons who have reached the age at which they are exempt from the retirement test. Such individuals even though continuing to work in covered employment for substantial earnings, cannot now meet the requirement for the recomputation because their benefits are not suspended because of such work.

Three provisions included in the House-approved bill with respect to payment of benefits to persons residing abroad, persons with periods of illegal residence, and persons who are deported from the United States are omitted from the committee-approved bill.

B. Residence requirements

The House-approved bill would have prohibited the payment of dependents' and survivors' benefits to individuals residing outside the United States, unless such individuals met certain requirements as to prior residence in the United States or unless special insured status requirements were met by the worker on whose record the benefits are payable. Your committee does not believe the place of residence of the dependents or survivors of an insured worker should result in their losing protection to which they are otherwise entitled as a result of contributions paid by the insured worker.

The House-approved bill would have required that earnings during periods of unlawful residence be disregarded in the determination of an individual's insured status or benefit amounts. This amendment would have involved a large administrative burden with very little result since many of the persons who are illegally present in this country are migrant agricultural workers who are unlikely to work long enough in covered employment to acquire eligibility for benefits.

The House-approved bill would have required that no monthly benefits be paid on the basis of the wages and self-employment income of an individual who has been deported for specified causes. Your committee has not had an opportunity to give sufficient study to all the possible implications of this provision, which involves termination of benefit rights under the contributory program of old-age and survivors insurance, and has therefore deleted this provision from the bill.

XI. Actuarial Cost Estimates for Old-Age and Survivors Insurance System

A. Financing policy

The Congress very carefully considered the problem of cost in determining the benefit provisions of both the 1950 and 1952 acts. The belief was expressed in the committee reports that the old-age and

survivors insurance program should be on a completely self-supporting basis from contributions of covered individuals and employers. Accordingly, the law under those acts contained a tax schedule which it was believed would, under a level-wage assumption, make the system self-supporting as nearly as could be foreseen under circumstances then existing. Under the 1952 act the program's actuarial balance was estimated to remain virtually the same as in the estimates made at the time the 1950 act was enacted; this was the case because of the rise in earnings levels in the 3 years preceding the enactment of the 1952 act, which rise was taken into account in the estimates for the 1952 act. It was recognized that future experience may be expected to differ from the conditions assumed in the estimates so that any tax schedule, at least in the distant future, might have to be modified.

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

This lack of sufficiency is of long-range importance. It will be appreciated, however, that whether this eventuates will depend upon whether the assumptions made are realized in the future experience. It would not seem necessary to make any immediate legislative changes in the contribution schedule merely because an "insufficiency" shows up as a result of new cost estimates. This is particularly the case when such insufficiency is relatively small and when such new cost estimates involve a change in actuarial assumptions as to future experience. On the other hand, a situation involving an insufficiency should very likely require some legislative action if it were borne out over subsequent actuarial cost estimates. In the meantime, it would seem that any proposed legislative changes as to benefits, coverage, etc., could be considered to be proper from a cost standpoint if for the proposed plan the resulting "actuarial insufficiency" were the same or substantially the same as for the existing law—provided that the insufficiency remains relatively small.

The net effect of the benefit changes your committee has recommended in the present program, some of which would increase long-range costs and some of which would decrease them, is an increase in the long-range cost of the program by slightly over 1 percent of covered payroll. To counterbalance this, we have recommended increases in the long-range contribution schedule—in 1970 and thereafter—which are about equivalent to the increased benefit cost of 1 percent of payroll.

Your committee recognizes that future cost estimates, particularly if earnings continue to rise, may indicate that a lower schedule of contribution rates will provide for a self-supporting system than would appear necessary under the latest cost estimates. Nevertheless, we believe that the long-range schedule of old-age and survivors insurance contributions should be adjusted so as to meet the additional costs

of the changes now proposed. On the other hand, we believe that there is no necessity now to attempt to cover fully, or even partially, the deficiency which the new estimates indicate in the financing of the present program. With this in mind we have adopted the schedule of rates in the House-approved bill under which the rate on employer and employee in 1970 be raised from 3¼ to 3½ percent, and that in 1975 and thereafter the rate be increased to 4 percent, with corresponding changes for the self-employed.

B. Basic assumptions for cost estimates

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

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

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

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

The cost estimates have been prepared on the basis of the same assumptions and techniques as those contained in the estimates of the Social Security Administration's Actuarial Study No. 36 (relating to present law) and Actuarial Study No. 38 (relating to H. R. 7199) and in the cost estimates for the House-approved bill (H. Rept. 1698, pp. 26–35).

An important measure of long-range cost is the level-premium contribution rate required to support the system into perpetuity. This rate is determined by taking the present values, at interest, of future income and outgo of the system. It is assumed that benefit payments and taxable payrolls remain level after the year 2050—actually benefits as a percentage of payroll are virtually constant after about 2020. If such a level contribution rate were adopted, relatively large accumulations in the trust fund would result, and in consequence there would also be sizable eventual income from interest. Even though such a method of financing is not followed, this rate may

nevertheless be used as a convenient measure of long-range costs. This is a valuable cost concept, especially in comparing various possible alternative plans and provisions, since it takes into account the heavy deferred load.

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

The cost estimates have not taken into account the possibility of a rise in earnings levels, although such a rise has characterized the past history of this country. If such an assumption were used, along with the assumption that the benefits nevertheless would not be changed, the cost relative to payroll would, of course, be lower. Under such circumstances, any cost deficiency currently estimated would tend to be met by this reduction in cost.

If benefits are adjusted to keep pace with rising earnings trends, the year-by-year costs as a percentage of payroll would be unaffected. However, in such case this would not be true as to the level-premium cost which would be higher, since under such circumstances the relative value of the interest earnings of the trust fund would gradually diminish with the passage of time. If earnings do consistently rise, and if benefits are adjusted upward, thorough consideration will need to be given to the financing basis of the system because then the interest earnings on the trust fund will not meet as large a proportion of the benefit costs as would be anticipated if the earnings level had not risen.

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

The contribution income and benefit disbursement figures shown in the subsequent tables are slightly higher (by less than 5 percent) than the payments made directly to the trust fund by contributors and the payments made directly from the trust fund to the individual beneficiaries. This is the case because such figures include both the additional contributions which would have been collected and the additional benefits that would have been paid if railroad employment had always been directly covered by old-age and survivors insurance, rather than merely indirectly for financing purposes. The balance for these two elements is to be accounted for in actual practice by the operation of the financial interchange provisions. The balance in the fund thus corresponds exactly to the actual situation.

C. Results of cost estimates on range basis

Table 4 presents costs as a percentage of payroll for each of the various types of benefits. The level-premium cost for the benefits provided in the committee-approved bill, on the basis of 2¼ percent interest, is roughly 6¾ to 8¾ percent of payroll, while at 2½ percent interest the corresponding figures are 6⅞ percent and 8½ percent, respectively.

Table 5 presents the estimated operations of the trust fund under the committee-approved bill on the basis of a 2.4 percent interest rate, which is the interest rate used as the appropriate single rate in the previously mentioned preceding estimates. For the past year, up unitl July 1954, this was the rate currently being earned. As of the present time the rate is only 2.3 percent since the special issues in the trust fund, constituting almost 90 percent of total investments, now bear a rate of 2¼ percent as against 2⅜ percent in the fiscal year ending June 30, 1954. For the sake of consistency, the 2.4 percent rate has continued to be used for the trust fund calculations.

Under the low-cost estimate, the trust fund builds up quite rapidly and even some 50 years hence is growing at a rate of about $4 billion per year and at that time is about $100 billion in magnitude. In fact, under this estimate, benefit disbursements do not exceed contribution income during the next 60 years, and even in the year 2000 are about 5 percent smaller.

On the other hand, under the high-cost estimate the trust fund builds up to a maximum of about $22 billion in the next 5 years, but decreases thereafter until it is exhausted in the year 1992. Benefit disbursements exceed contribution income during 1957–69, and again in 1973–74 and after 1978. Accordingly, the trust fund remains more or less stable at about $22 billion during 1955–62 (since interest income offsets the excess of disbursements over contribution income).

Although there is a wide spread in the ultimate estimated trust fund, the range of the estimates offers a reasonable guide to action on the part of your committee. The trust fund, it will be remembered, is a cumulative item and thus tends over the course of years to move relatively rapidly in one direction or the other under the necessary assumption that the provisions of the law remain unchanged despite the experience developing as either "low cost" or "high cost." From table 4, it will be noted that the cost as a percentage of payroll—the best measure of cost—has a range from the low-cost estimate to the high-cost one of only about 10 percent relatively in the early years of operation and about 50 percent ultimately.

These results as to the progress of the trust fund under the two estimates are consistent and reasonable, since the system on an intermediate-cost estimate basis is intended to be approximately self-supporting. Accordingly, in most instances a low-cost estimate should show that the system is more than self-supporting, whereas a high-cost estimate should show that a deficiency would eventually arise. In actual practice, under the philosophy in the 1950 and 1952 acts as set forth in the committee reports therefor, assuming no change in benefit provisions, the tax schedule would be adjusted in future years so that neither of the developments of the trust fund shown in table 5 would ever eventuate. Thus, if experience followed the low-cost estimate, the contribution rates would probably be adjusted downward, or perhaps would not be increased in future years according to schedule. On the other hand, if the experience followed

the high-cost estimate, the contribution rates would have to be raised above those scheduled. At any rate, the high-cost estimate in table 5 does indicate that under the tax schedule adopted, there would be ample funds to meet benefit disbursements for several decades, even under relatively high-cost experience. In any event, if a deficiency arises in the financing of the system some years hence, or if subsequent experience and actuarial estimates indicate the imminence of a deficiency, your committee believes that this can readily and safely be handled by a future Congress when the occasion arises.

D. Results of intermediate-cost estimate

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

The Congress, in enacting the 1950 and 1952 acts, was of the belief that the old-age and survivors insurance program should be on a completely self-supporting basis. This belief is reiterated in this report. Your committee, however, does not believe that it is necessary at this time to provide for an exact, or even approximate, long-range balance of income and disbursements based on actuarial cost estimates which necessarily cannot be exact predictions. A single estimate is valuable in considering how closely the long-range balance may approximate exact mathematical self-support.

The tax schedule in the 1950 act (left unchanged in the 1952 act) and that in both the House-approved and committee-approved bills are as follows:

Calendar year	1950 act			Committee-approved bill [1]		
	Employee	Employer	Self-employed	Employee	Employer	Self-employed
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
1951–53	1½	1½	2¼	1½	1½	2¼
1954–59	2	2	3	2	2	3
1960–64	2½	2½	3¾	2½	2½	3¾
1965–69	3	3	4½	3	3	4½
1970–74	3¼	3¼	4⅞	3½	3½	5¼
1975 and after	3¼	3¼	4⅞	4	4	6

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

[In percent]

Level-premium equivalent	Present law	House-approved bill	Committee-approved bill
Benefit costs [1]	6.62	7.34	7.65
Contributions	6.05	7.12	7.12
Net difference	.57	.22	.53

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

The 1½-percent increase in the ultimate combined employer-employee rate in the committee-approved bill (and also in the House-approved bill) represents an equivalent level increase of slightly over 1 percent. This higher amount meets the increased cost of the benefits of the committee-approved bill, although it does not appreciably reduce the currently estimated actuarial deficiency of the present system.

Table 7 shows the year-by-year cost of the benefit payments according to the intermediate-cost estimate for the present act and for the House-approved and committee-approved bills. These figures are based on a future level-earnings assumption and do not consider business cycles (booms and depressions), which over a long period of years tend to average out. The benefit disbursements under the committee-approved bill for 1955 are estimated at about $4.8 billion, with a range of $4.5 to $5.0 billion (as contrasted with contribution income of about $5.9 billion). The dollar amount of the increased cost in 1955 of the committee-approved bill over the present act is about $700 million. The cost as a percentage of payroll is about the same because of the higher payroll in the bill due to the extended coverage. The dollar amount of the increased benefit cost in 1955 for the committee-approved bill as compared with the House-approved bill is about $150 million. In subsequent years, the benefit cost of the committee-approved bill as a percentage of payroll increasingly exceeds the cost of present law, with such excess being about 1 percent after 1970.

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

Table 9 shows the estimated operation of the trust fund under the committee-approved bill according to the intermediate-cost estimate (using a 2.4 percent interest rate) and is comparable with table 5 of the previous section. According to this estimate, contribution income generally exceeds benefit disbursements for the next 25 to 30 years, although in 1958–59, 1962–64, and 1968–69 (the years preceding the next three scheduled increases in the contribution rates), there is an excess of benefit outgo over contribution income. This difference is in most instances more than counterbalanced by interest income so that the fund is estimated to grow more or less steadily until reaching a maximum of $53 billion in 1988 and then to decrease. During the next decade, according to this estimate the fund levels off at about $24 billion in 1957–59, increases slightly in 1960–61 (when the next increase in the contribution schedule is effective), and then is again relatively level at somewhat over $25 billion in 1961–64. The decline in the long-distant future indicates that under the committee-approved bill the proposed tax schedule is not self-supporting under the intermediate-cost estimate with a level-earnings assumption, but as indicated previously, the intermediate-cost estimate may not represent the most probable estimate of what future experience will be. Your committee believes that any lack of self-support or any deficiency showing up in the long-distant future can be acted upon by subsequent Congresses.

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

ACTUAL DATA [1]

[In percent]

Calendar year	Monthly benefits						Lump-sum death payments	Disability freeze [3]	Total benefits
	Old-age	Wife's [2]	Widow's [2]	Parent's	Mother's	Child's			
1951	0.99	0.15	0.14	0.01	0.07	0.24	0.05	.....	1.65
1952	1.11	.17	.16	.01	.08	.26	.05	.....	1.83
1953	1.50	.22	.20	.01	.09	.30	.07	.....	2.39
LOW-COST ASSUMPTIONS									
1960	2.74	0.35	0.55	0.01	0.17	0.43	0.11	0.04	4.40
1970	3.60	.40	.99	.01	.17	.40	.13	.06	5.74
1980	4.56	.43	1.23	.01	.16	.37	.14	.07	6.97
1990	5.17	.43	1.31	.01	.15	.36	.15	.08	7.66
2000	4.98	.41	1.22	.01	.15	.35	.15	.07	7.34
2020	5.66	.45	1.17	.01	.14	.35	.15	.08	8.02
Level premium: [4]									
2¾ percent interest	4.56	.42	1.07	.01	.15	.36	.14	.07	6.77
2½ percent interest	4.46	.42	1.05	.01	.15	.36	.14	.06	6.65
HIGH-COST ASSUMPTIONS									
1960	3.20	0.40	0.58	0.01	0.20	0.44	0.11	0.05	4.99
1970	4.23	.46	1.05	.02	.20	.39	.13	.06	6.54
1980	5.45	.48	1.32	.02	.18	.35	.14	.08	8.03
1990	6.67	.49	1.42	.02	.17	.33	.16	.09	9.35
2000	6.97	.50	1.35	.02	.16	.30	.16	.09	9.54
2020	9.33	.65	1.49	.02	.15	.30	.20	.12	12.26
Level-premium: [4]									
2¾-percent interest	6.25	.52	1.22	.02	.17	.39	.16	.08	8.75
2½-percent interest	6.03	.51	1.19	.02	.17	.34	.15	.08	8.49

[1] Excluding effect of railroad coverage under financial interchange provisions.

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

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

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

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

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

[In millions]

ACTUAL DATA

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
1953 [1]	$3,945	$3,006	$88	$414	$18,707
1953 [2]	4,100	3,207	91	425	19,166
LOW-COST ESTIMATE					
1954	$5,243	$3,550	$88	$469	$21,240
1955	5,939	4,543	97	525	23,064
1960	7,528	6,978	111	636	27,357
1970	12,047	10,324	138	919	39,985
1980	15,538	13,839	166	1,640	70,741
1990	16,975	16,621	192	2,296	98,034
2000	18,883	17,706	209	3,023	129,448
2020	22,255	22,808	258	5,519	235,078
HIGH-COST ESTIMATE					
1954	$5,077	$3,715	$95	$465	$20,898
1955	5,906	5,016	114	511	22,185
1960	7,456	7,845	146	527	22,204
1970	11,919	11,636	186	443	18,933
1980	15,127	15,525	225	554	23,326
1990	15,896	18,992	262	180	5,995
2000	16,966	20,691	284	[3]	[3]
2020	17,579	27,536	347		

[1] Excluding effect of railroad coverage under financial interchange provisions.
[2] Including effect of railroad coverage under financial interchange provisions (as is also the case for future estimates shown below).
[3] Fund exhausted in 1922.

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

TABLE 6.—*Changes in estimated level-premium costs of benefit payments as percentage of payroll, by type of change, House-approved bill and committee-approved bill, intermediate-cost estimate, high-employment assumptions*

Item	Level-premium cost	
	House-approved bill	Committee-approved bill
Cost of present act: [1]	*Percent*	*Percent*
1952 estimate, 2¼ percent interest	6.00	6.00
Current estimate, 2¼ percent interest	6.74	6.74
Current estimate, 2.4 percent interest	6.62	6.62
Effect of proposed changes:		
Extension of coverage	−.18	−.13
Raising earnings base to $4,200	−.15	−.15
Increase in benefits [2]	+.82	+.83
Liberalization of retirement test	+.03	+.30
Elimination of lowest years of earnings	+.13	+.11
"Disability freeze" provision	+.07	+.07
Cost of bill, [1] 2.4 percent interest	7.34	7.65

[1] Including adjustments (*a*) to reflect lower contribution rate for self-employed compared with employer-employee rate; (*b*) for existing trust fund; and (*c*) for administrative expenses.
[2] Primarily reflects effect of new benefit formula and conversion table, but also includes effect of revised minimum and maximum benefit provisions and the minor changes in insured status provisions (and in House-approved bill, change in lump-sum death payment provisions).

TABLE 7.—*Estimated cost of benefit payments under present law and under House-approved and committee-approved bills, intermediate-cost estimate, high-employment assumptions*

Calendar year	Amount (in millions)			In percent of payroll		
	Present law	House-approved bill	Committee-approved bill	Present law	House-approved bill	Committee-approved bill
				Percent	*Percent*	*Percent*
1955	$4,075	$4,630	$4,779	3.05	2.85	3.15
1960	5,716	7,266	7,406	4.10	4.29	4.69
1970	8,318	11,031	10,982	5.26	5.75	6.14
1980	11,116	14,861	14,681	6.40	7.07	7.49
2000	14,812	19,444	19,200	7.30	7.91	8.38
2020	19,475	25,166	25,173	8.63	9.22	9.89
Level-premium: [1]						
2¼ percent interest				6.69	7.22	7.69
2.4 percent interest				6.60	7.12	7.58
2½ percent interest				6.54	7.05	7.51

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

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

[In percent]

Calendar year	Monthly benefits						Lump-sum death payments	Disability freeze [2]	Total benefits
	Old-age	Wife's	Widow's [1]	Parent's	Mother's	Child's			
1960	2.97	0.37	0.56	0.01	0.18	0.43	0.11	0.05	4.69
1970	3.91	.44	1.02	.01	.18	.39	.13	.06	6.14
1980	5.00	.46	1.27	.01	.17	.36	.14	.07	7.49
1990	5.90	.46	1.36	.02	.16	.35	.15	.08	8.48
2000	5.92	.45	1.28	.02	.15	.32	.15	.08	8.38
2020	7.28	.51	1.31	.01	.15	.33	.17	.10	9.89
Level-premium: [3]									
2¼-percent interest	5.34	.47	1.14	.01	.16	.35	.15	.07	7.69
2½-percent interest	5.20	.46	1.11	.01	.16	.35	.14	.07	7.51

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

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

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

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

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

ACTUAL DATA

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
1953 [1]	$3,945	$3,006	$88	$414	$18,707
1953 [2]	4,100	3,207	91	425	19,166
INTERMEDIATE-COST ESTIMATE					
1954	$5,160	$3,633	$91	$467	$21,069
1955	5,922	4,779	105	518	22,624
1960	7,492	7,406	128	582	24,780
1965	9,580	9,266	146	604	25,848
1970	11,142	10,982	162	681	29,459
1975	14,191	12,790	178	850	37,020
1980	15,332	14,681	196	1,097	47,034
1990	16,436	17,809	227	1,238	52,014
2000	17,924	19,200	246	1,115	46,804
2020	19,917	25,173	302	382	13,533

[1] Excluding effect of railroad coverage under financial interchange provisions.
[2] Including effect of railroad coverage under financial interchange provisions (as is also the case for future estimates shown below).

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

XII. PUBLIC ASSISTANCE

The bill extends through September 30, 1956, the provisions of the 1952 amendments (presently scheduled to expire on September 30, 1954) with respect to Federal payments to States for public-assistance programs. Until that date, the Federal share in old-age assistance, aid to the blind, and aid to the permanently and totally disabled will continue to be four-fifths of the first $25 of a State's average monthly payment per recipient, plus one-half of the remainder, within individual maximums of $55. For aid to dependent children the Federal share will be four-fifths of the first $15 of a State's average monthly payment per recipient, plus one-half of the remainder within individual maximums of $30 for the adult, $30 for the first child, and $21 for each additional child in a family. This action is taken pending possible consideration of basic amendments in the Federal matching formulas. The cost of continuing such increased Federal payments is about $400 million for the 24-month period. The House bill would have extended the provisions in the 1952 amendments through September 30, 1955.

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

SECTION-BY-SECTION ANALYSIS

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

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

Extension of Coverage

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

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

Domestic service

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

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

Service not in course of employer's business

Section 101 (a) (2) of the bill, which is the same as in the House-approved bill, amends section 209 (g) of the Social Security Act by adding a new paragraph (3). This paragraph relates to cash remuneration received for service not in the course of the employer's trade or business and should be considered together with the repeal of section 210 (a) (3) of the Social Security Act which would be accomplished by section 101 (a) (5) of the bill. Section 210 (a) (3) of the act now excludes, from employment covered by it, service not in the course of the employer's trade or business performed by an employee in a calendar quarter unless the cash remuneration paid by the employer for such service in that quarter is $50 or more and the service is performed by an individual on at least 24 days in that quarter or the

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

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

Agricultural labor

Section 101 (a) (3) of the bill amends section 209 (h) of the Social Security Act by inserting a new paragraph (2) (the existing provisions of section 209 (h) becoming paragraph (1) thereof). The new paragraph would exclude from wages, for purposes of old-age and survivors insurance, cash remuneration paid by an employer to an employee in any calendar quarter for agricultural labor unless such remuneration is $50 or more. This amendment should be considered with the amendment to paragraph (1) of section 210 (a) of the Social Security Act which would be effected by section 101 (a) (4) of the bill.

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

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

The main effects of the amendments made by paragraphs (3) and (4) of section 101 (a) of the bill are to eliminate the present "regularly employed" test as a requirement for the coverage of an individual's agricultural labor under old-age and survivors insurance.

The provision differs from that in the House-approved bill in that the House-approved bill places the coverage test for agricultural labor on a calendar-year basis, instead of on a calendar-quarter basis as at present and as proposed by the bill here reported. The bill as passed by the House made coverage of an individual's agricultural labor depend solely on the payment to him of cash remuneration of $200 or more in a calendar year by the same employer for such labor.

At the present time, services performed in connection with the ginning of cotton and services performed in connection with the production or harvesting of crude gum (oleoresin) from a living tree or the processing of such crude gum into gum spirits of turpentine and gum resin, if such processing is carried on by the original producer of the crude gum, are excluded from coverage under old-age and survivors insurance (sec. 210 (a) (1) (B) of the Social Security Act). Also, these services may not be counted in determining whether an individual meets the 60-day-$50 test in connection with other agricultural labor, discussed above, although it may be counted for purposes of a "qualifying quarter." The amendment to section 210 (a) (1) of the Social Security Act would remove the specific exclusion of services performed in connection with the ginning of cotton and would have the effect of covering such services under old-age and survivors insurance on the same basis as other agricultural labor. The bill would retain the employment exclusion in present law of services performed in connection with the production, harvesting or processing of crude gum (oleoresin) mentioned above (this is expressed in the law as service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act); these services, therefore, would not be covered under the old-age and survivors insurance program. The bill as passed by the House covered both these types of services under old-age and survivors insurance.

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

Redesignation of paragraphs of section 210 (a)

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

Exclusion of agricultural labor from State coverage agreements

Under section 218 (c) (5) of the Social Security Act, an agreement with a State for covering State and local employees under old-age and survivors insurance may, at the option of the State, exclude agricultural labor or service performed by a student, but only in the case of "service which is excluded from employment by any provision of section 210 (a) other than paragraph (8) of such section." Since, under the bill, agricultural labor (other than contract labor under title V of the Agricultural Act of 1949 and work in connection with the production or harvesting of crude gum (oleoresin)) would no longer be excluded from employment and there would be substituted in the definition of "wages" the $50 cash wage requirement, a conforming change is necessary in section 218 (c) (5). Paragraph (6) of section 101 (a) of the bill, which is the same as section 101 (a) (6) of the House bill, would make this conforming change.

AMERICAN CITIZENS EMPLOYED BY AMERICAN EMPLOYERS ON FOREIGN-FLAG VESSELS

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

CERTAIN FEDERAL EMPLOYEES

Section 101 (c) of the bill as passed by the House extended coverage to most service, now excluded, performed by employees of Federal instrumentalities who are not covered by a retirement system established by a law of the United States or by an instrumentality of the United States, including service performed by temporary employees in the field service of the Post Office Department, by temporary census-taking employees of the Bureau of the Census, civilian employees of Coast Guard exchanges and other Coast Guard activities, Federal employees who are paid on a contract or fee basis and certain other groups. It also extended coverage to service performed by two groups of employees who are under other Federal retirement systems: employees of Federal home loan banks and individuals covered under the retirement system of the Tennessee Valley Authority. These

provisions of the bill as passed by the House have been deleted by your committee. Therefore, all of these employees, excluded from coverage under present law, would continue to be excluded.

MINISTERS

Section 101 (c) (1) of the bill amends paragraph (2) of section 211 (c) of the Social Security Act to permit the performance of service as an employee by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry, or by a member of a religious order in the exercise of duties required by such order, to be regarded as a trade or business for purposes of covering income derived from such service as "self-employment income" under title II of the Social Security Act. Such service, as well as almost all other service performed as an employee, is excluded under present law from the definition of "trade or business" for purposes of self-employment coverage.

Paragraph (2) of section 101 (c) of the bill further amends section 211 (c) of the Social Security Act by adding a provision that the exclusion in the present law from the definition of "trade or business" of the performance of service by a minister in the exercise of his ministry or by a member of a religious order in the exercise of duties required by the order shall not be effective (except for a member of a religious order who has taken a vow of poverty as a member of such order) during the period for which there is in effect a certificate, filed by the minister or member of a religious order, electing to have the performance of such services covered as a trade or business. (The conditions covering the filing of such certificates are contained in the Internal Revenue Code and are explained in the portion of this analysis applying to amendments in section 201 (c) of the bill.) The effect of these amendments is to permit both employed and self-employed ministers and members of religious orders (other than those who have taken a vow of poverty) to elect voluntarily to be covered under old-age and survivors insurance as self-employed.

These provisions replace the provisions in the House-approved bill which would permit ministers and members of religious orders employed by nonprofit organizations to be covered by the organizations and those which would cover self-employed ministers and members of religious orders, and those employed by any employer other than a nonprofit organization, on a compulsory basis.

FISHING AND RELATED SERVICE

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

HOMEWORKERS

Section 210 (k) (3) (C) of the Social Security Act now includes as an employee, for purposes of employment covered by old-age and survivors insurance, any individual performing services for remunera-

tion for any person as a homeworker, according to specifications and on materials furnished by such person, which materials are to be returned to him or his designee, but only if the performance of such services is subject to State licensing laws. (Under section 209(j), which would not be changed by the bill, the remuneration for homework in any quarter is not counted unless the employee received $50 or more in cash in such quarter from the same employer for such work.) Section 101 (e) of the bill, which is the same as section 101 (f) of the House passed bill, would amend section 210 (k) (3) (C) of the act so as to eliminate the requirement that the services be subject to State licensing laws in order to constitute covered employment.

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

COAL ROYALTIES

Section 101 (f) of the committee-approved bill, which is the same as section 101 (g) (3) of the House bill, would amend the present section 211 (a) (4) of the Social Security Act so as to exclude from "net earnings from self-employment" the gain or loss derived from coal royalties under certain conditions. This is a technical amendment needed to bring this definition in title II of the Social Security Act into line with the definition of the term in the Internal Revenue Code. Section 325 (d) of the Revenue Act of 1951 amended section 481 (a) (4) of the Internal Revenue Code of 1939 (relating to the old-age and survivors insurance tax on self-employment income) but failed to amend the corresponding provision in the present section 211 (a) (4) of the Social Security Act.

FARM OPERATORS AND SELF-EMPLOYED PROFESSIONALS

Section 101 (g) of the House bill would have extended coverage to self-employed farm operators with annual net earnings of $400 or more from self-employment. It would also have extended coverage to all professional self-employed, except physicians, on the same basis as nonprofessional self-employed are now covered. The committee-approved bill deletes this provision of the House bill, thereby continuing the present exclusion of these groups.

This section of the House bill also provided that rentals paid in crop shares should not be included in determining "net earnings from self-employment." With the deletion of coverage of farm operators, this provision becomes unnecessary and is deleted in the committee-approved bill.

EMPLOYEES COVERED BY STATE OR LOCAL RETIREMENT SYSTEMS

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

Paragraph (1) (A) of subsection (g) amends the heading of section 218 (d) (which now reads "Exclusion of Positions Covered by Retirement Systems") by striking out "Exclusion of". It also redesignates the present subsection (d) as paragraph (1) of subsection (d), and amends the new paragraph (1) by making an exception to the general provision, contained in the paragraph, which prohibits old-age and survivors insurance coverage, under any agreement, of employees in positions covered by State or local retirement systems on the date when the agreement is made applicable to their coverage group. As a result of this exception, the prohibition will not apply to employees in positions (other than a policeman's or fireman's position) which were covered by a retirement system on the date an agreement was made applicable to the coverage group which included employees in such positions if, on that date (or, in any given case, on such later date as the employee first occupies such a position) the individual in the position is ineligible for membership in the system.

Subparagraph (B) of subsection (g) (1) would add to the prohibition against coverage of employees under a retirement system on the date their coverage group is covered a prohibition against old-age and survivors insurance coverage of employees in positions covered by retirement systems on the date of the enactment of the new paragraph (2) of the subsection. This change, taken in conjunction with the new provisions added by the bill (as described below), would have the general effect of providing that individuals in positions subject to a State or local retirement system either on the date of the enactment of the bill or on the date the agreement is made applicable to their coverage group could be covered under the agreement only if the members of the system vote in favor of coverage.

This prohibition of coverage of service in positions covered by retirement systems on the date specified would not apply, however, to service in policemen's and firemen's positions; individuals in such positions could still be brought under an agreement if the positions were no longer under a retirement system on the date when the agreement was made applicable to the coverage group which included employees in such positions, even if the positions were under a retirement system on the date of the enactment of the new provisions. Similarly, the prohibition does not apply to service in positions which, though covered by a retirement system on the enactment date, were, by reason of action taken prior to the enactment date by the appropriate governmental unit, no longer covered by a retirement system when the coverage group which included employees in such positions was brought under an agreement.

In the bill as passed by the House, subparagraphs (A) and (B) were both part of one paragraph with a single effective date (January 1, 1955) applicable to both parts. The material in subparagraph (B) has been separated from the rest of the material in paragraph (1), without any substantive change being made, in order to make its provisions effective immediately, as was undoubtedly intended in the House bill.

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

The new paragraph (2) of section 218 (d) contains a statement that it is the policy of the Congress, in enacting the new provisions permitting the coverage under old-age and survivors insurance of em-

ployees under a State or local retirement system, that the protection afforded employees in positions covered under a retirement system on the date a coverage agreement is made applicable to service in such positions, or receiving periodic benefits under the retirement system at that time, will not be impaired as a result of their coverage under old-age and survivors insurance or as a result of legislative enactment in anticipation of such coverage.

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

A. A referendum by secret written ballot was held on the question of whether service in positions covered by the retirement system should be included under an agreement;

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

C. Not less than 90 ("Ninety" in the House bill) days' notice of the referendum was given to all such employees;

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

E. A majority of the eligible employees voted in favor of including service in such positions under an agreement under section 218.

(The House-approved bill required that a majority of the eligible employees vote in the referendum and that two-thirds or more of the employees who vote in the referendum vote in favor of coverage.)

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

No referendum would be valid for the purposes of paragraph (3) unless held within the 2-year period which ends on the date of execution of the agreement (or modification thereof) which extends coverage to the retirement system involved; nor would any referendum be valid if held less than 1 year after the last previous referendum with respect to the same retirement system ("less than 1 year after any prior referendum" in the House bill—this is a purely drafting change).

The new paragraph (4) of section 218 (d) of the Social Security Act establishes, for purposes of the existing section 218 (c), a separate

coverage group consisting of all three of the following categories of employees:

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

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

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

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

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

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

The new paragraph (6) provides that a retirement system which covers positions of employees of the State and positions of employees of one or more political subdivisions thereof, or covers positions of employees of two or more political subdivisions of the State, may be deemed, at the option of the State, to constitute a separate retirement system with respect to any one or more of the political subdivisions concerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State, or with respect to the State and any one or more of the political subdivisions concerned. The members of each such group deemed to be a separate retirement system would vote in a separate referendum and would be covered or excluded as a single group. The House-approved bill contained a similar provision which allowed the State two alternatives with respect to a statewide system: The system could be treated either as a single system or as a separate system for each governmental unit concerned. Under these alternatives a State, in order to permit separate treatment of any one governmental unit, or any one type of governmental unit, under a statewide retirement system, would be required to hold a separate referendum for each unit, no matter how small the units or how numerous. It would not be possible, for example, to group participating governmental units according to size, geographical location, or type of personnel covered by the retirement system. The committee-approved bill would give the State greater latitude in deciding how the members of a retirement system should be grouped for purposes of the referendum and subsequent coverage.

The new paragraph (6) also provides that if a retirement system covers positions of employees of one or more institutions of higher learning there shall be deemed to be a separate retirement system for the employees of each such institution of higher learning. (The term "institutions of higher learning" is defined to include junior colleges and teachers' colleges.) This provision takes into account the fact that employees of such institutions are, in many instances, covered by a retirement system which also covers elementary and secondary schoolteachers. Your committee believes that an institution of higher learning is a sufficiently distinct unit to warrant special consideration and is generally a sufficiently composite unit to minimize any danger that covering the institution's employees as a separate group would subject the old-age and survivors insurance program to adverse selection of risks. The House-approved bill makes no specific provision for employees of institutions of higher learning and would not, in general, enable these employees to act independently to secure old-age and survivors insurance coverage.

Paragraph (3) of section 101 (g) of the committee-approved bill amends section 218 (c) (3) of the Social Security Act, which provides that an agreement shall, at the request of the State, exclude certain specifically designated positions. The amendment adds another such

optional exclusion. This new provision permits a State to exclude from coverage under an agreement all services performed by individuals as members of any coverage group who are in positions covered by a retirement system on the date when the group is brought under the agreement if these individuals are not eligible to become members of the system on that date (or on any later date when they first occupy the positions) and if they have not already been included under the agreement by means of a referendum. This optional exclusion does not apply, however, in the event that the coverage group brought under the agreement consists of the retirement system covering the positions of these ineligible employees; under paragraph (5) (B) of the new section 218 (d) they would have to be brought under the agreement. This paragraph is the same as paragraph (3) of section 101 (h) of the House bill.

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

Paragraph (5) of section 101 (g) amends section 218 (c) of the Social Security Act by adding to it a new paragraph (7). The new paragraph provides that, in order to bring under an agreement individuals in positions covered by a retirement system but not eligible for membership in the system, the State must make a choice. It must either agree that all such ineligible individuals in a single coverage group who later become eligible for membership in the retirement system will continue to be included under the agreement for old-age and survivors insurance, or it must agree that all such individuals in the group who later become eligible will cease to be included under the agreement. If, however, the agreement had been made applicable to the retirement system in the meantime, all such individuals would have to remain under the agreement when they became eligible for membership in the system. This paragraph is the same as paragraph (5) of section 101 (h) of the House bill.

Paragraph (6) of section 101 (g) of the bill (which is the same as par. (6) of sec. 101 (h) of the House bill) amends section 218 (f) of the Social Security Act, which relates to the effective dates of agreements and modifications thereof. Under the existing language agreements or modifications executed prior to January 1, 1954, could be made effective retroactively to January 1, 1951, thus enabling the States to negotiate agreements in the early days of the provisions relating to coverage of State and local employees without unduly penalizing the employees under the eligibility and benefit-computation provisions of old-age and survivors insurance because of unavoidable delay in this process. In the case of agreements or modifications executed after December 31, 1953, the coverage provided thereby may be made retroactive only to the beginning of the calendar year in which the

agreement or modification is consummated. This provision would be modified by the bill to permit agreements or modifications entered into during 1955, 1956, and 1957 to be made retroactive to January 1, 1955. This will give the States 3 years within which to enact any legislation necessary to enable them to enter into agreements or modifications of agreements designed to take advantage of the new provisions of section 218 (d) of the Social Security Act which have been added by the bill.

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

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

Paragraph (8) of section 101 (g) (the same as par. (8) of sec. 101 (h) of the House bill) adds to section 218 of the act a new subsection (n), which provides that an agreement may, prior to January 1, 1958, be modified so as to apply to services performed by employees, as members of any coverage group to which the agreement already applies, in positions which were covered by a retirement system on the date the agreement was made applicable to the coverage group but which, by reason of action taken prior to the date of enactment of the bill, are no longer covered by a retirement system on the date when the agreement is made applicable to such services. The employees referred to are those who, after their coverage group was included under an agreement, had their retirement system dissolved or their positions removed from the coverage of a retirement system by reason of action taken by the State or political subdivision thereof prior to the date of enactment of the bill. A referendum would not be required for covering these employees.

The amendments to section 218 of the Social Security Act made by section 101 (g) of the bill would become effective January 1, 1955, except that made by paragraph (1) (B), which would be effective with enactment of the bill. Paragraph (1) (B) would make it impossible for retirement system members (except a person in a policeman's or fireman's position) to be covered without a referendum by dissolving the retirement system.

CIVILIAN EMPLOYEES OF STATE NATIONAL GUARD UNITS AND CERTAIN STATE INSPECTORS

Paragraph (1) of section 101 (h) of the bill amends paragraph (5) of section 218 (b) of the Social Security Act (which defines "coverage group") by adding a new provision. This provision would establish as a separate coverage group civilian employees of State National

Guard units who are employed pursuant to section 90 of the National Defense Act of June 3, 1916 (32 U. S. C., sec. 42), and paid from funds allotted to such units by the Department of Defense. These employees would also be deemed to be employees of the State. The Department of Defense does not regard these employees as Federal employees and has made provision for the payment of the employer's share of the old-age and survivors insurance taxes where the State is willing to cover the employees under its agreement. This amendment would be effective as of January 1, 1951.

Paragraph (2) of section 101 (h) further amends paragraph (5) of section 218 (b) of the Social Security Act by adding a provision which permits the State to deem certain inspectors of agricultural products to be State employees and establishes these persons as a separate coverage group. The inspectors specified in the provision are those employed pursuant to an agreement entered into pursuant to section 205 of the Agricultural Marketing Act of 1946 (7 U. S. C. 1624) or section 14 of the Perishable Commodities Act, 1930 (7 U. S. C. 499n) between a State and the United States Department of Agriculture to perform services as inspectors of agricultural products. It is desirable to facilitate coverage of these employees because they generally work in several different States during the course of the year. Some States, however, do not wish to cover State employees generally and, under present law, cannot cover the inspectors without covering other State employees. This amendment would permit a State to cover inspectors of agricultural products even though other State employees were not covered. This amendment would be effective January 1, 1955.

Paragraph (3) of section 101 (h) provides that, notwithstanding section 218 (f) of the Social Security Act, any agreement or modification covering the services performed by members of the coverage group which consists of the civilian employees of State National Guard units referred to in the amendment made by paragraph (1) may have an effective date as early as December 31, 1950, provided the modification or agreement is agreed to prior to January 1, 1956.

Paragraphs (1) and (3) of section 101 (h) of the bill are the same as paragraphs (1) and (2) of section 101 (i) of the House-approved bill. That bill contained no provision comparable to paragraph (2) of section 101 (h) of the committee-approved bill.

CERTAIN EMPLOYEES OF THE STATE OF UTAH

Section 101 (i) of the bill adds a new subsection (o) to section 218 of the Social Security Act. The new subsection (o) would establish as separate coverage groups, and would permit coverage of, the employees of each of the following groups of educational employees in the State of Utah: Weber Junior College, Carbon Junior College, Dixie Junior College, Central Utah Vocational School, Salt Lake Area Vocational School, Center for the Adult Blind, Union High School (Roosevelt, Utah), Utah High School Activities Association, State Industrial School, State Training School, State Board of Education, and Utah School Employees Retirement Board.

The employees of each one of the aforementioned institutions, organizations, or units would constitute a separate coverage group for purposes of section 218. The State could, therefore, as is true with

other coverage groups under the existing law, cover any one or more of these coverage groups under its agreement. However, if Utah wished to cover any of the employees in a particular one of these groups, then, as is also true under existing law for other coverage groups, all of them (other than part-time and similar optionally excludable classes) would have to be covered.

This amendment would be effective as of January 1, 1951. Any of these groups, if a modification of an agreement to cover them is agreed to prior to January 1, 1955, could be covered retroactively to January 1, 1951, the beginning date of coverage for the majority of the other educational employees in the State.

The employees listed cannot be brought under the Utah old-age and survivors insurance agreement under present law, even though their retirement system was dissolved to make the employees eligible for old-age and survivors insurance coverage, because they were in positions covered by a retirement system on the date the agreement was made applicable to the coverage group of State employees. They now have only the protection of a supplemental State retirement system established after other educational employees had been brought under old-age and survivors insurance. The new section 218 (o) would enable the State to afford these groups of State educational employees the same combination of old-age and survivors insurance and a supplemental retirement system as is afforded other educational employees in the State. The House-approved bill contains no comparable provision.

PRESUMED WORK DEDUCTIONS IN CASE OF CERTAIN RETROACTIVE STATE AGREEMENTS

Section 101 (j) (1) of the bill establishes a presumption that work deductions have been made from the benefits of certain State and local employees whose services prior to 1955 were covered retroactively by a State under an agreement entered into under section 218 of the Social Security Act. Under the law and regulations applicable to services performed before 1955, any employees performing services covered retroactively, who were, at the time of the performance of the services, entitled to benefits under old-age and survivors insurance do not suffer deductions under section 203 (b) (1) or (2) of the Social Security Act, even though the remuneration for such services exceeds the amount permitted under such section. In some cases this prevents an employee whose services are thus covered retroactively from qualifying for a recomputation of his benefit amount since under present law a recomputation is authorized only if the primary beneficiary has had deductions from benefits on account of services performed during 12 months out of a period of 36 months.

This section of the bill establishes a presumption that such deductions have been made if they would have been imposed under section 203 (b) of the Social Security Act had the agreement been entered into on its effective date. Such a presumption would be made, however, only for purposes of determining whether any person is entitled to a recomputation of the primary insurance amount of the individual who performed the services covered retroactively by the State agreement. A retired worker to whom this provision is applicable, or in the case of his death, his survivors entitled to monthly benefits,

would be entitled to a recomputation of his primary insurance amount under the existing section 215 (f) (2) (A) or section 215 (f) (4) (A), as the case may be, if the conditions in the applicable section are met and if, in the case of a retired worker, the individual files an application for recomputation under section 215 (f) (2) (A) after August 1954 and prior to January 1956 or, in the case of survivors of a retired worker who died prior to January 1956, if any person entitled to survivor's monthly benefits files a specific application for a recomputation under section 215 (f) (4) (A).

Paragraph (2) of section 101 (j) of the bill provides that for purposes of a recomputation made by reason of paragraph (1) of the section, the primary insurance amount of the individual who performed the services referred to in such paragraph would be computed under subsection (a) (2) of section 215 of the Social Security Act, as amended by the bill (but, for such purposes, without application of subsection (d) (4) of section 215), and as though he became entitled to old-age insurance benefits in whichever of the following months yields the highest primary insurance amount:

(A) the month following the last month for which deductions are deemed, under paragraph (1) of section 101 (j), to have been made; or

(B) the first month after the month determined under subparagraph (A) (and prior to September 1954) in which his benefits under section 202 (a) of the Social Security Act were no longer subject to deductions under section 203 (b) of the act; or

(C) the first month after the last month (and prior to September 1954) in which his benefits under section 202 (a) of the Social Security Act were subject to deductions under section 203 (b) of the act; or

(D) the month in which the individual filed his application for recomputation referred to in paragraph (1) of section 101 (j) or, if he died without filing such an application and prior to January 1, 1956, the month in which he died, and in any such case (but, if the individual is deceased, only if death occurred after August 1954) the amendments made by subsections (b) (1), (c) (1), and (c) (3) (B) of section 102 of the Social Security Act would be applicable.

The recomputation would be effective for and after the month in which the application referred to in paragraph (1) of section 101 (j) is filed. The provisions of the section would not be applicable in the case of any individual if his primary insurance amount has been recomputed under section 215 (f) (2) of the Social Security Act prior to September 1954.

Paragraph (3) of section 101 (j) of the bill provides that if any recomputation is made under section 215 (f) of the Social Security Act by reason of deductions which are presumed under paragraph (1) of section 101 (j) of the bill to have been imposed with respect to benefits based on the wages and self-employment income of any individual, the total of benefits based on such wages and self-employment income for the months for which such deductions were presumed to have been imposed is to be recovered, under paragraph (2) of the subsection, by making deductions, in addition to any others required by section 203 of the Social Security Act, from any increase in benefits based on such wages and self-employment income and resulting from such recomputation.

Section 101 (j) of the committee-approved bill is substantially the same as section 101 (j) of the House-approved bill. Your committee has included additional dates to be used as the presumed date as of which the individual became entitled to old-age insurance benefits, in order to provide more equitable results in the recomputation of benefit amounts under this provision. Other minor changes were made to clarify the method of recomputation and the application of the provisions to survivors of workers with respect to whom the deductions are presumed but who died before 1956.

SERVICE BY AMERICAN CITIZENS FOR FOREIGN SUBSIDIARY OF DOMESTIC CORPORATION

Section 101 (k) of the committee-approved bill, which is the same as that in the House-approved bill (except for changes in references to the Internal Revenue Code necessitated by the revisions in that code made by H. R. 8300) amends the introductory language of section 210 (a) of the Social Security Act to include in the definition of "employment" service performed outside of the United States by a citizen of the United States as an employee of a foreign subsidiary (as defined in the new section 3121 (l) of the Internal Revenue Code of 1954) of a domestic corporation (as determined in accordance with the provisions of sec. 7701 of the Internal Revenue Code of 1954) during any period for which there is in effect an agreement with respect to such subsidiary between the domestic corporation and the Secretary of the Treasury entered into under such section 3121 (l) of the code.

EFFECTIVE DATES

Section 101 (l) provides effective dates for the amendments made by section 101 of the bill. The exclusion of coal royalties from "net earnings from self-employment" under section 211 (a) of the Social Security Act (sec. 101 (f) of the bill) would be effective for taxable years beginning after 1950. The extension of coverage to ministers (sec. 101 (c) of the bill) would be effective, except for purposes of section 203 of the Social Security Act, for taxable years ending after 1954. The provisions relating to the coverage of agricultural labor and service not in the course of the employer's trade or business (sec. 101 (a) (2), (3), (4), (5), and (6) of the bill) would be effective with respect to remuneration paid after 1954 (in the case of the amendments to the defintion of "wages") and with respect to service for which the remuneration is paid after 1954 (in the case of the amendments to the definition of "employment"). The provisions relating to coverage of domestic service (sec. 101 (a) (1) of the bill) would be effective with respect to remuneration paid after 1954. The amendments made by the rest of section 101 of the bill (other than subsecs. (g), (h), and (i), relating to employees covered by State or local retirement systems, and subsec. (k), relating to coverage of service performed for foreign subsidiaries of domestic corporations by employees who are United States citizens), would be effective with respect to services performed after 1954.

In the case of the amendments made by section 101 (c) (extending coverage to ministers), a special provision is included for purposes of section 203 of the Social Security Act in order to avoid work deductions retroactive before 1955 where an individual is on a fiscal-year basis.

For such purposes, the extension of coverage to ministers will be effective only for net earnings from self-employment derived after 1954 (in the House bill "self-employment income" was incorrectly used in this provision).

Aside from the change from "self-employment income" to "net earnings from self-employment," the differences in this section from the bill as passed by the House are due to the changes in the coverage provisions already described above.

Increase in Benefit Amounts

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

Throughout this section of the bill, as well as in succeeding sections, the amendments have generally been made effective for months after August 1954. In the bill as passed by the House the amendments were generally effective for months after the month following enactment of the bill.

Primary insurance amount

Paragraph (1) of section 215 (a) of the act, as amended by the bill, sets forth a new benefit formula to be used in computation of the primary insurance amount of individuals who (1) have acquired at least six quarters of coverage after 1950 and either do not become eligible for old-age insurance benefits until after August 1954 or die after that month and prior to becoming eligible for old-age insurance benefits, or (2) acquire at least six quarters of coverage after June 30, 1953. The new benefit formula would be used if it resulted in a higher primary insurance amount than would result for such individual if his benefit amount were computed under the new conversion table provided in section 215 (c) as amended by the bill.

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

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

Average monthly wage

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

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

The amended paragraph (1) of section 215 (b) eliminates the distinction, in present law, between the "wage closing date" and the "self-

employment income closing date," and the provision that the individual's "divisor closing date" shall be the later of his "wage closing date" or "self-employment income closing date." An individual's average monthly wage, under the amended paragraph, would be the quotient obtained by dividing the total of his wages and self-employment income after his "starting date" and prior to his "closing date" by the number of months elapsing between those dates. Excluded from this computation would be the months in any year after an individual's starting date, but prior to the year in which he attained age 22, in which he did not have at least 2 quarters of coverage. Under present law, the months in any quarter prior to the quarter of attainment of age 22 which is not a quarter of coverage are excluded from the computation. As in present law, the minimum divisor used for the computation (including a computation made after the application of paragraph (4) of section 215 (b) when it is applicable) would be 18.

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

Paragraph (3) of section 215 (b) as amended by the bill provides that an individual's "closing date" shall be whichever of the following results in the higher primary insurance amount: (1) the first day of the year in which he died or became entitled to old-age insurance benefits, whichever first occurred; or (2) the first day of the year in which he first became eligible for old-age insurance benefits (i. e., was both fully insured and attained retirement age). In those cases where adequate evidence of earnings in the year of death or entitlement is available to the Secretary at the time of benefit computation, an alternative computation using as the closing date the first day of the year following the year of death or entitlement may be made. Where the alternative closing date would increase the individual's primary insurance amount, the higher amount would be paid at that time.

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

In the provisions amended by paragraph (2) of the bill, two technical changes have been made. First, your committee has made it clear that the minimum divisor of 18 used in computing the average monthly wage applies after the dropout of the 5 or fewer years in any case in which the provisions for a dropout of these years of low earnings are applicable. Second, the House-passed bill provided that the starting and closing dates used in the computation should be those yielding the higher "average monthly wage." Your committee has changed this to "primary insurance amount" to avoid the requirement

of using the closing date which produces a higher average monthly wage even though the use of an alternative date would produce a higher primary insurance amount and, therefore, higher benefits.

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

A technical change has been made in the amendment made by this paragraph. As passed by the House of Representatives, this amendment provided that an individual could drop 5 years from the computation of his average monthly wage only if he had at least 20 quarters of coverage prior to the closing date used in the computation of his benefit amount. The change made by your committee will avoid anomalous results in cases where an individual had more than 20 quarters of coverage but could drop only 4 years because fewer than 20 of those quarters occurred before the closing date used in the computation of his benefit.

Determinations made by use of the conversion table

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

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

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

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

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

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

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

Subparagraph (B) of the paragraph provides that when an individual's primary insurance amount (computed under the benefit formula in present law) falls between any two consecutive lines in column II of the table, the new primary insurance amount shall be computed as in subparagraph (A) in those cases where the primary insurance amount under present law can be derived from a primary insurance benefit in accordance with the applicable provisions in present law. Where it cannot be so derived, or where the primary insurance amount

derived under present law is more than $77.10, the new primary insurance amount would be derived by applying the new benefit formula in the bill to the average monthly wage from which the present primary insurance amount was determined. The resultant amount would be rounded to the next higher multiple of 10 cents if it is not already a multiple of 10 cents and would then be increased to the extent, if any, that it is less than $5 greater than the primary insurance amount computed under present law.

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

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

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

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

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

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

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

Paragraph (3) amends paragraph (4) of section 215 (d) of the Social Security Act to provide that a primary insurance benefit would not be computed in the case of any individual who attained age 22 after 1950 and with respect to whom not less than 6 of the quarters elapsing after 1950 are quarters of coverage. Such an individual is not eligible for a primary insurance benefit computation under present

law. He could still have a primary insurance amount, based on earnings after 1950, computed for purposes of the conversion table.

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

Exclusion of self-employment income in taxable year ending in or after first month of entitlement

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

Recomputation of benefits

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

Subparagraph (A) of the amended section 215 (f) (2) would provide that an old-age insurance beneficiary could have his benefit recomputed upon an application for a recomputation of his benefits filed after 1954 if (1) he had at least 6 quarters of coverage after 1950 and before the quarter in which he filed application; (2) he had covered earnings of more than $1,200 in a calendar year occurring after 1953 (not taking into account any calendar year prior to the calendar year in which the last previous computation of his primary insurance amount was effective) and after the year in which he became entitled to old-age insurance benefits or filed an effective application for a recomputation under section 102 (e) (5) (B) or 102 (f) (2) (B) of the bill (relating, respectively, to the work recomputation under present law to take into account earnings after entitlement and to the dropout

recomputation, i. e., dropping of up to 5 years of lowest earnings or no earnings, whichever of these 3 events is the latest; and (3) he filed the application for recomputation under the subparagraph no earlier than 6 months after the end of the calendar year referred to in clause (2) above. The increased benefits resulting from an effective recomputation would be payable retroactively for up to 12 months prior to the month in which the application was filed, but in no case for any month prior to the month following the calendar year referred to in clause (2), above.

This provision differs from that in the House bill in that the amount of annual earnings required before an individual can qualify for a work recomputation is increased from "not less than $1,000" to "more than $1,200", in conformity with the change made by your committee in the retirement test, described below. Your committee has also changed the provision as passed by the House to make it clear that an individual is eligible for only one work recomputation on the basis of earnings in a single year.

Subparagraph (B) provides that a recomputation under subparagraph (A) shall be made as though the individual first became entitled to old-age insurance benefits in the month in which he filed the application for such recomputation (i. e., with the use of all applicable closing and starting dates and benefit formulas), but only if the provisions of subsection (b) (4) (relating to the dropout of years of lowest or no earnings) were not applicable to the last previous computation of his primary insurance amount. If the dropout provisions were applicable to such last previous computation, the recomputation under subparagraph (A) would be made only under the new benefit formula provided in the new section 215 (a) (1) (A) of the act as amended by the bill, with the average monthly wage based on a closing date of the first day of the year in which the application was filed.

Under the provision as passed by the House, the first work recomputation to which an individual became entitled after the effective date would have permitted the use of all applicable starting and closing dates and benefit formulas, even though the "dropout" provisions had been applicable to his last previous benefit computation. A complete reopening of the benefit computation provisions in such cases imposes an unnecessary administrative burden, since no real purpose is served by applying all applicable starting and closing dates and benefit formulas after the "dropout" provisions have already been applied. In such cases, if the individual's earnings will increase his benefit amount, such increase can be effectuated through the use of the benefit formula in the new section 215 (a) (1) (A).

Paragraph (3) (A) of section 102 (e) of the bill amends section 215 (f) (3) of the act (relating to recomputation of benefits) to provide that an individual's primary insurance amount shall be recomputed to take into account earnings in the year (1) in which he became entitled to old-age-insurance benefits if he became entitled to such benefits after August 1954, or (2) had a recomputation of his benefit under section 102 (e) (5) or 102 (f) (2) (B) of the bill (relating, respectively, to certain work recomputations and the dropout recomputation, or (3) whose primary insurance amount was recomputed under the provisions of the first sentence of paragraph (2) (B) of the new section 215 (f) (relating to work recomputations for individuals who

have earnings of more than $1,200 in a year), but only if application for such recomputation was filed after the year in which he became entitled to old-age-insurance benefits, or in which he filed an effective application for the last recomputation of the type referred to above. The closing date for the recomputation provided by the new paragraph (3) (A) of section 215 (f) of the act would be the first day of the year following the year in which he became entitled to old-age-insurance benefits or filed his application for the last previous recomputation referred to above, whichever is the later. Any increase in benefit amount resulting from the recomputation would be payable retroactively to the first month for which the last previous computation of his benefit amount was effective, but in no case for more than 24 months prior to the month in which the application for this recomputation is filed.

The new paragraph (3) (B) of section 215 (f) of the act provides for a recomputation for survivors in the case of an individual who dies after August 1954, who, at the time of his death, was not entitled to an old-age insurance benefit, or who became entitled to an old-age insurance benefit after August 1954, or whose primary insurance amount was recomputed under the provisions for work or "dropout" recomputation, and whose last previous benefit computation or recomputation was made on the basis of a closing date of the first day of the year of death, entitlement, first eligibility, or application for the recomputation, whichever is applicable. His primary insurance amount would be recomputed on the filing of an application by a survivor entitled to monthly benefits or a lump-sum death payment on the basis of his wage record. The closing date for the recomputation would be the first day of the year following the year in which the individual died, or, if he was entitled to old-age insurance benefits, the year in which he filed his application for the last previous computation or recomputation of his primary insurance amount, or died, whichever first occurred. Any increase in monthly survivors' benefits resulting from the recomputation would be payable retroactively to the month in which the survivor first became entitled to such benefits but in no event for more than 24 months prior to the month the application for recomputation was filed.

The recomputation for survivors in the bill as passed by the House was limited to those cases where the individual himself would have been eligible to file an application for the recomputation in the month in which he died. This would have barred a recomputation in those cases where the individual died in the year in which he became entitled to old-age insurance benefits or filed an application for a recomputation. To avoid this anomaly, the provision was changed to make it clear that in such cases the survivors would be entitled to a recomputation.

Paragraph (3) (B) of section 102 (e) of the bill further amends section 215 (f) (3) to provide (in a new subparagraph (C)) that if an individual's closing date is the first day of the year in which he became entitled to old-age insurance benefits, and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he became entitled to old-age insurance benefits, a recomputation of the individual's primary insurance amount shall be made, after the close of the taxable year, to include in the calculation so much of the self-

employment income for such taxable year as is allocated to calendar quarters prior to the closing date. No application would be required for a recomputation under this subparagraph. The recomputed amount would be effective for and after the first month in which the individual became entitled to old-age insurance benefits.

Paragraph (4) of section 103 (e) of the bill amends paragraph (4) of section 215 (f) of the act (relating to the recomputation of the primary insurance amount of a deceased individual) to provide for recomputation of the primary insurance amount on the death after 1954 of an old-age insurance beneficiary, if any person is entitled to monthly survivors benefits or to a lump-sum death payment on the basis of his wages and self-employment income. The recomputation would be made only if the decedent (1) would have been entitled to a recomputation under subparagraph (A) of the section 215 (f) (2), as amended by this bill (relating to a work recomputation for individuals who have earnings of more than $1,200 in a year), had he filed an application therefor in the month in which he died (without regard to the provision in such subparagraph (A) which requires that the application be filed after the sixth month following the year in which the earnings of $1,200 were derived), or (2) he was paid compensation for services covered under the Railroad Retirement Act which is treated as remuneration for employment under the Social Security Act. If the recomputation is permitted by clause (1), above, the recomputation would be made as though the individual had filed an application for a work recomputation under section 215 (f) (2) (A) in the month in which he died, and would include, in addition, any railroad compensation paid prior to the applicable closing date used in the computation. If recomputation is permitted by clause (2), above, the closing date for the recomputation would be the same as that used in the last previous computation of his primary insurance amount, and would include, in addition, only railroad compensation paid prior to such closing date. If the recomputation is permitted by both clauses (1) and (2), the method giving the higher primary insurance amount would be used.

Paragraph (5) (A) of subsection (e) of section 102 of the bill provides that where an individual would have been entitled, on the filing of an application before September 1954, to a recomputation of his primary insurance amount on account of deductions from benefits or attainment of age 75 and acquisition of 6 quarters of coverage after 1950 under subparagraph (A) or (B) of section 215 (f) (2) of present law (except for the provision that such recomputation must result in a higher primary insurance amount to be effective), his primary insurance amount shall be recomputed on application by him or by a survivor filing application for monthly benefits or a lump-sum death payment on his record. In such recomputation the primary insurance amount would be determined only under the provisions of the bill relating to the conversion table through the use of the benefit formula in section 215 (a) (1) of the present law which provides for a computation on the basis of earnings after 1950. The recomputation would take into account only such earnings as would be counted, for purposes of computing the average monthly wage, as though the month of filing application for the recomputation (or, if the individual died without filing such application, the month of death) were the month in which he became entitled to old-age insurance benefits. The recomputation would be effective, in the case of old-age insurance

benefits, for and after the month in which the application for recomputation is filed, and in the case of monthly survivors' benefits, for and after the month in which the survivor became entitled to monthly benefits.

Paragraph (5) (B) of this subsection provides that an individual who is entitled on the basis of an application filed after August 1954 to a work or age 75 recomputation under subparagraph (A) or (B) of section 215 (f) (2) of present law, or who dies after August 1954 leaving any survivors entitled to a survivor's recomputation under section 215 (f) (4) of present law, and who either acquired his sixth quarter of coverage after 1950 and prior to September 1954, or first qualified for the recomputation after August 1954 (i. e., had the 12th deduction under section 203 (b) (1) or (2) of the present law or attained age 75 after that month), his primary insurance amount shall be recomputed on application by him, or in the event of his death after the effective date if a survivor is entitled to a recomputation under section 215 (f) (4) of present law. The computation of the primary insurance amount in such cases would be made under all the applicable provisions of section 215 of the law as amended by this bill, except that the closing date would be determined as though he had become entitled to benefits in the month in which he filed his application for recomputation or in the month of death. In the case of monthly benefits, the recomputation would be effective for and after the month in which the application was filed, or, if the individual died, for and after the month in which the person filing the application for survivor's benefits became entitled to such benefits.

Subparagraph (C) of paragraph (5) of section 102 (e) of the bill provides that an individual, or in case of his death, his survivors entitled to a lump-sum death payment or to monthly benefits on the basis of his wage record, shall be entitled to a work (or age 75) recomputation of his primary insurance amount under section 215 (f) (2) or section 215 (f) (4) of present law, only if (1) he had not less than 6 quarters of coverage after 1950 and prior to January 1, 1955, and (2) either the 12th qualifying deduction occurred prior to January 1, 1955, or he attained the age of 75 prior to 1955, and (3) he meets the other conditions for entitlement to such a recomputation. The subparagraph also provides that if the individual's primary insurance amount has been recomputed previously under either subparagraph (A) or (B) of section 102 (e) (5) of the bill, it shall not be recomputed again under either of these subparagraphs.

Subparagraphs (A), (B), and (C) of section 102 (e) (5) of the bill differ slightly from the House-passed bill. They have been changed to make it clear that if the old-age beneficiary dies without filing the application which would have entitled him to a recomputation thereunder, any of his survivors entitled to monthly benefits or a lump-sum payment on his record may file an application and secure the recomputation.

Special July 1, 1956 closing date

Paragraph (6) of section 102 (e) of the bill provides special starting and closing dates in the case of an individual who dies or becomes entitled to old-age insurance benefits in 1956, provided such individual had not less than 6 quarters of coverage after 1954 and prior to the quarter following the quarter in which he died or became entitled

to old-age insurance benefits, whichever first occurred. In such cases, the individual's starting date would be December 31, 1954, and his closing date would be July 1, 1956. The primary insurance amount in these cases would be computed only through the new benefit formula established by the bill. The special starting and closing dates would be used only if they would result in a higher primary insurance amount.

The determination of an individual's closing date in accordance with the above provision would be considered as a determination of his closing date under section 215 (b) (3) (A) of the act as amended by this bill (relating to the closing date of the 1st day of the year of death or entitlement to old-age insurance benefits), and the recomputation provided in section 215 (f) (3) (C) (relating to self-employment income in a taxable year which begins prior to an individual's closing date and ends after the last day of the month preceding the month in which he became entitled to benefits), would be made using the closing date of July 1, 1956, if it would result in a higher primary insurance amount.

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

The provisions of this paragraph differ from those in the bill as passed by the House, which would permit the use of the July 1, 1956, closing date in all cases of death or entitlement in 1956, so long as the individual had at least 6 quarters of coverage after 1954 and through the quarter of death or entitlement, regardless of which starting date or benefit formula was used. Your committee believes that this provision was intended to take care of those individuals newly covered in 1955, who would otherwise be disadvantaged by the use of the minimum divisor of 18 in the computation of their average monthly wage. To open this special provision, as does the House bill, to all types of benefit computations, would unnecessarily complicate the administration of the program.

Maximum family benefits

Paragraph (7) of section 103 (c) of the bill amends section 203 (a) of the Social Security Act to provide new maximum limitations on the total monthly amount of benefits payable on the basis of the wages and self-employment income of an insured individual. Whenever such total of monthly benefits is more than $50 and exceeds the larger of 80 percent of the insured individual's average monthly wage or 1½ times his primary insurance amount, such total of benefits would, after any deductions made under section 203 of the act, be reduced to the larger of 80 percent of the insured individual's average monthly wage or 1½ times his primary insurance amount, but in no case to less than $50. If any of the individuals entitled to such benefits would (but for the provisions of section 202 (k) (2) (A) of the act limiting the benefit payments of a child to the benefit payable on the record yielding the largest primary insurance amount) be entitled to benefits on the basis of the wages and self-employment income of more than one insured individual, the benefits could not be reduced to less than 80 percent of the sum of the average monthly wages of all such insured individuals. If, after reduction as provided above, the total family benefits payable exceeded $200 a month the total for the month

would be reduced to that amount. Whenever a reduction in family benefits is made under this subsection, each benefit, except the old-age insurance benefit, would be proportionately decreased.

Lag recomputation preserved for certain cases

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

Effective date

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

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

Under the provisions of subsection (f) (2) (A), the amendment made by subsection (b) (2) (providing for a dropout of up to 5 years of lowest earnings in computing benefits) becomes applicable in the case of monthly benefits for months after August 1954 and the lump-sum death payment in the case of death after August 1954 based on the earnings of an individual only in the following cases:

(1) He first becomes eligible for old-age insurance benefits (i. e., attains age 65 and is fully insured) after August 1954; or

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

(3) He is or has been entitled to have a recomputation of his primary insurance amount under section 215 (f) (2) of the act as amended by the bill (relating to work recomputations to take account of earnings after entitlement to old-age insurance benefits) or under subsection (c) (5) (B) of section 102 of the bill (relating to work recomputations of benefits under the present provisions of law in certain cases where application for the recomputation is filed after August 1954; or

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

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

(6) He dies after August 1954 and his survivors are entitled (or would be entitled except for the requirement that the recomputation result in a higher primary insurance amount) to a recomputation of his primary insurance amount under section 215 (f) (4) (A) of the act as amended by the bill.

Subsection (f) (2) (B) provides that the primary insurance amount of an individual who was entitled to old-age insurance benefits or who was 65 or over and fully insured in August 1954 and who has 6 quarters of coverage after June 1953 shall be recomputed upon his application, or if he dies without applying, upon the application of any

person entitled on his record to monthly survivors benefits. This recomputation is to be made under section 215 of the act, but without regard to the recomputation provisions in subsection (f) thereof (other than paragraph 3 (C), relating to special recomputations for certain individuals who become entitled to old-age insurance benefits prior to the close of their taxable years), except that in computing his average monthly wage his closing dates shall be the same as if he became entitled to old-age insurance benefits in the month in which he filed his application for such recomputation or in which he died. This recomputation is made effective for and after the 12th month before the month in which the application was filed, but in no case before the 1st month of the quarter in which the individual acquired his 6th quarter of coverage after June 30, 1953, or if he has died, beginning with the 1st month for which the survivor who filed the application was entitled to monthly survivors benefits. It would not be effective unless it increased the primary insurance amount or if there had been a previous recomputation under the subparagraph.

Under this subparagraph as passed by the House, the recomputation, in the case of old-age insurance benefits, was made effective with the month in which the application was filed. The change made by your committee avoids a situation in which individuals on the rolls in September 1954 would have to be notified that they must file applications for the recomputation in October or face the loss of increased benefits for 1 or more months.

Subsection (f) (3) provides that the amendments made by subsections (b) (1), (e) (1), and (e) (3) (B) of section 102 of the bill (relating to computation of the average monthly wage) shall be applicable only in the case of monthly benefits based on the wages and self-employment income of an individual who does not become entitled to old-age insurance benefits until after August 1954, or who dies after the effective date without becoming entitled to such benefits, or who files an application after August 1954 and is entitled to certain work recomputations or a dropout recomputation.

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

Subsection (f) (5) provides that the amendments made by section 102 (e) (3) (A) of the bill (relating to recomputation of benefits to take account of earnings in the year of entitlement) shall be applicable only in the case of applications for recomputation filed, or deaths occurring, after August 1954.

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

Section 102 (g) of the bill amends section 2 (c) (2) (B) of the Social Security Act amendments of 1952 (designed to facilitate the computation of benefit increases under that act for dependents and survivors on the benefit rolls), to provide that that section shall become inap-

plicable for months after August 1954. This section of the 1952 law would be made unnecessary by the amendments in this bill.

Saving provisions

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

Subsection (h) (1) provides that where an old-age insurance beneficiary and one or more dependents are receiving benefits for August 1954 on the basis of his wages and self-employment income and the total family benefits would otherwise be reduced by reason of the maximum limitation on total family benefits in section 203 (a) of the Social Security Act, as amended by the bill, the family shall be guaranteed the largest of the following total amounts: (*a*) The maximum amount permitted by such section 203 (a); or (*b*) the maximum amount permitted under present law plus the increase provided by the bill for the old-age insurance beneficiary; or (*c*) the amount being paid to the family under the saving provisions of the Social Security Act amendments of 1952 plus the increase provided by the bill for the old-age insurance beneficiary. Thus, even though the increase made in the retired worker's old-age insurance benefit resulted in a total family benefit in excess of the maximum allowable under the law, the benefits paid to his dependents would not be reduced for months subsequent to August 1954.

Subsection (h) (2) provides that where two or more individuals are receiving survivors benefits for August 1954 on the basis of a deceased individual's wages and self-employment income, and the total of their benefits would otherwise be reduced, under the provisions of section 203 (a) of the Social Security Act, as amended by the bill, to either 80 percent of the deceased individual's average monthly wage or 1½ times the individual's primary insurance amount, the average monthly wage shall be the larger of his average monthly wage as determined under the bill, or the average monthly wage as determined under present law, plus $7. The provisions of this subsection will permit the total of survivors benefits, in cases of reduction as described above, to be raised by about $5.

Minimum survivor's or dependent's benefit

Section 102 (i) of the bill amends section 202 of the Social Security Act to add a new subsection (m). The new subsection would provide that in any case in which the benefit of any individual for any month under section 202 (other than subsection (a)) is, prior to reduction under section 202 (k) (3), less than $30, and no other individual is entitled (without the application of section 202 (j) (1), making applications retroactive for up to 12 months) to a benefit under section 202 for such month, such benefit for such month shall, prior to reduction under section 202 (k) (3), be increased to $30.

Your committee has eliminated a provision in this subsection, as passed by the House, which would have limited the amount of the lump-sum death payment in any case to a maximum of $255.

AMENDMENTS RELATING TO DEDUCTIONS FROM BENEFITS

Deductions on account of work by beneficiary [1]

Section 103 (a) of the bill amends section 203 (b) of the Social Security Act (relating to deductions from benefits) to put into effect an annual retirement test for beneficiaries whether they have wage or self-employment earnings, or both, and to add a provision for making deductions on account of noncovered remunerative activity outside the United States, and to provide that deductions because of these provisions shall be made from an individual's benefits only for months in which he is under the age of 72, rather than age 75 as in present law.

Paragraph (1) of section 103 (a) strikes out paragraphs (1) and (2) of section 203 (b) (relating to deductions from benefits on account of wages and net earnings from self-employment, respectively) and replaces them with a new paragraph (1) to provide for deductions for any month in which an individual is under age 72 and is charged with any earnings under the provisions of subsection (e) of section 203 as revised by the bill.

Paragraph (2) of section 103 (a) of the bill inserts a new paragraph (2) in section 203 (b) of the law to provide that deductions from benefits shall be made for any month in which an individual is under age 72 and on 7 or more calendar days of which he engaged in noncovered remunerative activity outside the United States (defined in a new section 203 (k) of the act).

This section of the bill differs from that passed by the House in that the deductions because of work apply only to months during which the beneficiary is under age 72, rather than age 75.

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

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

(1) was under the age of 72, and for which month he was charged with any earnings for work deduction purposes under the provisions of section 203 (e) as amended by the bill; or

(2) was under the age of 72 and on 7 or more different calendar days of which he engaged in noncovered remunerative activity outside the United States.

Your committee has also changed this section from the House bill so that the deductions apply to months in which the working beneficiary is under age 72, rather than age 75.

Charging of earnings treated as event occurring in month

Section 103 (c) of the bill amends section 203 (d) of the Social Security Act to provide that the charging of earnings (rather than net earnings from self-employment only, as in present law) shall be

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

treated as an event occurring in the month to which such earnings are charged.

Months to which earnings are charged

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

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

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

(1) If an individual's earnings for a taxable year of 12 months are not more than $1,200, or if his earnings for a taxable year of less than 12 months are not more than the product of $100 times the number of months in such year, no month in the year shall be charged with any earnings.

(2) If an individual's earnings for a taxable year exceed the amounts stated in the preceding paragraph, the first $80 of excess earnings would be charged to the last month of the taxable year and the balance, if any, of such excess would be charged at the rate of $80 per month to each preceding month of the taxable year until the entire balance has been applied. However, no part of the excess earnings would be charged to any month (1) for which the individual whose earnings are involved was not entitled to a benefit; (2) in which his benefit was suspended because of noncovered remunerative activity outside the United States; (3) in which the beneficiary, if a wife or widow under retirement age or a former wife divorced, had her benefit suspended because of failure to have a child beneficiary in her care; (4) in which the individual was age 72 or over; or (5) in which the individual did not engage in self-employment and did not render services for wages (without regard to the $4,200 limitation in section 209 (a)) of more than $80.

Your committee's provision differs from the House bill by raising the exempt amount of the test from $1,000 for a full calendar year of 12 months to $1,200, with an equivalent increase for taxable years of less than 12 months. This section is also amended to reflect the deletion of section 103 (i) of the House bill, which provided for the deduction, under certain circumstances, from the benefits of dependents and survivors who reside abroad, and the change of the age above which earnings are not charged (because deductions are not imposed) from 75 to 72.

Section 103 (d) (3) amends paragraph (3) (B) of section 203 (e) of the law to provide, in addition to the present authority given the Secretary to presume that an individual has engaged in self-employment in a month, authority to presume (for purposes of charging earnings to calendar months) that an individual rendered services for wages of more than $80 in any month. In the case of self-employment such presumption will apply until it is shown to the satisfaction of the Secretary that the individual rendered no substantial services in such month with respect to any trade or business the net income or loss from which is includible in computing his net earnings or net loss for

the taxable year as provided in paragraph (4) of section 203 (e), as amended. The presumption with respect to the rendering of services in a month for wages (without regard to the $4,200 limitation in section 209 (a)) of more than $80 will apply until it is shown to the satisfaction of the Secretary that such individual did not render such services in such month for more than such amount.

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

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

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

Subparagraph (B) of the new paragraph (4) provides that in determining the amount of an individual's net loss from self-employment, for purposes of charging earnings to months under section 203 (e), the provisions of section 211 (which define net earnings for coverage purposes) shall apply; and net loss from self-employment is defined as any excess of deductions over income resulting from a computation under the provisions of section 211.

Subparagraph (C) of the new paragraph (4) provides that an individual's wages, for purposes of charging earnings to months under section 203 (e), shall be computed without regard to the $4,200 limitations on the amount of remuneration imposed in section 209 (a) of the act.

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

Your committee has changed these provisions of the House bill so that the earnings defined for purposes of charging deductions are those arising from covered employment and self-employment only. Under the House bill earnings derived from noncovered employment within the United States and net earnings from self-employment from certain noncovered trades and businesses would have been included for purposes of deductions.

Penalty for failure to report certain events

Section 103 (e) of the bill amends section 203 (f) of the Social Security Act to provide that any individual who is receiving benefits (whether for himself or on behalf of another individual) subject to deduction because of the occurrence of an event other than earnings in excess of the permitted amount, who fails to report such event to the Secretary prior to the receipt and acceptance of a benefit for the second month following the month in which the event occurred, shall suffer

a penalty of an additional deduction of 1 month's benefit for each month for which deductions are required because of the occurrence of the deduction event, and in an amount equal to the deduction imposed because of the occurrence of the event. For the first failure to report, however, only 1 penalty deduction is to be imposed, even though the failure to report is with respect to more than 1 month.

This provision is the same as that in the House bill except for a minor amendment to reflect the deletion of section 103 (i) of that bill (which provided for deductions, under certain circumstances, from the benefits of dependents and survivors who reside abroad).

Report of earnings to Secretary

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

Section 103 (f) (2) of the bill amends section 203 (g) (1) of the act to provide that if an individual entitled to any monthly benefit in a taxable year has earnings (or wages) in the taxable year in excess of the product of $100 times the number of months in such year, he (or the individual who is in receipt of benefits on his behalf) must make a report to the Secretary of his earnings (or wages) for such taxable year. As under the present provision for reports of net earnings from self-employment, the report must be filed on or before the 15th day of the 3d month following the close of the taxable year, and must contain such information and be made in such manner as the Secretary may by regulation require. Except for the change in the exempt amount of earnings for a taxable year this provision is the same as in the House bill.

Section 103 (f) (3) further amends section 203 (g) (1) to provide that the report required under the section need not be made for any taxable year beginning with or after the month in which the individual attained the age of 72, rather than the age of 75 as in the House bill and present law.

Section 103 (f) (4) amends section 203 (g) (2) to provide a schedule of penalty deductions for failure to make required reports within the time prescribed by paragraph (1) of section 203 (g) if any deduction is imposed because of earnings in such year. For the first failure to file a timely report for a taxable year with respect to which a deduction is imposed, the penalty would be an additional deduction equal to the individual's benefit (or benefits) for the last month (for which he was entitled to a benefit) of the year for which the report was required. For the second such failure, the penalty would be an additional deduction equal to twice the benefit (or benefits) for the last month of such year, and for the third and subsequent failures, to three times such benefits. In no case would the number of additional deductions with respect to a failure to report earnings for a taxable year exceed the number of months in that year for which the individual received and accepted monthly benefits and for which deductions are imposed by reason of his earnings. The amended paragraph also provides that in determining whether a failure to report earnings is the first or subsequent failure for any individual, the Secretary shall disregard all taxable years ending prior to the imposition of the first penalty deduction imposed under the amended paragraph, except the latest such year. Thus, even though the failure to file timely returns had persisted over a period of years, only one

additional deduction would be imposed, and that for the latest such year.

Section 103 (f) (5) of the bill amends paragraph (3) of section 203 (g) of the act (dealing with reporting of net earnings from self-employment) to make the provisions of such paragraph (3) applicable to earnings from both employment and self-employment (as defined in sec. 203 (e) (4) of the act as amended), rather than to net earnings from self-employment only, and to relate the paragraph to the provisions under which deductions are made because of earnings. A new sentence is added at the end of such paragraph (3) to provide that if, after the close of a taxable year, an individual fails to comply with a request of the Secretary for a report of his earnings for the taxable year or for any other information with respect to such earnings, the failure to comply would in itself constitute justification for a determination that the individual's benefits are subject to deduction because of earnings for each month in such taxable year, or for such months thereof as the Secretary may specify.

Section 103 (f) (6) amends section 203 (j) to provide that an individual shall, for purposes of this section, be considered as 72 years of age during the entire month in which he attains that age. The heading of this section is also changed to reflect this change of age.

Your committee added this provision as part of its amendments reducing the age, above which the retirement test does not operate, from 75 to 72.

Noncovered remunerative activity outside the United States

Section 103 (g) of the bill adds a new subsection (k) to section 203 of the Social Security Act. The new subsection provides that an individual shall be considered to be engaged in noncovered remunerative activity outside the United States if he performs services as an employee outside the United States that are not covered employment as defined in section 210 of the Social Security Act, or if he carries on a trade or business outside the United States, the net income or loss of which cannot be included in computing his net earnings from self-employment for a taxable year, and would not be excluded from net earnings from self-employment, if carried on in the United States, by any of the numbered paragraphs of section 211 (a). The term "United States," when used with respect to a trade or business, would exclude Puerto Rico and the Virgin Islands in the case of an alien who is not a resident of the United States (including Puerto Rico and the Virgin Islands).

For purposes of this section, the term "trade or business" would have the same meaning as in section 162 of the 1954 Internal Revenue Code. Here, as in other provisions of the Social Security Act amended by the bill, the references to the code have been changed to the 1954 Code already agreed to by the House and Senate conferees.

Good cause for failure to make reports required

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

to determine by regulation what constitutes "good cause" in such situations.

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

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

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

Paragraph (3) of section 103 (i) provides that for those months after 1954 for which subsections (b) (1), (b) (2), (c), (e), and (j) of the present section 203 of the Social Security Act are still in effect, they shall be amended by substituting age "72" for age "75".

Your committee has added paragraph (3) to the corresponding section of the House bill and has amended paragraph (1) to remove the reference to the deleted section 103 (i) of the House bill.

Increase in Earnings Counted

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

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

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

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

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

Retroactive Applications for Benefits

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

Section 105 (b) of the bill provides that the liberalized provisions with regard to retroactivity of benefit payments are to become effective only in the case of applications for monthly benefits filed after August 1954. However, no individual would be entitled to a retroactive benefit payment by reason of the amendment, for any month prior to February 1954.

Preservation of Insurance Rights of Individuals With Extended Total Disability

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

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

Quarter of coverage

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

Paragraph (1) of this subsection amends subparagraph (A) of section 213 (a) (2) of the Social Security Act by redefining "quarter of coverage," in the case of quarters occurring before 1951, to exclude any quarter any part of which was included in a period of disability, other than the initial quarter of such period. In addition, any quarter

any part of which was included in a period of disability (other than the first quarter of such period) could not be counted as a quarter of coverage in a calendar year in which wages of $3,000 or more were paid. Existing law, as applied to calendar years before 1951, provides that each quarter of such year following the first quarter of coverage shall be deemed a quarter of coverage, except any quarter in such year in which the individual died or became entitled to a primary insurance benefit and any quarter following such quarter in which he died or became entitled.

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

Insured status

Section 106 (b) of the bill excludes from the elapsed period under section 214 (a) (2) (A) of the act (relating to fully insured status) and from the elapsed period under section 214 (b) of the act (relating to currently insured status) any quarter any part of which was included in a period of disability, unless such quarter was a quarter of coverage.

Average monthly wage

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

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

Definition of disability and period of disability

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

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

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

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

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

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

A period of disability would start on the day the disability actually began, or on the first day of the 1-year period which ends with the day before the day on which the individual files his application, whichever occurs later, provided the individual satisfies the quarters of coverage requirements of paragraph (3) on such day. However, if the individual does not satisfy the quarters of coverage requirements of paragraph (3) on such day, his period of disability would begin on the first day of the first quarter thereafter in which he satisfies such requirements. A period of disability would end at the close of the month in which either the disability ceased or the individual attained retirement age. An application for a disability determination would remain effective for 3 months after its filing; if the individual has

not in that time met the remaining conditions of eligibility, a new application would be required. The earliest date on which an application can be filed is January 1, 1955.

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

Retroactivity

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

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

Wage credits for military service

Subsection (e) of section 106 of the bill amends section 217 of the act (relating to wage credits provided for service in the Armed Forces) to provide that such wage credits may be used for purposes of determining an individual's eligibility for a period of disability whether or not they can be used for purposes of determining entitlement to and the amount of old-age and survivors insurance benefits. There is a prohibition against the use of military service wage credits for benefit purposes in cases in which the wage credits are used as a basis for another Federal nonveterans benefit.

Because of the deletion by your committee of the section in the House-passed bill dealing with deductions from benefits of certain dependents and survivors residing outside the United States, a purely drafting change was necessary, and has been made, in the amendment made by paragraph (3) of section 106 (e) of the bill.

Use of railroad compensation for disability purposes

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

Saving provision, disability determinations, and referral for rehabilitation services

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

The new section 220 contains a saving provision which makes the disability provisions inapplicable if their application would result

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

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

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

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

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

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

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

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

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

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

Effective date

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

Aside from a few technical changes noted under subsection (g), above, the provisions of section 106 are identical with those passed by the House.

Deletion of Earnings During Unlawful Residence in the United States; Termination of Benefits on Deportation

In the bill as passed by the House, section 107 provided for deleting from an individual's record all wages and self-employment income derived during any period he was unlawfully in the United States. Section 108 of the House-passed bill provided for termination of benefits based on the wages and self-employment income of individuals deported for unlawful entry, conviction of a crime, or subversive activity. These two sections have been deleted by your committee.

Insured Status

Section 107 of the bill as reported amends the definition of fully insured individual (sec. 214 (a) of the Social Security Act) by redesignating paragraph (3) as paragraph (4) and inserting a new paragraph (3) to provide an alternative basis for meeting the fully insured status test, applicable to individuals who are living on January 1, 1955. Any such individual with respect to whom all the quarters elapsing after 1954 and prior to the later of (1) July 1, 1956, or (2) the quarter in which he attained retirement age or died, whichever first occurred, are quarters of coverage, would be fully insured. The amendment would permit individuals newly covered on January 1, 1955, who are steadily employed and have at least six quarters of coverage after 1954 to become fully insured at death or attainment of age 65 even though they cannot meet the requirement in present law that an individual must have quarters of coverage equal to at least half the number of quarters elapsing after 1950 and prior to the quarter of death or attainment of age 65. The provision will be operative only with respect to deaths or attainment of age 65 prior to October 1, 1958, since any individual who has a quarter of coverage for each quarter elapsing after 1954 and prior to the quarter of death or attainment of age 65, if such quarter occurs after September 1958, would meet the requirements of present law.

In view of the change made by your committee in the provisions for coverage of agricultural workers, we have deleted from this section

of the bill as passed by the House a provision for crediting quarters of coverage for such workers on the basis of reports of their annual earnings.

Benefits in Certain Cases of Deaths Before September 1950

Section 108 (a) of the bill provides that any individual who died prior to September 1, 1950, and was not fully insured under the provisions of the Social Security Act in effect at that time, and who had not less than six quarters of coverage, shall be deemed to be fully insured at the time of death (except for purposes of determining the entitlement of a former wife divorced to mother's insurance benefits). Thus, dependent widowers would not qualify for benefits under this amendment since dependent widower's benefits are payable only in the case of deaths occurring after August 1950.

The primary insurance amount of such an individual would be computed only through the conversion table in the bill, using the benefit formula in the act prior to September 1950 and the conversion table contained in this bill. If the individual had been currently insured at the time of his death, and any other person had been entitled to a monthly benefit or lump-sum death payment on the basis of his wages, the primary insurance benefit for the purposes of this section would be computed under the act as in effect prior to September 1950 (i. e., the primary insurance benefit originally computed for him would be used—this provision was inserted by your committee). In all other cases, the benefit would be computed under the provisions of section 215 (d) (4) of present law, except that the individual's closing date would be the first day of the quarter in which he died.

The requirement that proof of support by a deceased individual must be filed within 2 years of the date of his death would be waived, in cases to which the amendments made by section 108 are applicable, if such proof is filed before September 1956.

Subsection (b) of section 108 of the bill provides that the provisions of subsection (a) shall be applicable only in the case of monthly benefits under section 202 of the act for months after August 1954, on the basis of applications filed after that month.

Elimination of Requirement of Filing Application in Certain Cases

Section 109 of the bill amends several subsections of section 202 of the Social Security Act to eliminate the requirement of filing an application in the case of certain types of benefits in specified situations.

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

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

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

Technical Amendments

Subsection (a) of section 110 of the bill amends section 204 (a) of the Social Security Act (dealing with adjustment of overpayments and underpayments) to insert the words "self-employment income" in one line of the subsection, thereby correcting an omission in the wording of the subsection.

Subsection (b) of section 110 amends section 208 of the Social Security Act to make it clear that the penalty provisions of that section extend to cases of false statements or representations as to the amount of net earnings from self-employment derived or the period during which derived.

Repeal of Requirement of Certain Deductions

Section 113 (a) of the bill repeals section 203 (i) of the act, which requires deductions from monthly benefits of the amount of a lump sum paid under section 204 of the 1935 Social Security Act; such deductions would be discontinued effective with benefits for any month after August 1954.

Section 111 (b) of the bill amends section 907 of the Social Security Act Amendments of 1939, effective with benefits for any month after August 1954, to discontinue deductions from monthly benefits for unpaid taxes on wages for services performed in 1939 after the attainment of age 65.

Proof of Support by Husband or Widower in Certain Cases

Section 112 (a) of the bill provides that, for the purpose of determining the entitlement of the husband of an insured woman to husband's insurance benefits under section 202 (c) of the Social Security Act, he shall be deemed to meet the dependency requirements of paragraph (1) (D) of the section if (1) he was receiving at least one-half of his support (as determined in accordance with regulations prescribed by the Secretary) from his wife on the first day of the first month in which she was both entitled to old-age insurance benefits and such benefits were not subject to deductions under paragraph (1) or (2) of section 203 (b) of such act (as in effect either before or after the enactment of the bill) by reason of earnings in excess of the amount permitted by the retirement test in such section; (2) he filed proof of such support within 2 years after the first month, mentioned in item (1), above; and (3) his wife was (without the application of the retroactive provisions of section 202 (j) (1) of such act) entitled to a primary insurance benefit under such act for August 1950.

Subsection (b) of section 112 provides that, for the purpose of determining the entitlement of the widower of an insured woman to widower's insurance benefits under section 202 (f) of the Social Security Act, he shall be deem ed to meet the dependency requirements of paragraph (1) (E) (ii) of such section if (1) he was receiving at least

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

Subsection (c) of section 112 provides that, for purposes of determining the entitlement of a widower under subsection (b) (1) of the section, and for purposes of determining the entitlement of a husband under section 202 (c) (1) of the Social Security Act in cases to which subsection (a) of section 114 of the bill is applicable, the wife of an individual shall be deemed to be a currently insured individual if she had not less than 6 quarters of coverage during the 13-quarter period ending with the calendar quarter in which occurs the first month in which she was both entitled to an old-age insurance benefit and such benefit was not subject to deductions under paragraph (1) or (2) of section 203 (b) of the Social Security Act (as in effect before or after the enactment of the bill) because of earnings in excess of the amount permitted by the retirement test.

Subsection (d) of the section provides that the section shall apply only with respect to husband's insurance benefits under section 202 (c) of the Social Security Act, and widower's insurance benefits under section 202 (f) of such Act, for months after August 1954, and only with respect to benefits based on applications filed after such month.

Definition

Section 113 of the bill defines "Secretary," as used in the provisions of the Social Security Act amended by the bill, to mean the Secretary of Health, Education, and Welfare.

Covered Employment Not Counted Under Other Federal Retirement Systems

Section 114 of the bill provides that service for the Federal Government which is covered by old-age and survivors insurance shall not be credited toward benefits (other than a benefit under title II of the Social Security Act or a benefit under the Railroad Retirement Act of 1937, as amended) under any retirement system established by the United States or any instrumentality thereof. This provision would be applicable to any service performed after 1954 by an individual as an officer or employee of the United States or any instrumentality thereof.

This provision applies only to Federal service which constitutes employment as defined in section 210 (a) of the Social Security Act. Thus it would not prevent the crediting of military service under another retirement system even though, under section 217 of that act, $160 is credited for old-age and survivors insurance purposes for each month of such service.

TITLE II—AMENDMENTS TO INTERNAL REVENUE CODE OF 1954 AND INTERNAL REVENUE CODE OF 1939

General Statement

Title II of the House bill contains amendments to the Internal Revenue Code of 1939. Under your committee's bill, title II, with one exception, consists of amendments to the Internal Revenue Code of 1954 (H. R. 8300, 83d Cong., 2d sess.). A considerable number of the changes made by your committee in the House bill consist merely of redesignating references to sections of the Internal Revenue Code of 1939 to the corresponding sections of the Internal Revenue Code of 1954, and conforming the provisions of the bill to the style of the 1954 Code. All references in this portion of your committee's report to the "Internal Revenue Code" or the "code" are to the Internal Revenue Code of 1954.

AMENDMENTS TO DEFINITIONS TO SELF-EMPLOYMENT INCOME AND RELATED DEFINITIONS

Section 201 of the bill, as does section 201 of the House bill, contains amendments to the provisions relating to the tax on self-employment income. The House bill would extend the application of the self-employment tax, on a compulsory basis, to self-employed farmers, to self-employed ministers of a church and members of a religious order, and to self-employed lawyers, dentists, osteopaths, veterinarians, chiropractors, naturopaths, optometrists, Christian Science practitioners, architects, certified public accountants, accountants registered or licensed as accountants under State or municipal law, full-time practicing public accountants, funeral directors, and professional engineers. Services performed by these individuals in such capacity are excluded from the self-employment tax under existing law. Your committee has deleted these provisions of the House bill and certain additional provisions dealing exclusively with such extension of coverage. Your committee's bill, does, however, contain amendments to the code to extend coverage, on a voluntary basis, to service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order (other than a member of a religious order who has taken a vow of poverty as a member of such order). This extension of coverage on a voluntary basis is applicable to ministers and members of religious orders whether they perform service of the type to which these provisions are applicable as employees or as self-employed individuals.

Subsection (a) of this section, which corresponds to section 201 (b) (1) of the House bill, amends section 1402 (b) of the code by increasing the limitation on self-employment income subject to the self-employment tax for taxable years ending after 1954 from $3,600 to $4,200.

Subsection (b) of this section, which corresponds to section 201 (b) (2) of the House bill, amends section 1402 (b) of the code to include as "wages," for purposes of computing "self-employment income," remuneration of United States citizens employed by a foreign subsidiary of a domestic corporation which has entered into an agreement pursuant to section 3121 (l) of the code, added by section 208 of the

bill, for the purpose of having the insurance system established by title II of the Social Security Act extended to service performed by such citizens.

Subsection (c) (1) of this section amends section 1402 (c) (2) of the code by removing from the definition of "trade or business" the exclusion, presently contained in such section, of the performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order, when the performance of such service is rendered by an individual as an employee. The effect of this provision is to make paragraph (4) of section 1402 (c) applicable to all service performed by a minister or by a member of a religious order, in his capacity as such, irrespective of whether the individual in the performance of such service is an employee or a self-employed individual. (Section 1402 (c) (4) of existing law excludes from the term "trade or business" the performance of services by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order.)

Subsection (c) (2) of this section amends section 1402 (c) of the code so as to make the provisions of paragraph (4) of such section inapplicable to service (other than service performed by a member of a religious order who has taken a vow of poverty as a member of such order) performed by a minister or a member of a religious order during the period for which a certificate filed by such individual under section 1402 (e), as added by the bill, is in effect.

Subsection (c) (3) of this section would add a new subsection (e) (not contained in the House bill) to section 1402 of the code, which is made necessary by reason of your committee's action extending coverage to ministers and members of a religious order on a voluntary basis. This subsection provides that any individual who is a duly ordained, commissioned, or licensed minister of a church or a member of a religious order (other than a member of a religious order who has taken a vow of poverty as a member of such order) may file a certificate certifying that he elects to have the insurance system established by title II of the Social Security Act extended to service performed by him in the exercise of his ministry or as a member of a religious order. Such an election may be made only by filing a certificate in such form and manner, and with such official, as may be prescribed by regulations of the Secretary of the Treasury or his delegate.

The certificate must be filed on or before the due date of the return (determined with regard to any extension of time granted for filing such return) for the individual's second taxable year (whether or not consecutive) ending after 1954 for which he has net earnings from self-employment (computed without regard to paragraph (4) of section 1402 (c), relating to the definition of trade or business for purposes of the self-employment tax) of $400 or more, some part of which was derived from the performance by the individual of service in the exercise of his ministry or as a member of a religious order. Thus, a minister who performs service in the exercise of his ministry during 1955 and 1956 and who would have "net earnings from self-employment" for each of such years of $400 or more if the performance of such service were not excluded from the definition of trade or business would not be permitted to file a certificate after the due date for filing his income-tax

return for the taxable year 1956. In determining the period during which a certificate may be filed, there shall not be included any taxable year for which a minister or a member of a religious order (1) has no income from the performance of service in the exercise of his ministry or as a member of a religious order, or (2) has income from the performance of such service which would not constitute "net earnings from self-employment" if such service were included within the term "trade or business."

A certificate filed by a minister or a member of a religious order shall be effective for the first taxable year with respect to which it is filed and for all succeeding taxable years. A certificate may be made effective with respect to a particular taxable year only if it is filed on or before the due date for filing the income-tax return for such taxable year. Thus, if an individual files his income-tax return on a calendar-year basis and the due date for his return for the calendar year 1955 is April 15, 1956, a certificate to be effective for the calendar year 1955 must be filed on or before April 15, 1956. If such individual files a certificate after April 15, 1956, and before the due date of his income-tax return for the calendar year 1956, the first taxable year for which the certificate may be effective is the calendar year 1956. An election to have the insurance system established by title II of the Social Security Act extended to service of the type here involved which is exercised by the filing of a certificate may not thereafter be revoked.

Section 201 (d) provides that the amendments made by section 201 are applicable only with respect to taxable years ending after 1954.

REFUND OF CERTAIN TAXES DEDUCTED FROM WAGES

Section 202 of the bill corresponds to section 202 of the House bill.

Section 202 (a) (1) of the bill amends section 6413 (c) (1) of the Internal Revenue Code, relating to special refunds of employee tax paid on aggregate wages in excess of $3,600 received by an employee from more than 1 employer during a calendar year, so as to conform the special-refund provisions to the increase made by the bill in the limitation on wages from $3,600 to $4,200.

Section 1401 (d) (3) of the Internal Revenue Code of 1939 presently provides that no special refund shall be made unless (A) the employee makes a claim, establishing his right thereto, after the calendar year in which he received the wages with respect to which refund of tax is claimed; and (B) such claim is made within 2 years after the calendar year in which such wages were received. Section 202 (a) (2) amends such section 1401 (d) (3) so as to provide an exception to this provision in the case of an employee of a State or any political subdivision thereof whose services are covered, for purposes of title II of the Social Security Act, by reason of an agreement (or modification) pursuant to section 218 of the Social Security Act which is effective as of a date more than 2 years prior to the date such agreement (or modification) was agreed to. It would allow a special refund to be made in the case of such employees, if claim for such refund is made within 2 years after the calendar year in which such agreement (or modification) was agreed to by the State and the Secretary of Health, Education, and Welfare. The amendment is made to the Internal Revenue Code of 1939, rather than to the Internal Revenue Code of 1954, since the

statutory period with respect to the allowance of credit or refund of such amounts is prescribed by the 1939 code.

Section 202 (b) (1), which corresponds to section 202 (b) (1) of the House bill, merely makes a change in the heading of section 6413 of the code.

Paragraph (2) of section 202 (b) of the bill amends section 6413 (c) (2) (A) of the code, relating to special rules applicable to special refunds in the case of Federal employees, so as to conform the provisions thereof to the increase made by the bill in the limitation on wages from $3,600 to $4,200.

Paragraph (3) of section 202 (b) of the bill, which corresponds to section 202 (b) (3) of the House bill, amends section 6413 (c) (2) of the code by adding at the end thereof a new subparagraph (C), relating to special refunds in the case of citizens of the United States performing services outside the United States for a foreign subsidiary corporation of a domestic corporation which has entered into an agreement under section 3121 (1) of the code (added by sec. 208 of the bill) for the purpose of obtaining coverage under title II of the Social Security Act for such employees. (For a discussion of the circumstances and conditions under which a domestic corporation may enter into such an agreement, see in this report the explanation of sec. 208 of the bill.) Such new subparagraph (C) would make the special-refund provisions in section 6413 (c) of the code applicable to amounts deducted in any calendar year after the calendar year 1954 from the remuneration of employees whose services are covered under title II of the Social Security Act by reason of such an agreement. For purposes of special refunds in the case of amounts paid pursuant to any such agreement the term "employer" includes a domestic corporation; the term "wages" includes remuneration for services covered by such an agreement; and the term "tax" or "tax imposed by section 3101" includes an amount equivalent to the employee tax which would be imposed if the services covered by the agreement constituted employment as defined in section 3121 of the code.

Subsection (c) of section 202 of the bill, which corresponds to section 202 (c) of the House bill, amends section 3122 of the code so as to conform such section to the increase made by the bill in the limitation on wages from $3,600 to $4,200.

Subsection (d) of section 202 provides that the amendments made by subsections (a) (1), (b), and (c), relating to the increase in the limitation on wages from $3,600 to $4,200, shall be applicable only with respect to remuneration paid after 1954, and that the amendment to the 1939 Code made by subsection (a) (2) shall be effective as if it had been enacted as a part of section 1401 (d) (3) of the Internal Revenue Code of 1939 as added by section 203 (c) of the Social Security Act Amendments of 1950.

COLLECTION AND PAYMENT OF TAXES WITH RESPECT TO COAST GUARD EXCHANGES

Section 203 (a) of the House bill would amend section 1420 (c) of the Internal Revenue Code of 1939, which relates to the collection and payment of the employee and employer taxes imposed with respect to certain services performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the

United States. This provision of the House bill was made necessary by section 205 (d) of the House bill which would amend the definition of employment contained in section 1426 (b) of the Internal Revenue Code of 1939 so as to remove the exclusion from employment of services performed by certain civilian employees in Coast Guard exchanges and other Coast Guard activities. Since your committee's bill does not extend coverage to services performed by these civilian employees in Coast Guard exchanges and other Coast Guard activities, section 203 (a) of the House bill is unnecessary and has been deleted.

AMENDMENTS TO DEFINITION OF WAGES

Section 203, which corresponds to section 204 of the House bill, amends section 3121 (a) of the Internal Revenue Code which defines the term "wages" for purposes of the Federal Insurance Contributions Act.

Subsection (a) of this section of the bill amends section 3121 (a) (1) of the code, relating to the $3,600 limitation on remuneration which constitutes wages. Section 3121 (a) (1) provides that the term "wages" does not include that part of the remuneration paid within any calendar year by an employer to an employee which exceeds the first $3,600 of such remuneration (exclusive of remuneration excepted from wages by the succeeding paragraphs of sec. 3121 (a)) paid within such calendar year by such employer to such employee for employment. The amendment would increase the amount of the limitation from $3,600 to $4,200 but otherwise would make no change in the provisions of section 3121 (a) (1).

Subsection (b) (1) of this section of the bill, which corresponds to section 204 (b) (1) of the House bill, amends subparagraph (B) of section 3121 (a) (7) of the code, which relates to cash remuneration for domestic service. Section 3121 (a) (7) (B) now provides for the exclusion from wages of cash remuneration paid in a calendar quarter for domestic service in a private home of the employer unless such remuneration paid in such calendar quarter for such service is $50 or more and the employee is regularly employed by the employer in the calendar quarter in which the payment is made. The employee is "regularly employed" by an employer during a calendar quarter if he performed domestic service in a private home of the employer on at least 24 days in that calendar quarter or during the preceding calendar quarter. The amendment would eliminate the 24-day test, thus making coverage of domestic service dependent solely on receipt of $50 in cash wages in a calendar quarter by an employee from an employer for such service.

As under existing law, domestic service does not include service described in section 3121 (g) (5) of the code (service performed on a farm operated for profit).

Paragraph (2) of subsection (b) of this section, which corresponds to section 204 (b) (2) of the House bill, amends section 3121 (a) (7) of the code by adding a new subparagraph (C). This new subparagraph relates to cash remuneration received for service not in the course of the employer's trade or business and should be considered together with the repeal of section 3121 (b) (3) of the code, which would be accomplished by section 204 (b) of the bill. Section 3121 (b) (3) of the code now excepts from employment service not in the course of

the employer's trade or business performed by an employee in a calendar quarter unless the cash remuneration paid by the employer to the employee for such service is $50 or more and the employee is regularly employed by the employer during the calendar quarter to perform such service. The effect of the new subparagraph (C) of section 3121 (a) (7), together with the repeal of paragraph (3) of section 3121 (b), is to eliminate the 24-day test and to make coverage of service not in the course of the employer's trade or business depend solely on receipt of cash remuneration of $50 or more in the calendar quarter.

The test relating to cash remuneration of $50 or more also is changed slightly. Under existing law, the $50 must be paid for service performed in a calendar quarter during which the employee is regularly employed by the employer to perform such service, and the time of payment is unimportant. Under the new section 3121 (a) (7) (C), the test is payment of $50 in a calendar quarter for the service, and the time of performance of the service is unimportant.

The new subparagraph (C) of section 3121 (a) (7) incorporates the provision of section 3121 (b) (3) of the code that "service not in the course of the employer's trade or business" does not include domestic service in a private home of the employer and does not include service described in section 3121 (g) (5) (service performed on a farm operated for profit).

Paragraph (3) of subsection (b) of this section of the bill amends section 3121 (a) (8) of the Internal Revenue Code by inserting a new subparagraph (B) and by designating the existing provisions of section 3121 (a) (8) as subparagraph (A). The new subparagraph (B) would exclude from wages cash remuneration paid by an employer to an employee in any calendar quarter for agricultural labor unless such remuneration is $50 or more. This provision of your committee's bill differs from the corresponding provision of the House bill which would exclude from wages cash remuneration paid by an employer to an employee in any calendar year for agricultural labor unless such remuneration is $200 or more. This amendment should be considered in connection with the amendment to paragraph (1) of section 3121 (b) of the code which would be effected by section 204 (a) of the bill.

Under the existing provisions of section 3121 (b) (1) of the Internal Revenue Code, agricultural labor performed by an employee for an employer in a calendar quarter is excepted from employment unless the cash remuneration paid by the employer to the employee for such labor is $50 or more and the employee is regularly employed in that quarter by such employer to perform such agricultural labor. For purposes of section 3121 (a) (1), "an individual is deemed to be regularly employed by an employer during a calendar quarter * * * only if (i) such individual performs agricultural labor * * * for such employer on a full-time basis on 60 days * * * during the quarter, and (ii) the quarter was immediately preceded by a qualifying quarter. A qualifying quarter is defined as (I) any quarter during all of which the individual was continuously employed by the employer, or (II) any subsequent quarter meeting the test of clause (i) above if, after the last quarter during all of which the individual was continuously employed by the employer, each intervening quarter met the test of clause (i). An individual is also deemed to be regularly employed by an employer during a calendar quarter if he was regularly employed (upon application of clauses (i) and (ii)) by the employer during the

preceding calendar quarter." (H. Rept. No. 2771, 81st Cong., 2d sess. (conference report on H. R. 6000), p. 95.)

The principal effects of the amendments made by paragraph (3) of section 203 (b) and by section 204 (a) of the bill are to eliminate the present "regularly employed" concept as a requirement for coverage of agricultural labor under the Federal Insurance Contributions Act; and to make coverage depend solely on the payment of cash remuneration of $50 or more in a calendar quarter by the same employer to the employee for such labor.

Section 3121 (b) (1) of the code excepts from employment service performed in connection with the ginning of cotton and service performed in connection with the production, harvesting, or processing of crude gum (oleoresin) from a living tree or the processing of such crude gum into gum spirits of turpentine and gum resin, if such processing is carried on by the original producer of the crude gum (the latter exception is expressed in the code in terms of service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act). The amendment to section 3121 (b) (1) of the code made by section 204 (a) of the bill would remove the specific exception from employment of services performed in connection with the ginning of cotton and would have the effect of covering such services under the Federal Insurance Contributions Act on the same basis as other agricultural labor.

AMENDMENTS TO DEFINITION OF EMPLOYMENT

Section 204 amends subsection (b) of section 3121 of the Internal Revenue Code, which defines "employment" for purposes of the Federal Insurance Contributions Act. This section differs in certain material respects from section 205 of the House bill, which also contains amendments to the definition of the term "employment".

Subsection (a) of this section of the bill amends paragraph (1) of section 3121 (b) of the code by eliminating from the definition of employment the existing exception of agricultural labor, except in the case of service performed (1) in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, and (2) by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended. Title V of such act now provides that no workers may be available under such title for employment after December 31, 1955. The exception under section 3121 (b) (1) of the code of service performed by foreign agricultural workers will, of course, be inoperative when title V of the Agricultural Act ceases to be effective. The corresponding provisions in the House bill excluded only services performed by foreign agricultural workers.

Subsection (b) of this section, which corresponds to section 205 (b) of the House bill, repeals paragraph (3) of section 3121 (b) of the code (which excepts from employment service not in the course of the employer's trade or business), and redesignates certain of the succeeding paragraphs of section 3121 (b).

Paragraph (5) of section 3121 (b) of the code excepts from employment any service performed by an individual on or in connection with

a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if the individual is employed on and in connection with such vessel or aircraft when outside the United States. Subsection (c) of section 204 of the bill, which corresponds to section 205 (c) of the House bill, amends section 3121 (b) (5) of the code (redesignated by the bill as section 3121 (b) (4)) so as to make the exception applicable only if the individual is not a citizen of the United States or the employer is not an American employer. Consequently, if the individual is a citizen of the United States and the employer is an American employer, services of the individual on foreign-flag vessels or foreign-flag aircraft will not be excepted from employment whether performed here or abroad. This change has the effect of treating services performed by these individuals the same as other services performed by citizens of the United States as employees of American employers, which now constitute employment whether performed here or abroad.

Section 205 (d) of the House bill contains amendments to section 1426 (b) (7) of the Internal Revenue Code of 1939. (The provisions of sec. 3121 (b) (7) of the Internal Revenue Code of 1954 correspond to the provisions of sec. 1426 (b) (7) of the 1939 code.) The term "employment," as it would be amended by these provisions of the House bill, would include services performed by most Federal employees not covered by retirement systems, including temporary employees in the field service of the Post Office Department, census-taking employees of the Bureau of the Census, civilian employees of Coast Guard post exchanges, and certain other groups, and also employees of Federal home-loan banks and the Tennessee Valley Authority, who have retirement systems. The House bill, in section 205 (e), contains amendments to section 1426 (b) (9) of the Internal Revenue Code of 1939, the principal effect of which would be to extend coverage, on a voluntary basis, to service performed by ministers and members of religious orders employed by certain nonprofit organizations if the organization elects to cover such individuals and if at least two-thirds of such individuals elected to be covered. Section 207 of the House bill would amend section 1426 (l) of the Internal Revenue Code of 1939 so as to prescribe the manner in which such an election could be made. Your committee's bill contains no provisions corresponding to those contained in subsections (d) and (e) of section 205 of the House bill and contains no provision for an election by a nonprofit organization for coverage of services performed by ministers and members of a religious order. (For a discussion of the provisions of the bill extending coverage, on a voluntary basis, to ministers and members of religious orders, see in this report the explanation of sec. 201 of the bill.)

Section 3121 (b) (15) of the Internal Revenue Code excepts from employment service performed by employees in fishing and similar activities unless performed in connection with commercial salmon or halibut fishing or on a vessel of more than 10 net tons. Subsection (d) of this section of the bill, which corresponds to section 205 (f) of the House bill, eliminates this exception and renumbers the succeeding paragraphs of section 3121 (b).

Subsection (e) of this section provides that the amendments made by subsections (a) and (b) (relating to agricultural labor and service not in the course of the employer's trade or business) shall be appli-

cable only with respect to services (whenever performed) for which the remuneration is paid after 1954, and that the amendments made by subsections (c) and (d) (relating to service on foreign-flag vessels and aircraft and fishing and related service) shall be applicable only with respect to services performed after 1954.

AMENDMENT RELATING TO COLLECTION OF EMPLOYEE TAX

Section 205 of the bill, for which there is no corresponding provision in the House bill, amends section 3102 (a) of the code so as to provide that an employer who in any calendar quarter pays to an employee cash remuneration to which paragraph (7) (B) or (C), (8) (B), or (10) of section 3121 (a) of the code is applicable may deduct an amount equivalent to the employee tax imposed by section 3101 from any such payment of remuneration, even though at the time of payment the total amount of such remuneration paid to the employee by the employer in the calendar quarter is less than $50. Section 3102 (a) now provides that the employee tax imposed by section 3101 shall be collected by the employer by deducting the amount of such tax from the wages as and when paid.

Paragraphs (7) (B) and (C), (8) (B), and (10) of section 3121 (a), as amended by the bill, except from the term "wages" remuneration paid in a calendar quarter to an employee by an employer for domestic service in a private home of the employer, service not in the course of the employer's trade or business, agricultural labor, and industrial homework, respectively, if the cash remuneration paid in the quarter for such service is less than $50.

The amendment makes clear that an employer paying cash remuneration for any such service or labor may, at that time, deduct from such remuneration an amount equivalent to the employee tax imposed by section 3101 even though the employer cannot then ascertain whether the $50 test will be met. Thus, an employer paying $10 to an employee in a calendar quarter of 1955 for agricultural labor may deduct 20 cents from such payment even though the employer has made no prior payment of cash remuneration to the employee in that quarter for such labor. Of course, this provision of the bill shall not be construed as authorizing the employer to retain the amount so withheld if it is subsequently ascertained that the remuneration paid to the employee does not constitute wages.

AMENDMENT TO DEFINITION OF EMPLOYEE

Section 206, which corresponds to section 206 of the House bill, amends subsection (d) of section 3121 of the Internal Revenue Code, which defines the term "employee" for purposes of the Federal Insurance Contributions Act.

Section 3121 (d) (3) (C) of the code includes as an employee any individual who performs services for remuneration for any person as a homeworker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person and required to be returned to such person or a person designated by him, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed. Subsection (a) of

section 206 of the bill amends such section 3121 (d) (3) (C) so as to eliminate the requirement that the performance of the services be subject to State licensing requirements, effective with respect to services performed after 1954.

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

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

Under existing law services performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order are excepted from employment. Section 205 (e) of the House bill would extend coverage, on a voluntary basis, to ministers and members of religious orders employed by certain nonprofit organizations if the organization elects to cover such individuals and if at least two-thirds of such individuals elect to be covered. Section 207 of the House bill would amend section 1426 (l) of the Internal Revenue Code of 1939 so as to prescribe the manner in which such an election could be made. Your committee's bill retains the exception from employment contained in present law with respect to services performed by a minister or member of a religious order. Accordingly, section 207 of the House bill has been omitted in your committee's bill. (For provisions of your committee's bill relating to services performed by ministers and members of religious orders, see sec. 201 of the bill and the portion of this report discussing that section.)

CHANGES IN TAX SCHEDULES

Section 207 (a) of the bill, which corresponds to section 208 (a) of the House bill, amends section 1401 of the Internal Revenue Code relating to the rate of tax upon self-employment income. Under existing law the rate of tax upon self-employment income in the case of any taxable year beginning after December 31, 1969, is 4⅞ percent. Under the bill the rates of tax for taxable years beginning after December 31, 1969, are as follows:

For taxable years—	*Percent*
Beginning after Dec. 31, 1969, and before Jan. 1, 1975	5¼
Beginning after Dec. 31, 1974	6

Subsections (b) and (c) of section 207, which correspond to subsections (b) and (c) of section 208 of the House bill, amend section 3101 and 3111, respectively, of the Internal Revenue Code, relating to the rates of the taxes under the Federal Insurance Contributions Act. Under existing law the rate of the employee tax and of the employer tax for the calendar year 1970 and subsequent calendar years is 3¼ percent. Under the bill the rates of each such tax for the calendar year 1970 and subsequent calendar years are as follows:

	Percent
For the calendar years 1970 to 1974, inclusive	3½
For the calendar year 1975 and subsequent calendar years	4

FOREIGN SUBSIDIARIES OF DOMESTIC CORPORATION

Section 208 of your committee's bill amends section 3121 of the Internal Revenue Code by adding at the end thereof a new subsection (l) for the purpose of extending old-age and survivors insurance coverage to citizens of the United States performing service outside the United States in the employ of any one or more foreign subsidiaries of a domestic corporation. This section of the bill corresponds to section 209 of the House bill except that technical and clarifying amendments have been made by your committee.

Such subsection (l) provides that the Secretary or his delegate shall enter into an agreement, at the request of any domestic corporation, for the purpose of extending old-age and survivors insurance coverage to United States citizens performing service outside the United States in the employ of any one or more foreign subsidiaries of such domestic corporation. A foreign subsidiary is defined (in par. (8) of sec. 3121 (l)) as (1) a foreign corporation more than 50 percent of the voting stock of which is owned by the domestic corporation desiring to enter into the agreement, or (2) a foreign corporation more than 50 percent of the voting stock of which is owned by a foreign corporation described in clause (1). Such an agreement shall not be applicable to any service performed by, or remuneration paid to, an employee, if such service or remuneration would be excluded from the term "employment" or the term "wages", respectively, were the service performed in the United States. Any such agreement shall also be applicable in all respects in the case of any citizen of the United States who, on or after the effective date of the agreement, is employed by the foreign subsidiary or subsidiaries named in the agreement.

If at any time after such an agreement is entered into the domestic corporation desires to have the old-age and survivors insurance system extended to citizens of the United States performing service in the employ of one or more foreign subsidiaries other than the subsidiary or subsidiaries specified in the agreement, the agreement may be amended so as to extend such system to such citizens. Any agreement so amended shall be applicable in all respects in the case of service performed in the employ of any foreign subsidiary to which the amendment relates. Any such agreement shall require the domestic corporation to pay to the Secretary or his delegate amounts equivalent to the sum of the employee and employer taxes which would be imposed under sections 3101 and 3111 of the code (including interest, additional amounts, and penalties) with respect to remuneration which would be wages if the services covered by the agreement constituted employment. It shall also require the domestic corporation to comply with regulations, relating to payments and reports, prescribed by the Secretary or his delegate to carry out the purposes of such subsection.

Paragraph (2) of such section 3121 (l) provides that an agreement shall be made effective for the period beginning either with the first day of the calendar quarter in which the agreement is entered into or the first day of the succeeding calendar quarter. However, no agreement may be made effective prior to January 1, 1955. An amendment to an agreement executed after the first month following the first calendar quarter for which the agreement is in effect shall apply, in the case of services performed for the subsidiary or subsidiaries

specified in the amendment, only after the calendar quarter in which the amendment is executed.

Paragraph (3) of such section 3121 (l) provides that the domestic corporation may terminate such an agreement, with respect to any one or more of its foreign subsidiaries, effective at the end of a calendar quarter. However, the termination may be made only upon giving 2 years' advance notice in writing and only if at the time of the receipt of such notice the agreement has been in effect for a period of not less than 8 years. Any such notice of termination may be revoked by giving, prior to the close of the calendar quarter specified therein, a written notice of revocation. A notice of termination or revocation thereof shall be filed in such form and manner as may be prescribed by regulations. The period for which an agreement is effective with respect to any foreign subsidiary shall terminate automatically at the end of any calendar quarter in which at any time the foreign corporation ceases to be a foreign subsidiary as defined in this subsection.

Paragraph (4) of such section 3121 (l) directs the Secretary, upon a finding that any domestic corporation has failed to comply substantially with the terms of its agreement under such section 3121 (l), to give such corporation not less than 60 days' advance notice in writing that the period covered by its agreement will terminate at the end of a calendar quarter specified in such notice. Any such notice of termination, however, may be revoked by the Secretary as provided in such paragraph. No such notice of termination or revocation shall be given without the prior concurrence of the Secretary of Health, Education, and Welfare.

Pursuant to paragraph (5) of such section 3121 (l), if the agreement is terminated in its entirety by notice of termination, given either by the domestic corporation or the Secretary, the domestic corporation may not again enter into an agreement with respect to service performed for any foreign subsidiary; and if the agreement is terminated with respect to any foreign subsidiary the domestic corporation may not thereafter make such agreement applicable to that subsidiary.

Paragraph (6) of such section 3121 (l) provides that for purposes of section 201 of the Social Security Act, relating to appropriations to the Federal Old-Age and Survivors Insurance Trust Fund, remuneration paid for services of American citizens abroad covered by an agreement under section 3121 (l) between a domestic corporation and the Secretary, which would be wages if the services constituted employment and which is reported to the Secretary or his delegate pursuant to such agreement or regulations issued under section 3121 (l) shall be considered wages subject to the tax imposed by the Federal Insurance Contributions Act.

Paragraph (7) of such section 3121 (l) provides that adjustments of any overpayments or underpayments of amounts due under an agreement shall be made, without interest, in accordance with regulations prescribed by the Secretary. If an overpayment cannot be adjusted the amount thereof shall be repaid, but only if a claim therefor is filed with the Secretary within 2 years from the time such overpayment was made.

Paragraph (8), which defines a "foreign subsidiary of a domestic corporation," has already been discussed above.

Paragraph (9), not contained in the House bill, makes clear that each domestic corporation which enters into an agreement under this

subsection shall for purposes of such subsection and of section 6413 (c) (2) (C), relating to special refunds, be considered an employer in its capacity as a party to such agreement separate and distinct from its identity as a person employing individuals on its own account.

Paragraph (10) of such section 3121 (l) provides that the regulations of the Secretary under such section shall be designed to make the requirements imposed on domestic corporations with respect to service performed in the employ of foreign subsidiaries the same, insofar as practicable, as the requirements imposed on employers subject to the Federal Insurance Contributions Act.

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

Section 209 of the bill corresponds to section 210 of the House bill. Section 209 adds to the Internal Revenue Code a new section 176, which provides that amounts paid or incurred by a domestic corporation under the provisions of an agreement entered into as provided by section 3121 (l) may be deducted in computing taxable income, but only to the extent that the domestic corporation actually bore the burden of the payment. Amounts involved which were withheld from the wages of the employees of the foreign corporation or which were supplied by the foreign corporation may not give rise to a deduction for the domestic corporation which pays over such amounts to the Secretary. Any reimbursement of any amount which has been deducted by the domestic corporation under the provisions of this section must be included in the gross income of such corporation for the taxable year in which it is received.

TITLE III—PROVISIONS RELATING TO PUBLIC ASSISTANCE

TEMPORARY EXTENSION OF 1952 MATCHING FORMULA

The 1952 amendments to the Social Security Act included amendments increasing the proportion of public assistance expenditures made by the States to be borne from Federal funds. Such amendments were, however, made effective only for the period ending September 30, 1954. Section 301 of the bill would extend this period for two additional years, to September 30, 1956. The bill as passed by the House would have extended the period for 1 additional year, to September 30, 1955.

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

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

TECHNICAL AMENDMENTS

When the public assistance provisions of the Social Security Act were amended in 1946 to change the Federal share of assistance expenditures from one-half of the total expenditures to a larger percentage of average expenditures below a certain amount, conforming changes were made in sections 3 (b), 403 (b) (1), and 1003 (b) (1) of the act. Through oversight these conforming changes were not repeated in the 1950 amendments to the Social Security Act. Section 303 of the bill would remedy this oversight. Except for one additional conforming change, this section of the bill as reported is the same as section 303 of the House-passed bill.

TITLE IV—MISCELLANEOUS PROVISIONS

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

This title in the bill as reported by your committee differs from the House bill in several respects. First, the effective dates in the amendments to the Railroad Retirement Act have been changed to conform to those provided in the appropriate amendments to title II of the Social Security Act. Second, in the retirement test used under the Railroad Act for survivors, age 75 has been reduced to age 72 as the age above which deductions are not imposed, in order to conform to the change made in the retirement test in the Social Security Act. Third, since the Internal Revenue Code of 1954 contains its own provisions with respect to references in other laws to sections of the 1939 code, the part of section 402 of the bill relating to this matter has been deleted.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law shown in the left column, changes in existing law shown in the right column; except that with respect to changes in the Internal Revenue Code of 1954, provisions proposed to be omitted are enclosed in black brackets, new matter is printed in italics, and provisions in which no changes are proposed are shown in roman):

SOCIAL SECURITY ACT

AN ACT To provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, blind persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress Assembled,

TITLE I—GRANTS TO STATES FOR OLD-AGE ASSISTANCE

* * * * *

PAYMENT TO STATES

SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $55—

(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received old-age assistance for such month; plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of ad-

SOCIAL SECURITY ACT, AS AMENDED BY H. R. 9366, AS REPORTED

AN ACT To provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, blind persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress Assembled,

TITLE I—GRANTS TO STATES FOR OLD-AGE ASSISTANCE

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PAYMENT TO STATES

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(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received old-age assistance for such month; plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of

SOCIAL SECURITY ACT	AS AMENDED BY H. R. 9366
ministering the State plan or for old-age assistance, or both, and for no other purpose.	administering the State plan or for old-age assistance, or both, and for no other purpose.
(b) The method of computing and paying such amounts shall be as follows:	(b) The method of computing and paying such amounts shall be as follows:
(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such clause, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Administrator may find necessary.	(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Administrator may find necessary.
(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to old-age assistance furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.	(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to old-age assistance furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.

SOCIAL SECURITY ACT	AS AMENDED BY H. R. 9366
(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified increased by 5 per centum.	(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified.
* * * * *	* * * * *
TITLE II—FEDERAL OLD-AGE AND SURVIVORS INSURANCE BENEFITS	TITLE II—FEDERAL OLD-AGE AND SURVIVORS INSURANCE BENEFITS
* * * * *	* * * * *
OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS	OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS
Old-Age Insurance Benefits	Old-Age Insurance Benefits
SEC. 202. (a) Every individual who— (1) is a fully insured individual (as defined in section 214 (a)), (2) has attained retirement age (as defined in section 216 (a)), and (3) has filed application for old-age insurance benefits, shall be entitled to an old-age insurance benefit for each month, beginning with the first month after August 1950 in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies. Such individual's old-age insurance benefit for any month shall be equal to his primary insurance amount (as defined in section 215 (a)) for such month.	SEC. 202. (a) Every individual who— (1) is a fully insured individual (as defined in section 214 (a)), (2) has attained retirement age (as defined in section 216 (a)), and (3) has filed application for old-age insurance benefits, shall be entitled to an old-age insurance benefit for each month, beginning with the first month after August 1950 in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies. Such individual's old-age insurance benefit for any month shall be equal to his primary insurance amount (as defined in section 215 (a)) for such month.
* * * * *	* * * * *
Widow's Insurance Benefits	Widow's Insurance Benefits
(c) (1) The widow (as defined in section 216 (c)) of an individual who died a fully insured individual after 1939, if such widow— (A) has not remarried, (B) has attained retirement age, (C) has filed application for widow's insurance benefits or was entitled, after attainment of retirement age, to wife's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which he died, (D) was living with such individual at the time of his death, and	(c) (1) The widow (as defined in section 216 (c)) of an individual who died a fully insured individual after 1939, if such widow— (A) has not remarried, (B) has attained retirement age, (C) (i) has filed application for widow's insurance benefits or was entitled, after attainment of retirement age, to wife's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which he died, or (ii) was entitled, on the basis of such wages and self-employment income, to mother's insurance benefits for the month preceding the month in which she attained retirement age, (D) was living with such individual at the time of his death, and

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(E) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of her deceased husband,	(E) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of her deceased husband,
shall be entitled to a widow's insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of her deceased husband.	shall be entitled to a widow's insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of her deceased husband.
(2) Such widow's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of her deceased husband.	(2) Such widow's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of her deceased husband.
* * * * *	* * * * *
Mother's Insurance Benefits	Mother's Insurance Benefits
(g) (1) The widow and every former wife divorced (as defined in section 216 (d)) of an individual who died a fully or currently insured individual after 1939, if such widow or former wife divorced—	(g) (1) The widow and every former wife divorced (as defined in section 216 (d)) of an individual who died a fully or currently insured individual after 1939, if such widow or former wife divorced—
(A) has not remarried,	(A) has not remarried,
(B) is not entitled to a widow's insurance benefit,	(B) is not entitled to a widow's insurance benefit,
(C) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of such individual,	(C) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of such individual,
(D) has filed application for mother's insurance benefits,	(D) has filed application for mother's insurance benefits, or was entitled to wife's insurance benefits on the basis of the wages and self-employment income of such individual for the month preceding the month in which he died,
(E) at the time of filing such application has in her care a child of such individual entitled to a child's insurance benefit, and	(E) at the time of filing such application has in her care a child of such individual entitled to a child's insurance benefit, and
(F) (i) in the case of a widow, was living with such individual at the time of his death, or (ii) in the case of a former wife divorced, was receiving from such individual (pursuant to agreement or court order) at least one-half of her support at the time of his death, and the child referred to in clause (E) is her son, daughter, or legally adopted child and the benefits referred to in such clause are payable on the basis of such individual's	(F) (i) in the case of a widow, was living with such individual at the time of his death, or (ii) in the case of a former wife divorced, was receiving from such individual (pursuant to agreement or court order) at least one-half of her support at the time of his death, and the child referred to in clause (E) is her son, daughter, or legally adopted child and the benefits referred to in such clause are payable on the basis of such individual's

SOCIAL SECURITY ACT

wages and self-employment income, shall be entitled to a mother's insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to a child's insurance benefit, such widow or former wife divorced becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual, she becomes entitled to a widow's insurance benefit, she remarries, or she dies. Entitlement to such benefits shall also end, in the case of a former wife divorced, with the month immediately preceding the first month in which no son, daughter, or legally adopted child of such former wife divorced is entitled to a child's insurance benefit on the basis of the wages and self-employment income of such deceased individual.

(2) Such mother's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of such deceased individual.

* * * * *

Lump-Sum Death Payments

(i) Upon the death, after August 1950, of an individual who died a fully or currently insured individual, an amount equal to three times such individual's primary insurance amount shall be paid in a lump sum to the person, if any, determined by the Administrator to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be paid to any persons or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of such insured individual. No payment shall be made to any person under this subsection unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual. In the case of any individual who died outside the forty-eight States and the District of Columbia after December 1953 and before July 1955, whose death occurred while he was in the active military or naval service of the United States, and who is returned to any of such States, the District of Columbia, Alaska, Hawaii,

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wages and self-employment income, shall be entitled to a mother's insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to a child's insurance benefit, such widow or former wife divorced becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual, she becomes entitled to a widow's insurance benefit, she remarries, or she dies. Entitlement to such benefits shall also end, in the case of a former wife divorced, with the month immediately preceding the first month in which no son, daughter, or legally adopted child of such former wife divorced is entitled to a child's insurance benefit on the basis of the wages and self-employment income of such deceased individual.

(2) Such mother's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of such deceased individual.

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Lump-Sum Death Payments

(i) Upon the death, after August 1950, of an individual who died a fully or currently insured individual, an amount equal to three times such individual's primary insurance amount shall be paid in a lump sum to the person, if any, determined by the Administrator to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, of if such person dies before receiving payment, then such amount shall be paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of such insured individual. No payment shall be made to any person under this subsection unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual, or unless such person was entitled to wife's or husband's insurance benefits, on the basis of the wages and self-employment income of such insured individual, for the month preceding the month in which such individual died. In the case of any individual who died outside the forty-eight States

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Puerto Rico, or the Virgin Islands for interment or reinterment, the provisions of the preceding sentence shall not prevent payment to any person under the second sentence of this subsection if application for a lump-sum death payment with respect to such deceased individual is filed by or on behalf of such person (whether or not legally competent) prior to the expiration of two years after the date of such interment or reinterment.	and the District of Columbia after December 1953 and before July 1955, whose death occurred while he was in the active military or naval service of the United States, and who is returned to any of such States, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the Virgin Islands for interment or reinterment, the provisions of the preceding sentence shall not prevent payment to any person under the second sentence of this subsection if application for a lump-sum death payment with respect to such deceased individual if filed by or on behalf of such person whether or not legally competent) prior to the expiration of two years after the date of such interment or reinterment.
Application for Monthly Insurance Benefits	Application for Monthly Insurance Benefits
(j) (1) An individual who would have been entitled to a benefit under subsection (a), (b), (c), (d), (e), (f), (g), or (h) for any month after August 1950 had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he files application therefor prior to the end of the sixth month immediately succeeding such month. Any benefit for a month prior to the month in which application is filed shall be reduced, to any extent that may be necessary, so that it will not render erroneous any benefit which, before the filing of such application, the Administrator has certified for payment for such prior month.	(j) (1) An individual who would have been entitled to a benefit under subsection (a), (b), (c), (d), (e), (f), (g), or (h) for any month after August 1950 had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he files application therefor prior to the end of the twelfth month immediately succeeding such month. Any benefit for a month prior to the month in which application is filed shall be reduced, to any extent that may be necessary, so that it will not render erroneous any benefit which, before the filing of such application, the Administrator has certified for payment for such prior month.
(2) No application for any benefit under this section for any month after August 1950 which is filed prior to three months before the first month for which the applicant becomes entitled to such benefit shall be accepted as an application for the purposes of this section; and any application filed within such three months' period shall be deemed to have been filed in such first month.	(2) No application for any benefit under this section for any month after August 1950 which is filed prior to three months before the first month for which the applicant becomes entitled to such benefit shall be accepted as an application for the purposes of this section; and any application filed within such three months' period shall be deemed to have been filed in such first month.
* * * * *	* * * * *
	Minimum Survivor's or Dependent's Benefit
	(m) In any case in which the benefit of any individual for any month under this section (other than subsection (a)) is, prior to reduction under subsection (k) (3), less than $30 and no other individual is (without the application of section 202 (j) (1)) entitled to a benefit under this section for such month on the basis of the same wages and self-employment income, such benefit for such month shall, prior to reduction under such subsection (k) (3), be increased to $30.

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REDUCTION OF INSURANCE BENEFITS	REDUCTION OF INSURANCE BENEFITS
Maximum Benefits	Maximum Benefits
SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under section 202 for a month on the basis of the wages and self-employment income of an insured individual exceeds $168.75, or is more than $45 and exceeds 80 per centum of his average monthly wage (as determined under subsection (b) or (c) of section 215, whichever is applicable), such total of benefits shall, after any deductions under this section, be reduced to $168.75 or to 80 per centum of his average monthly wage, whichever is the lesser, but in no case to less than $45, except that when any of such individuals so entitled would (but for the provisions of section 202 (k) (2) (A)) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total of benefits shall, after any deductions under this section, be reduced to $168.75 or to 80 per centum of the sum of the average monthly wages of all such insured individuals, whichever is the lesser, but in no case to less than $45. Whenever a reduction is made under this subsection, each benefit, except the old-age insurance benefit, shall be proportionately decreased.	SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under section 202 for a month on the basis of the wages and self-employment income of an insured individual is more than $50 and exceeds (1) 80 per centum of his average monthly wage, or (2) one and one-half times his primary insurance amount, whichever is the greater, such total of benefits shall, after any deductions under this section, be reduced to 80 per centum of his average monthly wage or to one and one-half times his primary insurance amount, whichever is the greater, but in no case to less than $50; except that when any of such individuals so entitled would (but for the provisions of section 202 (k) (2) (A)) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total of benefits, after any deductions under this section, shall not be reduced to less than 80 per centum of the sum of the average monthly wages of all such insured individuals. In any case in which the total of the benefits referred to in the preceding sentence, after reduction (if any) thereunder, is more than $200, such total shall, notwithstanding the provisions of such sentence, be reduced to $200. Whenever a reduction is made under this subsection, each benefit, except the old-age insurance benefit, shall be proportionately decreased.
Deductions on Account of Work or Failure to Have Child in Care	Deductions on Account of Work or Failure to Have Child in Care
(b) Deductions, in such amounts and at such time or times as the Administrator shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under section 202 for any month—	(b) Deductions, in such amounts and at such time or times as the Administrator shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under section 202 for any month—
(1) in which such individual is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than $75; or	(1) in which such individual is under the age of seventy-two and for which month he is charged with any earnings under the provisions of subsection (e) of this section; or
(2) in which such individual is under the age of seventy-five and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than $75; or	(2) in which such individual is under the age of seventy-two and on seven or more different calendar days of which he engaged in noncovered remunerative activity outside the United States; or

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(3) in which such individual, if a wife under retirement age entitled to a wife's insurance benefit, did not have in her care (individually or jointly with her husband) a child of her husband entitled to a child's insurance benefit; or	(3) in which such individual, if a wife under retirement age entitled to a wife's insurance benefit, did not have in her care (individually or jointly with her husband) a child of her husband entitled to a child's insurance benefit; or
(4) in which such individual, if a widow entitled to a mother's insurance benefit, did not have in her care a child of her deceased husband entitled to a child's insurance benefit; or	(4) in which such individual, if a widow entitled to a mother's insurance benefit, did not have in her care a child of her deceased husband entitled to a child's insurance benefit; or
(5) in which such individual, if a former wife divorced entitled to a mother's insurance benefit, did not have in her care a child, of her deceased former husband, who (A) is her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit on the basis of the wages and self-employment income of her deceased former husband.	(5) in which such individual, if a former wife divorced entitled to a mother's insurance benefit, did not have in her care a child, of her deceased former husband, who (A) is her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit on the basis of the wages and self-employment income of her deceased former husband.
Deductions From Dependents' Benefits Because of Work by Old-Age Insurance Beneficiary	Deductions From Dependents' Benefits Because of Work by Old-Age Insurance Beneficiary
(c) Deductions shall be made from any wife's, husband's, or child's insurance benefit to which a wife, husband, or child is entitled, until the total of such deductions equals such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month—	(c) Deductions shall be made from any wife's, husband's, or child's insurance benefit to which a wife, husband, or child is entitled, until the total of such deductions equals such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month—
(1) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than $75; or	(1) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age of seventy-two and for which month he is charged with any earnings under the provisions of subsection (e) of this section;
(2) in which the individual referred to in paragraph (1) is under the age of seventy-five and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than $75.	(2) in which the individual referred to in paragraph (1) is under the age of seventy-two and on seven or more different calendar days of which he engaged in noncovered remunerative activity outside the United States.
Occurrence of More Than One Event	Occurrence of More Than One Event
(d) If more than one of the events specified in subsections (b) and (c) occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted. The charging of net earnings from self-	(d) If more than one of the events specified in subsections (b) and (c) occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted. The charging of earnings to any month shall

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employment to any month shall be treated as an event occurring in the month to which such new earnings are charged.	be treated as an event occurring in such month.
Months to Which Net Earnings From Self-Employment Are Charged	Months to Which Earnings Are Charged
(c) For the purposes of subsections (b) and (e)—	
(1) If an individual's net earnings from self-employment for his taxable year are not more than the product of $75 times the number of months in such year, no month in such year shall be charged with more than $75 of net earnings from self-employment.	(c) (1) If an individual's earnings for a taxable year of twelve months are not more than $1,200, no month in such year shall be charged with any earnings. If an individual's earnings for a taxable year of less than twelve months are not more than $100 times the number of months in such year, no month in such year shall be charged with any earnings.
(2) If an individual's net earnings from self-employment for his taxable year are more than the product of $75 times the number of months in such year, each month of such year shall be charged with $75 of net earnings from self-employment, and the amount of such net earnings in excess of such product shall be further charged to months as follows: The first $75 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of $75 per month to each preceding month in such year until all of such balance has been applied, except that no part of such excess shall be charged to any month (A) for which such individual was not entitled to a benefit under this title, (B) in which an event described in paragraph (1), (3), (4), or (5) of subsection (b) occurred, (C) in which such individual was age seventy-five or over, or (D) in which such individual did not engage in self-employment.	(2) If an individual's earnings for a taxable year of twelve months are in excess of $1,200, the amount of his earnings in excess of $1,200 shall be charged to months as follows: The first $80 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of $80 per month to each preceding month in such year to which such charging is not prohibited by the last sentence of this paragraph, until all of such balance has been applied. If an individual's earnings for a taxable year of less than twelve months are more than the product of $100 times the number of months in such year, the amount of such earnings in excess of such product shall be charged to months as follows: The first $80 of such excess shall be charged to the last month of such taxable year, and the balance, if any, shall be charged at the rate of $80 per month to each preceding month in such year to which such charging is not prohibited by the last sentence of this paragraph, until all of such balance has been applied. Notwithstanding the preceding provisions of this paragraph, no part of the excess referred to in such provisions shall be charged to any month (A) for which the individual whose earnings are involved was not entitled to a benefit under this title, (B) in which an event described in paragraph (2), (3), (4), or (5) of subsection (b) occurred, (C) in which such individual was age seventy-two or over, or (D) in which such individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (4) of this subsection) of more than $80.

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(3) (A) As used in paragraph (2), the term "last month of such taxable year" means the latest month in such year to which the charging of the excess described in such paragraph is not prohibited by the application of clauses (A), (B), (C), and (D) thereof.

(B) For the purposes of clause (D) of paragraph (2), an individual will be presumed, with respect to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the Administrator that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible in computing his net earnings from self-employment for any taxable year. The Administrator shall by regulations prescribe the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

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(3) (A) As used in paragraph (2), the term "last month of such taxable year" means the latest month in such year to which the charging of the excess described in such paragraph is not prohibited by the application of clauses (A), (B), (C), and (D) thereof.

(B) For purposes of clause (D) of paragraph (2)—

(i) An individual will be presumed, with respect to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the Secretary that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible in computing (as provided in paragraph (4) of this subsection) his net earnings or net loss from self-employment for any taxable year. The Secretary shall by regulations prescribe the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

(ii) An individual will be presumed, with respect to any month, to have rendered services for wages (determined as provided in paragraph (4) of this subsection) of more than $80 until it is shown to the satisfaction of the Secretary that such individual did not render such services in such month for more than such amount.

(4) (A) An individual's earnings for a taxable year shall be (i) the sum of his wages for services rendered in such year and his net earnings from self-employment for such year, minus (ii) any net loss from self-employment for such year.

(B) In determining an individual's net loss from self-employment for purposes of subparagraph (A) of this paragraph and subparagraph (B) of paragraph (3), the provisions of section 211 shall be applicable; and any excess of deductions over income resulting from such a computation shall be his net loss from self-employment.

(C) For purposes of this subsection, an individual's wages shall be computed without regard to the limitations as to amounts of remuneration specified in section 209 (a).

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	(5) For purposes of this subsection, wages (determined as provided in paragraph (4) (C)) which, according to reports received by the Secretary, are paid to an individual during a taxable year shall be presumed to have been paid to him for services performed in such year until it is shown to the satisfaction of the Secretary that they were paid for services performed in another taxable year. If such reports with respect to an individual show his wages for a calendar year, such individual's taxable year shall be presumed to be a calendar year for purposes of this subsection until it is shown to the satisfaction of the Secretary that his taxable year is not a calendar year.
Penalty for Failure To Report Certain Events	Penalty for Failure To Report Certain Events
(f) Any individual in receipt of benefits subject to deduction under subsection (b) or (c) (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an event described in subsection (b) or (c) (2)), shall report such occurrence to the Administrator prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof, who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (b) or (c), except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month's benefit even though the failure to report is with respect to more than one month.	(f) Any individual in receipt of benefits subject to deduction under subsection (b) or (c) (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an event specified in subsection (b) (1) or (c) (1)), who fails to report such occurrence to the Secretary prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred, shall suffer an additional deduction equal to that imposed under subsection (b) or (c), except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month's benefit even though the failure to report is with respect to more than one month.
Report to Administrator of Net Earnings From Self-Employment	Report of Earnings to Secretary
(g) (1) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has net earnings from self-employment in excess of the product of $75 times the number of months in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Administrator of his net earnings from self-employment for such taxable year. Such report shall be made on or before the fifteenth day of the third month following the close of such year, and shall	(g) (1) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has earnings or wages, as computed pursuant to paragraph (4) of subsection (c), in excess of the product of $100 times the number of months in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Secretary of his earnings (or wages) for such taxable year. Such report shall be made on or before the fifteenth day of the third month following the close of

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contain such information and be made in such manner as the Administrator may by regulations prescribe. Such report need not be made for any taxable year beginning with or after the month in which such individual attained the age of seventy-five.

(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, of his net earnings from self-employment for any taxable year and any deduction is imposed under subsection (b) (2) by reason of such net earnings—

(A) such individual shall suffer one additional deduction in an amount equal to his benefit or benefits for the last month in such taxable year for which he was entitled to a benefit under section 202; and

(B) if the failure to make such report continues after the close of the fourth calendar month following the close of such taxable year, such individual shall suffer an additional deduction in the same amount for each month during all or any part of which such failure continues after such fourth month;

except that the number of the additional deductions required by this paragraph shall not exceed the number of months in such taxable year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (2) by reason of such net earnings from self-employment. If more than one additional deduction would be imposed under this paragraph with respect to a failure by an individual to file a report required by paragraph (1) and such failure is the first for which any additional deduction is imposed under this paragraph, only one additional deduction shall be imposed with respect to such first failure.

(3) If the Administrator determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to benefits under section 202 for any taxable year will suffer deduc-

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such year, and shall contain such information and be made in such manner as the Administrator may by regulations prescribe. Such report need not be made for any taxable year beginning with or after the month in which such individual attained the age of seventy-two.

(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, for any taxable year and any deduction is imposed under subsection (b) (1) by reason of his earnings for such year, he shall suffer additional deductions as follows:

(A) if such failure is the first one with respect to which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

(B) if such failure is the second one for which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to two times his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

(C) if such failure is the third or a subsequent one for which an additional deduction is imposed under this paragraph, such additional deduction shall be equal to three times his benefit or benefits for the last month of such year for which he was entitled to a benefit under section 202;

except that the number of the additional deductions required by this paragraph with respect to a failure to report earnings for a taxable year shall not exceed the number of months in such year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (1) by reason of his earnings. In determining whether a failure to report earnings is the first or a subsequent failure for any individual, all taxable years ending prior to the imposition of the first additional deduction under this paragraph, other than the latest one of such years, shall be disregarded.

(3) If the Administrator determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to benefits under section 202 for any taxable year will suffer deduc-

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tions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year, the Administrator may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Administrator may specify) of the benefits payable on the basis of such individual's wages and self-employment income; and such suspension shall remain in effect with respect to the benefits for any month until the Administrator has determined whether or not any deduction is imposed for such month under subsection (b). The Administrator is authorized, before the close of the taxable year of an individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Administrator may specify, a declaration of his estimated net earnings from self-employment for the taxable year and that he furnish to the Administrator such other information with respect to such net earnings as the Administrator may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year.	tions imposed under subsection (b) (1) by reason of his earnings for such year, the Administrator may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Administrator may specify) of the benefits payable on the basis of such individual's wages and self-employment income; and such suspension shall remain in effect with respect to the benefits for any month until the Administrator has determined whether or not any deduction is imposed for such month under subsection (b). The Administrator is authorized, before the close of the taxable year of an individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Administrator may specify, a declaration of his estimated earnings for the taxable year and that he furnish to the Administrator such other information with respect to such earnings as the Administrator may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (b) (1) by reason of his earnings for such year. If, after the close of a taxable year of an individual entitled to benefits under section 202 for such year, the Secretary requests such individual to furnish a report of his earnings (as computed pursuant to paragraph (4) of subsection (e)) for such taxable year or any other information with respect to such earnings which the Secretary may specify, and the individual fails to comply with such request, such failure shall in itself constitute justification for a determination that such individual's benefits are subject to deductions under subsection (b) (1) for each month in such taxable year (or only for such months thereof as the Secretary may specify) by reason of his earnings for such year.
* * * * *	* * * * *
Deductions With Respect to Certain Lump-Sum Payments	
(i) Deductions shall also be made from any old-age insurance benefit to which an individual is entitled, or from any other insurance benefit payable on the basis of such individual's wages and self-employment income, until such deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.	[(i) Repealed.]

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Attainment of Age Seventy-five	Attainment of Age Seventy-two
(j) For the purposes of this section, an individual shall be considered as seventy-five years of age during the entire month in which he attains such age.	(j) For the purposes of this section, an individual shall be considered as seventy-two years of age during the entire month in which he attains such age.
	Noncovered Remunerative Activity Outside the United States
	(k) An individual shall be considered to be engaged in noncovered remunerative activity outside the United States if he performs services outside the United States as an employee and such services do not constitute employment as defined in section 210, or if he carries on a trade or business outside the United States (other than the performance of service as an employee) the net income or loss of which (1) is not includible in computing his net earnings from self-employment for a taxable year and (2) would not be excluded from net earnings from self-employment, if carried on in the United States, by any of the numbered paragraphs of section 211 (a). When used in the preceding sentence with respect to a trade or business (other than the performance of service as an employee), the term "United States" does not include Puerto Rico or the Virgin Islands in the case of an alien who is not a resident of the United States (including Puerto Rico and the Virgin Islands); and the term "trade or business" shall have the same meaning as when used in section 162 of the Internal Revenue Code of 1954.
	Good Cause for Failure To Make Reports Required
	(l) The failure of an individual to make any report required by subsection (f) or (g) within the time prescribed therein shall not be regarded as such a failure if it is shown to the satisfaction of the Secretary that he had good cause for failing to make such report within such time. The determination of what constitutes good cause for purposes of this subsection shall be made in accordance with regulations of the Secretary.
OVERPAYMENTS AND UNDERPAYMENTS	OVERPAYMENTS AND UNDERPAYMENTS
SEC. 204. (a) Whenever an error has been made with respect to payments to an individual under this title (including payments made prior to January 1, 1940), proper adjustments shall be made, under regulations prescribed by the Administrator, by increasing or decreasing subsequent payments to	SEC. 204. (a) Whenever an error has been made with respect to payments to an individual under this title (including payments made prior to January 1, 1940), proper adjustments shall be made, under regulations prescribed by the Administrator, by increasing or decreasing subsequent payments to

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which such individual is entitled. If such individual dies before such adjustment has been completed, adjustment shall be made by increasing or decreasing subsequent benefits payable with respect to the wages which were the basis of benefits of such deceased individual.	which such individual is entitled. If such individual dies before such adjustment has been completed, adjustment shall be made by increasing or decreasing subsequent benefits payable with respect to the wages and self-employment income which were the basis of benefits of such deceased individual.
* * * * *	* * * * *
EVIDENCE, PROCEDURE, AND CERTIFICATION FOR PAYMENT	EVIDENCE, PROCEDURE, AND CERTIFICATION FOR PAYMENT
SEC. 205. a) The Administrator shall have full power and authority to make rules and regulations and to establish procedures, not inconsistent with the provisions of this title, which are necessary or appropriate to carry out such provisions, and shall adopt reasonable and proper rules and regulations to regulate and provide for the nature and extent of the proofs and evidence and the method of taking and furnishing the same in order to establish the right to benefits hereunder.	SEC. 205. (a) The Administrator shall have full power and authority to make rules and regulations and to establish procedures, not inconsistent with the provisions of this title, which are necessary or appropriate to carry out such provisions, and shall adopt reasonable and proper rules and regulations to regulate and provide for the nature and extent of the proofs and evidence and the method of taking and furnishing the same in order to establish the right to benefits hereunder.
* * * * *	* * * * *
Crediting of Compensation Under the Railroad Retirement Act	Crediting of Compensation Under the Railroad Retirement Act
(o) If there is no person who would be entitled, upon application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), then, notwithstanding section 210 (a) (10) of this Act, compensation (as defined in such Railroad Retirement Act, but excluding compensation attributable as having been paid during any month on account of military service creditable under section 4 of such Act if wages are deemed to have been paid to such employee during such month under subsection (a) or (c) of section 217 of this Act) of such employee shall constitute remuneration for employment for purposes of determining (A) entitlement to and the amount of any lump-sum death payment under this title on the basis of such employee's wages and self-employment income and (B) entitlement to and the amount of any monthly benefit under this title, for the month in which such employee died or for any month thereafter, on the basis of such wages and self-employment income. For such purposes, compensation (as so defined) paid in a calendar year shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee rendered services for such compensation.	(o) If there is no person who would be entitled, upon application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), then, notwithstanding section 210 (a) (9) of this Act, compensation (as defined in such Railroad Retirement Act, but excluding compensation attributable as having been paid during any month on account of military service creditable under section 4 of such Act if wages are deemed to have been paid to such employee during such month under subsection (a) or (c) of section 217 of this Act) of such employee shall constitute remuneration for employment for purposes of determining (A) entitlement to and the amount of any lump-sum death payment under this title on the basis of such employee's wages and self-employment income and (B) entitlement to and the amount of any monthly benefit under this title, for the month in which such employee died or for any month thereafter, on the basis of such wages and self-employment income. For such purposes, compensation (as so defined) paid in a calendar year shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee rendered services for such compensation.
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PENALTIES

SEC. 208. Whoever, for the purpose of causing an increase in any payment authorized to be made under this title, or for the purpose of causing any payment to be made where no payment is authorized under this title, shall make or cause to be made any false statement or representation (including any false statement or representation in connection with any matter arising under subchapter E of chapter 1 or subchapter A or E of chapter 9 of the Internal Revenue Code) as to the amount of any wages paid or received or the period during which earned or paid, or whoever makes or causes to be made any false statement of a material fact in any application for any payment under this title, or whoever makes or causes to be made any false statement, representation, affidavit, or document in connection with such an application, shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

DEFINITION OF WAGES

SEC. 209. For the purposes of this title, the term "wages" means remuneration paid prior to 1951 which was wages for the purposes of this title under the law applicable to the payment of such remuneration, and remuneration paid after 1950 for employment, including the cash value of all remuneration paid in any medium other than cash; except that, in the case of remuneration paid after 1950, such term shall not include—

(a) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $3,600 with respect to employment has been paid to an individual during any calendar year, is paid to such individual during such calendar year;

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AS AMENDED BY H. R. 9366

PENALTIES

SEC. 208. Whoever, for the purpose of causing an increase in any payment authorized to be made under this title, or for the purpose of causing any payment to be made where no payment is authorized under this title, shall make or cause to be made any false statement or representation (including any false statement or representation in connection with any matter arising under subchapter E of chapter 1 or subchapter A or E of chapter 9 of the Internal Revenue Code) as to the amount of any wages paid or received or the period during which earned or paid or as to the amount of net earnings from self-employment derived or the period during which derived, or whoever makes or causes to be made any false statement of a material fact in any application for any payment under this title, or whoever makes or causes to be made any false statement, representation, affidavit, or document in connection with such an application, shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

DEFINITION OF WAGES

SEC. 209. For the purposes of this title, the term "wages" means remuneration paid prior to 1951 which was wages for the purposes of this title under the law applicable to the payment of such remuneration, and remuneration paid after 1950 for employment, including the cash value of all remuneration paid in any medium other than cash; except that, in the case of remuneration paid after 1950, such term shall not include—

(a) (1) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $3,600 with respect to employment has been paid to an individual during any calendar year prior to 1955, is paid to such individual during such calendar year;

(2) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $4,200 with respect to employment has been paid to an individual during any calendar year after 1954, is paid to such individual during such calendar year;

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(g) (1) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer;	(g) (1) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer;
(2) Cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in the quarter for such service is less than $50 or the employee is not regularly employed by the employer in such quarter of payment. For the purposes of this paragraph, an employee shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during the quarter the employee performs for the employer for some portion of the day domestic service in a private home of the employer, or (B) the employee was regularly employed (as determined under clause (A)) by the employer in the performance of such service during the preceding calendar quarter. As used in this paragraph, the term "domestic service in a private home of the employer" does not include service described in section 210 (f) (5);	(2) Cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this paragraph, the term "domestic service in a private home of the employer" does not include service described in section 210 (f) (5);
	(3) Cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer's trade or business, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this paragraph, the term "service not in the course of the employer's trade or business" does not include domestic service in a private home of the employer and does not include service described in section 210 (f) (5);
(h) Remuneration paid in any medium other than cash for agricultural labor;	(h) (1) Remuneration paid in any medium other than cash for agricultural labor;
	(2) Cash remuneration paid by an employer in any calendar quarter to an employee for agricultural labor, if the cash remuneration paid in such quarter by the employer to the employee for such labor is less than $50;
	* * * * *

SOCIAL SECURITY ACT

DEFINITION OF EMPLOYMENT

SEC. 210. For the purposes of this title—

Employment

(a) The term "employment" means any service performed after 1936 and prior to 1951 which was employment for the purposes of this title under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (e)); except that, in the case of service performed after 1950, such term shall not include—

(1) (A) Agricultural labor (as defined in subsection (f) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor (other than service described in subparagraph (B)) is $50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this subparagraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

(i) such individual performs agricultural labor (other than service described in subparagraph (B)) for such employer on a full-time basis on sixty days during such quarter, and

AS AMENDED BY H. R. 9366

DEFINITION OF EMPLOYMENT

SEC. 210. For the purposes of this title—

Employment

(a) The term "employment" means any service performed after 1936 and prior to 1951 which was employment for the purposes of this title under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee (i) of an American employer (as defined in subsection (e)), or (ii) of a foreign subsidiary (as defined in section 3121 (l) of the Internal Revenue Code of 1954 of a domestic corporation (as determined in accordance with section 7701 of the Internal Revenue Code of 1954) during any period for which there is in effect an agreement, entered into pursuant to section 3121 (l) of the Internal Revenue Code of 1954, with respect to such subsidiary; except that, in the case of service performed after 1950, such term shall not include—

(1) (A) Service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended;

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(ii) the quarter was immediately preceded by a qualifying quarter.	
For the purposes of the preceding sentence, the term "qualifying quarter" means (I) any quarter during all of which such individual was continuously employed by such employer, or (II) any subsequent quarter which meets the test of clause (i) if, after the last quarter during all of which such individual was continuously employed by such employer, each intervening quarter met the test of clause (i). Notwithstanding the preceding provisions of this subparagraph, an individual shall also be deemed to be regularly employed by an employer during a calendar quarter if such individual was regularly employed (upon application of clauses (i) and (ii)) by such employer during the preceding calendar quarter.	
(B) Service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton;	(B) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended;
(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.	
(2) Domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university;	(2) Domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university;
(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer	

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in the performance of such service during the preceding calendar quarter. As used in this paragraph, the term "service not in the course of the employer's trade or business" does not include domestic service in a private home of the employer and does not include service described in subsection (f) (5);	
(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;	(3) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;
(5) Service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if the individual is employed on and in connection with such vessel or aircraft when outside the United States;	(4) Service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if (A) the individual is employed on and in connection with such vessel or aircraft when outside the United States and (B) (i) such individual is not a citizen of the United States or (ii) the employer is not an American employer;
(6) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any provision of law which specifically refers to such section in granting such exemption;	(5) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any provision of law which specifically refers to such section in granting such exemption;
(7) (A) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is covered by a retirement system established by a law of the United States;	(6) (A) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is covered by a retirement system established by a law of the United States;
(B) Service performed in the employ of an instrumentality of the United States if such an instrumentality was exempt from the tax imposed by section 1410 of the Internal Revenue Code on December 31, 1950, except that the provisions of this subparagraph shall not be applicable to—	(B) Service performed in the employ of an instrumentality of the United States if such an instrumentality was exempt from the tax imposed by section 1410 of the Internal Revenue Code on December 31, 1950, except that the provisions of this subparagraph shall not be applicable to—
(i) service performed in the employ of a corporation which is wholly owned by the United States;	(i) service performed in the employee of a corporation which is wholly owned by the United States;
(ii) service performed in the employ of a national farm loan association, a production credit association, a Federal Reserve Bank, or a Federal Credit Union;	(ii) service performed in the employ of a national farm loan association, a production credit association, a Federal Reserve Bank, or a Federal Credit Union;

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(iii) service performed in the employ of a State, county, or community committee under the Production and Marketing Administration; or

(iv) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department;

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

(i) as the President or Vice President of the United States or as a Member, Delegate, or Resident Commissioner, of or to the Congress;

(ii) in the legislative branch;

(iii) in the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

(iv) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

(v) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

(vi) by any individual as an employee receiving nominal compensation of $12 or less per annum;

(vii) in a hospital, home, or other institution of the United

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(iii) service performed in the employ of a State, county, or community committee under the Production and Marketing Administration; or

(iv) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department;

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

(i) as the President or Vice President of the United States or as a Member, Delegate, or Resident Commissioner, of or to the Congress;

(ii) in the legislative branch;

(iii) in the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

(iv) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

(v) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

(vi) by any individual as an employee receiving nominal compensation of $12 or less per annum;

(vii) in a hospital, home, or other institution of the United

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States by a patient or inmate thereof;

(viii) by any individual as a consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

(ix) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

(x) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency;

(xi) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment;

(xii) as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States; or

(xiii) by an individual to whom the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system;

(8) Service (other than service included under an agreement under section 218 and other than service which, under subsection (l), constitutes covered transportation service) performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions;

(9) (A) Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under

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States by a patient or inmate thereof;

(viii) by any individual as a consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

(ix) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

(x) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency;

(xi) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment;

(xii) as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States; or

(xiii) by an individual to whom the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system;

(7) Service (other than service included under an agreement under section 218 and other than service which, under subsection (l), constitutes covered transportation service) performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions;

(8) (A) Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under

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section 101 (6) of the Internal Revenue Code, but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 1426 (l) of the Internal Revenue Code, is in effect if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section 1426 (l), or (ii) who became an employee of such organization after the calendar quarter in which the certificate was filed;

(10) Service performed by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

(11) (a) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if the remuneration for such service is less than $50;

(B) Service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

(12) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

(13) Service performed in the employ of an instrumentality wholly owned by a foreign government—

(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

(14) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school char-

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section 101 (6) of the Internal Revenue Code, but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 1426 (l) of the Internal Revenue Code, is in effect if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section 1426 (l), or (ii) who became an employee of such organization after the calendar quarter in which the certificate was filed;

(9) Service performed by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

(10) (a) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if the remuneration for such service is less than $50;

(B) Service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

(11) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

(12) Service performed in the employ of an instrumentality wholly owned by a foreign government—

(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

(13) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school char-

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tered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

(15) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

(16) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back; or

(17) Service performed in the employ of an international organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act (59 Stat. 669).

Included and Excluded Service

(b) If the services performed during one-half or more of any pay period by an employee for the person employing

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tered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

(14) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back; or

(15) Service performed in the employ of an international organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act (59 Stat. 669).

Included and Excluded Service

(b) If the services performed during one-half or more of any pay period by an employee for the person employing

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him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection, the term "pay period" means a period (of not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him, where any of such service is excepted by paragraph (10) of subsection (a).	him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection, the term "pay period" means a period (of not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him, where any of such service is excepted by paragraph (9) of subsection (a).
* * * * *	* * * * *
Employee	Employee
(k) The term "employee" means—	(k) The term "employee" means—
(1) any officer of a corporation; or	(1) any officer of a corporation; or
(2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee; or	(2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee; or
(3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—	(3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—
(A) as an agent-driver or commission-driver engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for his principal;	(A) as an agent-driver or commission-driver engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for his principal;
(B) as a full-time life insurance salesman;	(B) as a full-time life insurance salesman;
(C) as a home worker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed; or	(C) as a home worker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him; or
(D) as a traveling or city salesman, other than as an agent-driver or commission-	(D) as a traveling or city salesman, other than as an agent-driver or commission-

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driver, engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, his principal (except for side-line sales activities on behalf of some other person) of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments for merchandise for resale or supplies for use in their business operations;	driver, engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, his principal (except for side-line sales activities on behalf of some other person) of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments for merchandise for resale or supplies for use in their business operations;
if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term "employee" under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for transportation), or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.	if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term "employee" under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for transportation), or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.
* * * * *	* * * * *
SELF-EMPLOYMENT	SELF-EMPLOYMENT
SEC. 211. For the purposes of this title—	SEC. 211. For the purposes of this title—
Net Earnings From Self-Employment	Net Earnings From Self-Employment
(a) The term "net earnings from self-employment" means the gross income, as computed under chapter 1 of the Internal Revenue Code, derived by an individual from any trade or business carried on by such individual, less the deductions allowed under such chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the ordinary net income or loss, as computed under section 183 of such code, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary net income or loss—	(a) The term "net earnings from self-employment" means the gross income, as computed under chapter 1 of the Internal Revenue Code, derived by an individual from any trade or business carried on by such individual, less the deductions allowed under such chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the ordinary net income or loss, as computed under section 183 of such code, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary net income or loss—
(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;	(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;
(2) There shall be excluded income derived from any trade or business in which, if the trade or	(2) There shall be excluded income derived from any trade or business in which, if the trade or

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business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f); and there shall be excluded all deductions attributable to such income;	business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f); and there shall be excluded all deductions attributable to such income;
(3) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest (other than interest described in section 25 (a) of the Internal Revenue Code) are received in the course of a trade or business as a dealer in stocks or securities;	(3) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest (other than interest described in section 25 (a) of the Internal Revenue Code) are received in the course of a trade or business as a dealer in stocks or securities;
(4) There shall be excluded any gain or loss (A) which is considered under chapter 1 of the Internal Revenue Code as gain or loss from the sale or exchange of a capital asset, (B) from the cutting or disposal of timber if section 117 (j) of such code is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;	(4) There shall be excluded any gain or loss (A) which is considered under chapter 1 of the Internal Revenue Code as gain or loss from the sale or exchange of a capital asset, (B) from the cutting of timber, or the disposal of timber or coal, if section 117 (j) of such code is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;
(5) The deduction for net operating losses provided in section 23 (s) of such code shall not be allowed;	(5) The deduction for net operating losses provided in section 23 (s) of such code shall not be allowed;
(6) (A) If any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife;	(6) (A) If any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife;
(B) If any portion of a partner's distributive share of the ordinary	(B) If any portion of a partner's distributive share of the ordinary

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net income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;	net income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;
(7) (A) In the case of any taxable year beginning before the effective date specified in section 219, the term "possession of the United States" when used in section 251 of the Internal Revenue Code with respect to citizens of the United States shall include Puerto Rico;	(7) (A) In the case of any taxable year beginning before the effective date specified in section 219, the term "possession of the United States" when used in section 251 of the Internal Revenue Code with respect to citizens of the United States shall include Puerto Rico;
(B) In the case of any taxable year beginning on or after the effective date specified in section 219, a resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States but without regard to the provisions of section 116 (l) of such code.	(B) In the case of any taxable year beginning on or after the effective date specified in section 219, a resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States but without regard to the provisions of section 116 (l) of such code.
If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the ordinary net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to 1951) ending within or with his taxable year.	If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the ordinary net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to 1951) ending within or with his taxable year.
Self-Employment Income	Self-Employment Income
(b) The term "self-employment income" means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year beginning after 1950; except that such term shall not include—	(b) The term "self-employment income" means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year beginning after 1950; except that such term shall not include—
(1) That part of the net earnings from self-employment which is in excess of: (A) $3,600, minus (B) the amount of the wages paid to such individual during the taxable year; or	(1) That part of the net earnings from self-employment which is in excess of—
	(A) For any taxable year ending prior to 1955, (i) $3,600, minus (ii) the amount of the wages paid to such individual during the taxable year; and
	(B) For any taxable year ending after 1954, (i) $4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; or
(2) The net earnings from self-employment, if such net earnings for the taxable year are less than $400.	(2) The net earnings from self-employment, if such net earnings for the taxable year are less than $400.

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In the case of any taxable year beginning prior to the effective date specified in section 219, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States during such taxable year shall be considered, for the purposes of this subsection, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or (after the effective date specified in section 219) a resident of Puerto Rico shall not, for the purposes of this subsection, be considered to be a nonresident alien individual.	In the case of any taxable year beginning prior to the effective date specified in section 219, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States during such taxable year shall be considered, for the purposes of this subsection, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or (after the effective date specified in section 219) a resident of Puerto Rico shall not, for the purposes of this subsection, be considered to be a nonresident alien individual.
Trade or Business	Trade or Business
(c) The term "trade or business", when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 23 of the Internal Revenue Code, except that such term shall not include—	(c) The term "trade or business", when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 23 of the Internal Revenue Code, except that such term shall not include—
(1) The performance of the functions of a public office;	(1) The performance of the functions of a public office;
(2) The performance of service by an individual as an employee (other than service described in section 210 (a) (16) (B) performed by an individual who has attained the age of eighteen);	(2) The performance of service by an individual as an employee (other than service described in section 210 (a) (14) (B) performed by an individual who has attained the age of eighteen, and other than service described in paragraph (4) of this subsection);
(3) The performance of service by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;	(3) The performance of service by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;
(4) The performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or	(4) The performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or
(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant, accountant registered or licensed as an accountant under State or municipal law, full-time practicing public accountant, funeral director, or professional engineer; or the performance of such service by a partnership.	(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant, accountant registered or licensed as an accountant under State or municipal law, full-time practicing public accountant, funeral director, or professional engineer; or the performance of such service by a partnership.
* * * * *	The provisions of paragraph (4) shall not apply to service (other than service performed by a member of a religious

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order who has taken a vow of poverty as a member of such order) performed by an individual during the period for which a certificate filed by such individual under section 1402 (c) of the Internal Revenue Code of 1954 is in effect.

* * * * *

QUARTER AND QUARTER OF COVERAGE

Definitions

SEC. 213. (a) For the purposes of this title—

(1) The term "quarter", and the term "calendar quarter", means a period of three calendar months ending on March 31, June 30, September 30, or December 31.

(2) (A) The term "quarter of coverage" means, in the case of any quarter occurring prior to 1951, a quarter in which the individual has been paid $50 or more in wages. In the case of any individual who has been paid, in a calendar year prior to 1951, $3,000 or more in wages each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual died or became entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled.

(B) The term "quarter of coverage" means, in the case of a quarter occurring after 1950, a quarter in which the individual has been paid $50 or more in wages or for which he has been credited (as determined under section 212) with $100 or more of self-employment income, except that—

(i) no quarter after the quarter in which such individual died shall be a quarter of coverage;

(ii) if the wages paid to any individual in a calendar year equal or exceed $3,600, each quarter of such year shall (subject to clause (i)) be a quarter of coverage;

(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such taxable year equals $3,600, each quarter any part of which falls

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QUARTER AND QUARTER OF COVERAGE

Definitions

SEC. 213. (a) For the purposes of this title—

(1) The term "quarter", and the term "calendar quarter", means a period of three calendar months ending on March 31, June 30, September 30, or December 31.

(2) (A) The term "quarter of coverage" means, in the case of any quarter occurring prior to 1951, a quarter in which the individual has been paid $50 or more in wages, except that no quarter any part of which was included in a period of disability (as defined in section 216 (i)), other than the initial quarter of such period, shall be a quarter of coverage. In the case of any individual who has been paid, in a calendar year prior to 1951, $3,000 or more in wages, each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual died or became entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled, and excepting any quarter any part of which was included in a period of disability, other than the initial quarter of such period.

(B) The term "quarter of coverage" means, in the case of a quarter occurring after 1950, a quarter in which the individual has been paid $50 or more in wages or for which he has been credited (as determined under section 212) with $100 or more of self-employment income, except that—

(i) no quarter after the quarter in which such individual died shall be a quarter of coverage, and no quarter any part of which was included in a period of disability (other than the initial quarter and the last quarter of such period) shall be a quarter of coverage;

(ii) if the wages paid to any individual in any calendar year equal $3,600 in the case of a calendar year after 1950 and before 1955, or $4,200 in the case of a calendar year after 1954, each

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in such year shall be a quarter of coverage; and	quarter of such year shall (subject to clause (i)) be a quarter of coverage;
(iv) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter.	(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such year equals $3,600 in the case of a taxable year beginning after 1950 and ending before 1955, or $4,200 in the case of a taxable year ending after 1954, each quarter any part of which falls in such year shall (subject to clause (i)) be a quarter of coverage;
	(iv) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter.
* * * * *	* * * * *
INSURED STATUS FOR PURPOSES OF OLD-AGE AND SURVIVORS INSURANCE BENEFITS	INSURED STATUS FOR PURPOSES OF OLD-AGE AND SURVIVORS INSURANCE BENEFITS
SEC. 214. For the purposes of this title—	SEC. 214. For the purposes of this title—
Fully Insured Individual	Fully Insured Individual
(a) (1) In the case of any individual who died prior to September 1, 1950, the term "fully insured individual" means any individual who had not less than one quarter of coverage (whenever acquired) for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage.	(a) (1) In the case of any individual who died prior to September 1, 1950, the term "fully insured individual" means any individual who had not less than one quarter of coverage (whenever acquired) for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage.
(2) In the case of any individual who did not die prior to September 1, 1950, the term "fully insured individual" means any individual who had not less than—	(2) In the case of any individual who did not die prior to September 1, 1950, the term "fully insured individual" means any individual who had not less than—
(A) one quarter of coverage (whether acquired before or after such day) for each two of the quarters elapsing after 1950, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage; or	(A) one quarter of coverage (whether acquired before or after such day) for each two of the quarters elapsing after 1950, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage; or
(B) forty quarters of coverage.	(B) forty quarters of coverage,
	not counting as an elapsed quarter for purposes of subparagraph (A) any quarter any part of which was included in a period of disability (as defined in

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	section 216 (i)) unless such quarter was a quarter of coverage.
	(3) In the case of any individual who did not die prior to January 1, 1955, the term "fully insured individual" means any individual who meets the requirements of paragraph (2) and, in addition, any individual with respect to whom all of the quarters elapsing after 1954 and prior to (i) July 1, 1956, or (ii) if later, the quarter in which he attained retirement age or died, whichever first occurred, are quarters of coverage, but only if there are not fewer than six of such quarters so elapsing.
(3) When the number of elapsed quarters specified in paragraph (1) or (2) (A) is an odd number, for purposes of such paragraph such number shall be reduced by one.	(4) When the number of elapsed quarters specified in paragraph (1) or (2) (A) is an odd number, for purposes of such paragraph such number shall be reduced by one.
Currently Insured Individual	Currently Insured Individual
(b) The term "currently insured individual" means any individual who had not less than six quarters of coverage during the thirteen-quarter period ending with (1) the quarter in which he died, (2) the quarter in which he became entitled to old-age insurance benefits, or (3) the quarter in which he became entitled to primary insurance benefits under this title as in effect prior to the enactment of this section.	(b) The term "currently insured individual" means any individual who had not less than six quarters of coverage during the thirteen-quarter period ending with (1) the quarter in which he died, (2) the quarter in which he became entitled to old-age insurance benefits, or (3) the quarter in which he became entitled to primary insurance benefits under this title as in effect prior to the enactment of this section, not counting as part of such thirteen-quarter period any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage.
COMPUTATION OF PRIMARY INSURANCE AMOUNT	COMPUTATION OF PRIMARY INSURANCE AMOUNT
SEC. 215. For the purposes of this title—	SEC. 215. For the purposes of this title—
Primary Insurance Amount	Primary Insurance Amount
(a) (1) The primary insurance amount of an individual who attained age twenty-two after 1950 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage shall be 55 per centum of the first $100 of his average monthly wage, plus 15 per centum of the next $200 of such wage; except that, if his average monthly wage is less than $48, his primary insurance amount shall be the amount appearing in column II of the following table on the line on which in column I appears his average monthly wage.	(a) (1) The primary insurance amount of any individual (i) who does not become eligible for benefits under section 202 (a) until after August 1954, or who dies after such month and without becoming eligible for benefits under such section 202 (a), and (ii) with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage, and the primary insurance amount of any individual with respect to whom not less than six of the quarters elapsing after June 30, 1953, are quarters of coverage, shall be whichever of the following amounts is the larger:

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I Average Monthly Wage	II Primary Insurance Amount
$34 or less	$25
$35 through $47	$26

(2) The primary insurance amount of an individual who attained age twenty-two prior to 1951 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage shall be whichever of the following is the larger—

(A) the amount computed as provided in paragraph (1) of this subsection; or

(B) the amount determined under subsection (c).

(3) The primary insurance amount of any other individual shall be the amount determined under subsection (c).

Average Monthly Wage

(b) (1) An individual's "average monthly wage" shall be the quotient obtained by dividing the total of—

(A) his wages after his starting date (determined under paragraph (2)) and prior to his wage closing date (determined under paragraph (3)), and

(B) his self-employment income after such starting date and prior to his self-employment income closing date (determined under paragraph (3))

by the number of months elapsing after such starting date and prior to his divisor closing date (determined under paragraph (3)) excluding from such elapsed months any month in any quarter prior to the quarter in which he attained the age of twenty-two which was not a quarter of coverage, except that when the number of such elapsed months thus computed is less than eighteen, it shall be increased to eighteen.

(2) An individual's "starting date" shall be December 31, 1950, or, if later, the day preceding the quarter in which he attained the age of twenty-two, whichever results in the higher average monthly wage.

(3) (A) Except to the extent provided in paragraph (D), an individual's "wage closing date" shall be the first day of the second quarter preceding the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred.

(B) Except to the extent provided in paragraph (D), an individual's "self-

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

(B) The amount determined under subsection (c).

An individual shall, for the purposes of this paragraph, be deemed eligible for benefits under section 202 (a) for any month if he was or would have been, upon filing application therefor in such month, entitled to such benefits for such month.

(2) The primary insurance amount of any other individual shall be the amount determined under subsection (c).

Average Monthly Wage

(b) (1) An individual's "average monthly wage" shall be the quotient obtained by dividing the total of his wages and self-employment income after his starting date (determined under paragraph (2)) and prior to his closing date (determined under paragraph (3)), by the number of months elapsing after such starting date and prior to such closing date, excluding from such elapsed months any month in any year prior to the year in which he attained the age of twenty-two if less than two quarters of such prior year were quarters of coverage and any month in any quarter any part of which was included in a period of disability (as defined in section 216 (i)) unless such quarter was a quarter of coverage, except that when the number of such elapsed months thus computed (including a computation after the application of paragraph (4)) is less than eighteen, it shall be increased to eighteen.

(2) An individual's "starting date" shall be—

(A) December 31, 1950, or

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

whichever results in the higher primary insurance amount.

(3) An individual's "closing date" shall be whichever of the following results in the higher primary insurance amount:

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

(B) the first day of the first year

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employment income closing date" shall be the day following the quarter in which ends his last taxable year (i) which ended before the month in which he died or became entitled to old-age insurance benefits, whichever first occurred, and (ii) during which he derived self-employment income.	in which he both was fully insured and had attained retirement age; except that if the Secretary determines, on the basis of the evidence available to him at the time of the computation of the individual's primary insurance amount with respect to which such closing date is applicable, that it would result in a higher primary insurance amount for such individual, his closing date shall be the first day of the year following the year referred to in subparagraph (A).
(C) Except to the extent provided in paragraph (D), an individual's "divisor closing date" shall be the later of his wage closing date and his self-employment income closing date.	
(D) In the case of an individual who died or became entitled to old-age insurance benefits after the first quarter in which he both was fully insured and had attained retirement age, the determination of his closing dates shall be made as though he became entitled to old-age insurance benefits in such first quarter, but only if it would result in a higher average monthly wage for such individual.	
(4) Notwithstanding the preceding provisions of this subsection, in computing an individual's average monthly wage, there shall not be taken into account any self-employment income of such individual for taxable years ending in or after the month in which he died or became entitled to old-age insurance benefits, whichever first occurred.	(4) In the case of any individual, the Secretary shall determine the four or fewer full calendar years after his starting date and prior to his closing date which, if the months of such years and his wages and self-employment income for such years were excluded in computing his average monthly wage, would produce the highest primary insurance amount. Such months and such wages and self-employment income shall be excluded for purposes of computing such individual's average monthly wage. The maximum number of calendar years determined under the first sentence of this paragraph shall be five instead of four in the case of any individual who has not less than twenty quarters of coverage.
Determinations Made by Use of the Conversion Table	Determinations Made by Use of the Conversion Table
(c) (1) The amount referred to in paragraph (3) and clause (B) of paragraph (2) of subsection (a) for an individual shall be the amount appearing in column II of the following table on the line on which in column I appears his primary insurance benefit (determined as provided in subsection (d)); and his average monthly wage shall, for purposes of section 203 (a), be the amount appearing on such line in column III.	(c) (1) Except as provided in paragraph (2) of this subsection, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for an individual shall be either the amount appearing in column III of the following table on the line on which in column I appears his primary insurance benefit (as determined under subsection (d)), or the amount appearing in column III of the following table on the line on which in column II appears his primary insurance amount (determined as provided in subsection (d)), whichever produces the higher amount; and his average monthly wage shall, for purposes of section 203 (a), be the amount appearing in column IV on the line on which, in column III, appears such higher amount.

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I If the primary insurance benefit (as determined under subsection (d)) is:	II The primary insurance amount shall be:	III And the average monthly wage for purpose of computing maximum benefits shall be:
$10	$25.00	$45.00
$11	27.00	49.00
$12	29.00	53.00
$13	31.00	56.00
$14	33.00	60.00
$15	35.00	64.00
$16	36.70	67.00
$17	38.20	69.00
$18	39.50	72.00
$19	40.70	74.00
$20	42.00	76.00
$21	43.50	79.00
$22	45.30	82.00
$23	47.50	86.00
$24	50.10	91.00
$25	52.40	95.00
$26	54.40	99.00
$27	56.30	109.00
$28	58.00	120.00
$29	59.40	129.00
$30	60.80	139.00
$31	62.00	147.00
$32	63.30	155.00
$33	64.40	163.00
$34	65.50	170.00
$35	66.60	177.00
$36	67.80	185.00
$37	68.90	193.00
$38	70.00	200.00
$39	71.00	207.00
$40	72.00	213.00
$41	73.10	221.00
$42	74.10	227.00
$43	75.10	234.00
$44	76.10	241.00
$45	77.10	250.00
$46	77.10	250.00

(2) In case the primary insurance benefit of an individual (determined as provided in subsection (d)) falls between the amounts on any two consecutive lines in column I of the table, the amount referred to in paragraphs (2) (B) and (3) of subsection (a) for such individual shall be the amount determined with respect to such benefit (under the applicable regulations in effect on May 1, 1952), increased by 12½ per centum or $5, whichever is the larger, and further increased, if it is not then a multiple of $0.10, to the next higher multiple of $0.10.

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

(2) (A) In case the primary insurance benefit (determined as provided in subsection (d)) of an individual falls between the amounts on any two consecutive lines in column I of the table, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the amount determined (i) by applying the formula in subsection (a) (1) to the average monthly wage which would be determined for such individual under paragraph (4) of this subsection as in effect prior to the enactment of the Social Security Amendments of 1954, (ii) by increasing the

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(3) For the purpose of facilitating the use of the conversion table in computing any insurance benefit under section 202, the Administrator is authorized to assume that the primary insurance benefit from which such benefit under section 202 is determined is one cent or two cents more or less than its actual amount.

(4) For purposes of section 203 (a), the average monthly wage of an individual whose primary insurance amount

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amount determined under clause (i), if it is not a multiple of $0.10, to the next higher multiple of $0.10, and (iii) by further increasing such amount to the extent, if any, it is less than $5 greater than the primary insurance amount which would be determined for him by use of his primary insurance benefit under paragraph (2) of this subsection as in effect prior to the enactment of the Social Security Amendments of 1954.

(B) In case the primary insurance amount (determined under subsection (d)) of an individual falls between the amounts on any two consecutive lines in column II of the table, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the amount determined under subparagraph (A) of this paragraph for an individual whose primary insurance benefit would (under paragraph (2) of this subsection as in effect prior to the enactment of the Social Security Amendments of 1954) produce such primary insurance amount; except that, if there is no primary insurance benefit which would (under such paragraph (2)) produce such primary insurance amount or if such primary insurance amount is higher than $77.10, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the amount determined (i) by applying the formula in subsection (a) (1) to the average monthly wage from which such primary insurance amount was determined, (ii) by increasing the amount determined under clause (i), if it is not a multiple of $0.10, to the next higher multiple of $0.10, and (iii) by further increasing such amount to the extent, if any, it is less than $5 greater than such primary insurance amount.

(C) If the provisions of subparagraphs (A) and (B) of this paragraph are both applicable to an individual, the amount referred to in paragraphs (1) (B) and (2) of subsection (a) for such individual shall be the larger of the amounts determined under such subparagraphs.

(3) For the purpose of facilitating the use of the conversion table in computing any insurance benefit under section 202, the Secretary is authorized to assume that the primary insurance benefit from which such benefit under section 202 is determined is one cent or two cents more or less than its actual amount.

(4) For purposes of section 203 (a), the average monthly wage of an individual whose primary insurance amount

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is determined under paragraph (2) of this subsection shall be a sum equal to the average monthly wage which would result in such primary insurance amount upon application of the provisions of subsection (a) (1) of this section and without the application of subsection (c) (2) or (g) of this section; except that, if such sum is not a multiple of $1, it shall be rounded to the nearest multiple of $1.	is determined under paragraph (2) of this subsection shall be a sum equal to the average monthly wage which would result in such primary insurance amount upon the application of the provisions of subsection (a) (1) (A) of this section and without the application of subsection (c) (2) or (g) of this section; except that, if such sum is not a multiple of $1, it shall be rounded to the nearest multiple of $1 (or to the next higher multiple of $1 if it is a multiple of $0.50).
Primary Insurance Benefit for Purposes of Conversion Table	Primary Insurance Benefit and Primary Insurance Amount for Purposes of Conversion Table
(d) For the purposes of subsection (c), the primary insurance benefits of individuals shall be determined as follows:	(d) For the purposes of subsection (c , the primary insurance benefits and the primary insurance amounts of individuals shall be determined as follows:
(1) In the case of any individual who was entitled to a primary insurance benefit for August 1950, his primary insurance benefit shall, except as provided in paragraph (2), be the primary insurance benefit to which he was so entitled.	(1) In the case of any individual who was entitled to a primary insurance benefit for August 1950, his primary insurance benefit shall, except as provided in paragraph (2), be the primary insurance benefit to which he was so entitled.
(2) In the case of any individual to whom paragraph (1) is applicable and who is a World War II veteran or in August 1950 rendered services for wages of $15 or more, his primary insurance benefit shall be whichever of the following is larger: (A) the primary insurance benefit to which he was entitled for August 1950, or (B) his primary insurance benefit for August 1950 recomputed, under section 209 (q) of the Social Security Act as in effect prior to the enactment of this section, in the same manner as if such individual had filed application for and was entitled to a recomputation for August 1950, except that in making such recomputation section 217 (a) shall be applicable if such individual is a World War II veteran.	(2) In the case of any individual to whom paragraph (1) is applicable and who is a World War II veteran or in August 1950 rendered services for wages of $15 or more, his primary insurance benefit shall be whichever of the following is larger: (A) the primary insurance benefit to which he was entitled for August 1950, or (B) his primary insurance benefit for August 1950 recomputed, under section 209 (q) of the Social Security Act as in effect prior to the enactment of this section, in the same manner as if such individual had filed application for and was entitled to a recomputation for August 1950, except that in making such recomputation section 217 (a) shall be applicable if such individual is a World War II veteran.
(3) In the case of any individual who died prior to September 1950, his primary insurance benefit shall be determined as provided in this title as in effect prior to the enactment of this section, except that section 217 (a) shall be applicable, in lieu of section 210 of this Act as in effect prior to the enactment of this section, but only if it results in a larger primary insurance benefit.	(3) In the case of any individual who died prior to September 1950, his primary insurance benefit shall be determined as provided in this title as in effect prior to the enactment of this section, except that section 217 (a) shall be applicable, in lieu of section 210 of this Act as in effect prior to the enactment of this section, but only if it results in a larger primary insurance benefit.
(4) In the case of any other individual, his primary insurance benefit shall be computed as provided in this title as in effect prior to the enactment of this section, except that—	(4) In the case of any other individual (except an individual who attained age twenty-two after 1950 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage), his primary insurance benefit shall be computed as
(A) In the computation of such benefit, such individual's average	

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monthly wage shall (in lieu of being determined under section 209 (f) of such title as in effect prior to the enactment of this section) be determined as provided in subsection (b) of this section, except that his starting date shall be December 31, 1936.	provided in this title as in effect prior to the enactment of this section, except that—
(B) For purposes of such computation, the date he became entitled to old-age insurance benefits shall be deemed to be the date he became entitled to primary insurance benefits.	(A) In the computation of such benefit, such individual's average monthly wage shall (in lieu of being determined under section 209 (f) of such title as in effect prior to the enactment of this section) be determined as provided in subsection (b) of this section, except that his starting date shall be December 31, 1936.
	(B) For purposes of such computation, the date he became entitled to old-age insurance benefits shall be deemed to be the date he became entitled to primary insurance benefits.
(C) The 1 per centum addition provided for in section 209 (e) (2) of this Act as in effect prior to the enactment of this section shall be applicable only with respect to calendar years prior to 1951.	(C) The 1 per centum addition provided for in section 209 (e) (2) of this Act as in effect prior to the enactment of this section shall be applicable only with respect to calendar years prior to 1951.
(D) The provisions of subsection (e) shall be applicable to such computation.	(D) The provisions of subsection (e) shall be applicable to such computation.
	(5) In the case of any individual to whom paragraph (1), (2), or (4) of this subsection is applicable, his primary insurance benefit shall be computed as provided therein except that, for purposes of paragraphs (1) and (2) and subparagraph (C) of paragraph (4), any quarter prior to 1951 any part of which was included in a period of disability shall be excluded from the elapsed quarters unless it was a quarter of coverage, and any wages paid in any such quarter shall not be counted.
	(6) The primary insurance amount of any individual shall be computed as provided in this section as in effect prior to the enactment of this paragraph, except that the amendments made by sections 102 (b) (other than paragraph (2) thereof), 104, and 106 of the Social Security Amendments of 1954 (relating, respectively, to increase in benefit amounts, increase in earnings counted, and periods of disability) shall, to the extent provided by such sections, be applicable to such computation.
Certain Wages and Self-Employment Income Not To Be Counted	Certain Wages and Self-Employment Income Not To Be Counted
(e) For the purposes of subsections (b) and (d) (4)—	(e) For the purposes of subsections (b) and (d) (4)—
(1) in computing an individual's average monthly wage there shall not be counted, in the case of any calendar year after 1950, the excess over $3,600 of (A) the wages paid	(1) in computing an individual's average monthly wage there shall not be counted the excess over $3,600 in the case of any calendar year after 1950 and before 1955,

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to him in such year, plus (B) the self-employment income credited to such year (as determined under section 212); and	and the excess over $4,200 in the case of any calendar year after 1954, of (A) the wages paid to him in such year, plus (B) the self-employment income credited to such year (as determined under section 212);
(2) if an individual's average monthly wage computed under subsection (b) or for the purposes of subsection (d) (4) is not a multiple of $1, it shall be reduced to the next lower multiple of $1.	(2) if an individual's average monthly wage computed under subsection (b) or for the purposes of subsection (d) (4) is not a multiple of $1, it shall be reduced to the next lower multiple of $1;
	(3) if an individual's closing date is determined under paragraph (3) (A) of subsection (b) and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he becomes entitled to old-age insurance benefits, there shall not be counted, in determining his average monthly wage, his self-employment income in such taxable year, except as provided in section 215 (f) (3) (C); and
	(4) in computing an individual's average monthly wage, there shall not be taken into account (A) any wages paid such individual in any quarter any part of which was included in a period of disability unless such quarter was a quarter of coverage, or (B) any self-employment income of such individual for any taxable year all of which was included in a period of disability.
Recomputation of Benefits	Recomputation of Benefits
(f) (1) After an individual's primary insurance amount has been determined under this section, there shall be no recomputation of such individual's primary insurance amount except as provided in this subsection or, in the case of a World War II veteran who died prior to July 27, 1954, as provided in section 217 (b).	(f) (1) After an individual's primary insurance amount has been determined under this section, there shall be no recomputation of such individual's primary insurance amount except as provided in this subsection or, in the case of a World War II veteran who died prior to July 27, 1954, as provided in section 217 (b).
(2) (A) Upon application by an individual entitled to old-age insurance benefits, the Administrator shall recompute his primary insurance amount if application therefor is filed after the twelfth month for which deductions under paragraph (1) or (2) of section 203 (b) have been imposed (within a period of thirty-six months) with respect to such benefit, not taking into account any month prior to September 1950 or prior to the earliest month for which the last previous computation of his primary insurance amount was effective, and if not less than six of the quarters elapsing after 1950 and prior to the quarter in which he filed such application are quarters of coverage.	(2) (A) Upon application filed after 1954 by an individual entitled to old-age insurance benefits, the Secretary shall recompute his primary insurance amount if— (i) he has not less than six quarters of coverage in the period after 1950 and prior to the quarter in which such application is filed, (ii) he has wages and self-employment income of more than $1,200 in a calendar year which occurs after 1953 (not taking into account any year prior to the calendar year in which the last previous recomputation, if any, of his primary insurance amount was effective) and after the year in which he became

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(B) Upon application by an individual who, in or before the month of filing of such application, attained the age of 75 and who is entitled to old-age insurance benefits for which the primary insurance amount was computed under subsection (a) (3) of this section, the Administrator shall recompute his primary insurance amount if not less than six of the quarters elapsing after 1950 and prior to the quarter in which he filed application for such recomputation are quarters of coverage.

(C) A recomputation under subparagraphs (A) and (B) of this paragraph shall be made only as provided in subsection (a) (1) and shall take into account only such wages and self-employment income as would be taken into account under subsection (b) if the month in which application for recomputation is filed were deemed to be the month in which the individual became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the month in which such application for recomputation is filed.

(3) (A) Upon application by an individual entitled to old-age insurance benefits, filed at least six months after the month in which he became so entitled, the Administrator shall recompute his primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount except that his closing dates for purposes of subsection (b) shall be deemed to be the first day

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(without the application of section 202 (j) (1)) entitled to old-age insurance benefits or filed an application for recomputation (to which he is entitled) under section 102 (e) (5) (B) or 102 (f) (2) (B) of the Social Security Amendments of 1954 whichever of such events is the latest, and

(iii) he filed such application no earlier than six months after such calendar year referred to in clause (ii) in which he had such wages and self-employment income.

Such recomputation shall be effective for and after the twelfth month before the month in which he filed such application for recomputation but in no event earlier than the month following such calendar year referred to in clause (ii). For the purposes of this subparagraph an individual's self-employment income shall be allocated to calendar quarters in accordance with section 212.

(B) A recomputation pursuant to subparagraph (A) shall be made as provided in subsection (a) of this section and as though the individual first became entitled to old-age insurance benefits in the month in which he filed the application for such recomputation, but only if the provisions of subsection (b) (4) were not applicable to the last previous computation of his primary insurance amount. If the provisions of subsection (b) (4) were applicable to such previous computation, the recomputation under subparagraph (A) of this paragraph shall be made only as provided in subsection (a) (1) (other than subparagraph (B) thereof) and for such purposes his average monthly wage shall be determined as though he became entitled to old-age insurance benefits in the month in which he filed the application for recomputation under subparagraph (A), except that, of the provisions of paragraph (3) of subsection (b), only the provisions of subparagraph (A) thereof shall be applicable.

(3) (A) Upon application by an individual—

(i) who became (without the application of section 202 (j) (1)) entitled to old-age insurance benefits under section 202 (a) after August, 1954, or

(ii) whose primary insurance amount was recomputed under section 102 (e) (5) or 102 (f) (2) (B) of the Social Security Amendments of 1954, or

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of the quarter in which he became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits.

(B) Upon application by a person entitled to monthly benefits on the basis of the wages and self-employment income of an individual who died after August 1950, the Administrator shall recompute such individual's primary insurance amount if such application is filed at least six months after the month in which such individual died or became entitled to old-age insurance benefits, whichever first occurred. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount except that his closing dates for purposes of subsection (b) shall be deemed to be the first day of the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred. Such recomputation shall be effective for and after the month in which such person who filed the application for recomputation became entitled to such monthly benefits. No recomputation under this paragraph shall affect the amount of the lump-sum death payment under subsection (i) of section 202 and no such recomputation shall render erroneous any such payment certified by the Administrator prior to the effective date of the recomputation.

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(iii) whose primary insurance amount was recomputed as provided in the first sentence of paragraph (2) (B) of this subsection on the basis of an application filed after August 1954,

the Secretary shall recompute his primary insurance amount if such application is filed after the year in which he became entitled to old-age insurance benefits or in which he filed his application for the last recomputation (to which he was entitled) of his primary insurance amount under any provision of law referred to in clause (ii) or (iii) of this sentence, whichever is the later. Such recomputation under this subparagraph shall be made in the manner provided in the preceding subsections of this section for computation of his primary insurance amount, except that his closing date for purposes of subsection (b) shall be the first day of the year following the year in which he became entitled to old-age insurance benefits or in which he filed his application for the last recomputation (to

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which he was entitled) of his primary insurance amount under any provision of law referred to in clause (ii) or (iii) of the preceding sentence, whichever is the later. Such recomputation under this subparagraph shall be effective for and after the first month for which his last previous computation of his primary insurance amount was effective, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed.

(B) In the case of an individual who dies after August 1954—

(i) who, at the time of death, was not entitled to old-age insurance benefits under section 202 (a), or who became entitled to old-age insurance benefits under section 202 (a) after August 1954, or whose primary insurance amount was recomputed under paragraph (2) or (4) of this subsection, or section 102 (e) (5) or section 102 (f) (2) (B) of the Social Security Amendments of 1954, on the basis of an application filed after August 1954; and

(ii) with respect to whom the last previous computation or recomputation of his primary insurance amount was based upon a closing date determined under subparagraph (A) or (B) of subsection (b) (3) of this section,

the Secretary shall recompute his primary insurance amount upon the filing of an application by a person entitled to monthly benefits or a lump-sum death payment on the basis of his wages and self-employment income. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount, except that his closing date for purposes of subsection (b) shall be the day following the year of death in case he died without becoming entitled to old-age insurance benefits, or, in case he was entitled to old-age insurance benefits, the day following the year in which was filed the application for the last previous computation of his primary insurance amount or in which the individual died, whichever first occurred. In the case of monthly benefits, such recomputation shall be effective for and after the month in which the person entitled to such monthly benefits became so entitled, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed.

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(4) Upon the death after August 1950 of an individual entitled to old-age insurance benefits, if any person is entitled to monthly benefits, or to a lump-sum death payment, on the basis of the wages and self-employment income of such individual, the Administrator shall recompute the decedent's primary insurance amount, but (except as provided in paragraph (3) (B)) only if—

(A) the decedent would have been entitled to a recomputation under paragraph (2) if he had filed application therefor in the month in which he died; or

(B) the decedent during his lifetime was paid compensation which is treated, under section 205 (o), as remuneration for employment.

If recomputation is permitted by subparagraph (A), the recomputation shall be made (if at all) as though he had filed application for a recomputation under paragraph (2) in the month in which he died, except that such recomputation shall include any compensation (described in section 205 (o)) paid to him prior to the divisor closing date which would have been applicable under such paragraph. If recomputation is permitted by subparagraph (B), the recomputation shall take into account only the wages and self-employment income which were taken into account in the last previous computation of his primary insurance amount and the compensation (described in section 205 (o)) paid to him prior to the divisor closing date applicable to such computation. If both of the preceding sentences are applicable to an individual, only the recomputation which results in the larger primary insurance amount shall be made.

(5) In the case of any individual who became entitled to old-age insurance benefits in 1952 or in a taxable year

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(C) If an individual's closing date is determined under paragraph (3) (A) of subsection (b) of this section and he has self-employment income in a taxable year which begins prior to such closing date and ends after the last day of the month preceding the month in which he became entitled to old-age insurance benefits, the Secretary shall recompute his primary insurance amount after the close of such taxable year, taking into account only such self-employment income in such taxable year as is, pursuant to section 212, allocated to calendar quarters prior to such closing date. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits.

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

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

(B) the decedent during his lifetime was paid compensation which was treated under section 205 (o) as remuneration for employment.

If the recomputation is permitted by subparagraph (A) the recomputation shall be made (if at all) as though he had filed application for a recomputation under paragraph (2) (A) in the month in which he died, except that such recomputation shall include any compensation (described in section 205 (o)) paid to him prior to the closing date which would have been applicable under such paragraph. If recomputation is permitted by subparagraph (B) the recomputation shall take into account only the wages and self-employment income which were taken into account in the last previous computation of his primary insurance amount and the compensation (described in section 205 (o)) paid to him prior to the closing date applicable to such computation. If both of the preceding sentences are applicable to an individual, only the recomputation which results in the larger primary insurance amount shall be made.

(5) In the case of any individual who became entitled to old-age insurance benefits in 1952 or in a taxable year

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which began in 1952 (and without the application of section 202 (j) (1)), or who died in 1952 or in a taxable year which began in 1952 but did not become entitled to such benefits prior to 1952, and who had self-employment income for a taxable year which ended within or with 1952 or which began in 1952, then upon application filed after the close of such taxable year by such individual or (if he died without filing such application) by a person entitled to monthly benefits on the basis of such individual's wages and self-employment income, the Administrator shall recompute such individual's primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section (other than subsection (b) (4) (A)) for computation of such amount, except that (A) the self-employment income closing date shall be the day following the quarter with or within which such taxable year ended, and (B) the self-employment income for any subsequent taxable year shall not be taken into account. Such recomputation shall be effective (A) in the case of an application filed by such individual, for and after the first month in which he became entitled to old-age insurance benefits, and (B) in the case of an application filed by any other person, for and after the month in which such person who filed such application for recomputation became entitled to such monthly benefits. No recomputation under this paragraph pursuant to an application filed after such individual's death shall affect the amount of the lump-sum death payment under subsection (i) of section 202, and no such recomputation shall render erroneous any such payment certified by the Administrator prior to the effective date of the recomputation.

(6) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount.

* * * * *

OTHER DEFINITIONS

SEC. 216. For the purposes of this title—

* * * * *

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which began in 1952 (and without the application of section 202 (j) (1)), or who died in 1952 or in a taxable year which began in 1952 but did not become entitled to such benefits prior to 1952, and who had self-employment income for a taxable year which ended within or with 1952 or which began in 1952, then upon application filed after the close of such taxable year by such individual or (if he died without filing such application) by a person entitled to monthly benefits on the basis of such individual's wages and self-employment income, the Administrator shall recompute such individual's primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section (other than subsection (b) (4) (A)) for computation of such amount, except that (A) the self-employment income closing date shall be the day following the quarter with or within which such taxable year ended, and (B) the self-employment income for any subsequent taxable year shall not be taken into account. Such recomputation shall be effective (A) in the case of an application filed by such individual, for and after the first month in which he became entitled to old-age insurance benefits, and (B) in the case of an application filed by any other person, for and after the month in which such person who filed such application for recomputation became entitled to such monthly benefits. No recomputation under this paragraph pursuant to an application filed after such individual's death shall affect the amount of the lump-sum death payment under subsection (i) of section 202, and no such recomputation shall render erroneous any such payment certified by the Administrator prior to the effective date of the recomputation.

(6) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount.

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OTHER DEFINITIONS

SEC. 216. For the purposes of this title—

* * * * *

Disability; Period of Disability

(i) (1) The term "disability" means (A) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration, or

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(B) blindness; and the term "blindness" means central visual acuity of 5/200 or less in the better eye with the use of a correcting lens. An eye in which the visual field is reduced to five degrees or less concentric contraction shall be considered for the purpose of this paragraph as having a central visual acuity of 5/200 or less. An individual shall not be considered to be under a disability unless he furnishes such proof of the existence thereof as may be required. Nothing in this title shall be construed as authorizing the Secretary or any other officer or employee of the United States to interfere in any way with the practice of medicine or with relationships between practitioners of medicine and their patients, or to exercise any supervision or control over the administration or operation of any hospital.

(2) The term "period of disability" means a continuous period of not less than six full calendar months (beginning and ending as hereinafter provided in this subsection) during which an individual was under a disability (as defined in paragraph (1)). No such period shall begin as to any individual unless such individual, while under a disability, files an application for a disability determination with respect to such period; and no such period shall begin as to any individual after such individual attains retirement age. Except as provided in paragraph (4), a period of disability shall begin—

(A) if the individual satisfies the requirements of paragraph (3) on such day,

(i) on the day the disability began, or

(ii) on the first day of the one-year period which ends with the day before the day on which the individual files such application,

whichever occurs later;

(B) if such individual does not satisfy the requirements of paragraph (3) on the day referred to in subparagraph (A), then on the first day of the first quarter thereafter in which he satisfies such requirements.

A period of disability shall end with the close of the last day of the first month in which either the disability ceases or the individual attains retirement age. No application for a disability determination which is filed more than three months before the first day on which a period of disability can begin (as determined under this paragraph) shall

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be accepted as an application for purposes of this paragraph, and no such application which is filed prior to January 1, 1955, shall be accepted.

(3) The requirements referred to in clauses (A) and (B) of paragraphs (2) and (4) are satisfied by an individual with respect to any quarter only if he had not less than—

(A) six quarters of coverage (as defined in section 213 (a) (2)) during the thirteen-quarter period which ends with such quarter; and

(B) twenty quarters of coverage during the forty-quarter period which ends with such quarter,

not counting as part of the thirteen-quarter period specified in clause (A), or the forty-quarter period specified in clause (B), any quarter any part of which was included in a prior period of disability unless such quarter was a quarter of coverage.

(4) If an individual files an application for a disability determination after December 1954, and before July 1957, with respect to a disability which began before July 1956, and continued without interruption until such application was filed, then the beginning day for the period of disability, if such individual does not die prior to July 1, 1955, shall be—

(A) the day such disability began, but only if he satisfies the requirements of paragraph (3) on such day;

(B) if he does not satisfy such requirements on such day, the first day of the first quarter thereafter in which he satisfies such requirements.

BENEFITS IN CASE OF VETERANS

SEC. 217. (a) (1) For purposes of determining entitlement to and the amount of any monthly benefit for any month after August 1950, or entitlement to and the amount of any lump-sum death payment in case of a death after such month, payable under this title on the basis of the wages and self-employment income of any World War II veteran, such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of $160 in each month during any part of which he served in the active military or naval service of the United States during World War II. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

(A) a larger such benefit or payment, as the case may be, would be payable without its application; or

BENEFITS IN CASE OF VETERANS

SEC. 217. (a) (1) For purposes of determining entitlement to and the amount of any monthly benefit for any month after August 1950, or entitlement to and the amount of any lump-sum death payment in case of a death after such month, payable under this title on the basis of the wages and self-employment income of any World War II veteran, and for purposes of section 216 (i) (3), such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of $160 in each month during any part of which he served in the active military or naval service of the United States during World War II. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

(A) a larger such benefit or payment, as the case may be, would be

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(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran during World War II is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by $0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based.

(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran during World War II, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Federal Security Administrator shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in

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payable without its application; or

(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran during World War II is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by $0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based. The provisions of clause (B) shall also not apply for purposes of section 216 (i) (3).

(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran during World War II, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Federal Security Administrator shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in

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whole or in part, on military or naval service during World War II shall, at the request of the Federal Security Administrator, certify to him, with respect to any veteran, such information as the Administrator deems necessary to carry out his functions under paragraph (2) of this subsection.	whole or in part, on military or naval service during World War II shall, at the request of the Federal Security Administrator, certify to him, with respect to any veteran, such information as the Administrator deems necessary to carry out his functions under paragraph (2) of this subsection.
* * * * *	* * * * *
(c) (1) For purposes of determining entitlement to and the amount of any monthly benefit or lump-sum death payment payable under this title on the basis of the wages and self-employment income of any veteran (as defined in paragraph (4)), such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of $160 in each month during any part of which he served in the active military or naval service of the United States on or after July 25, 1947, and prior to July 1, 1955. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—	(c) (1) For purposes of determining entitlement to and the amount of any monthly benefit or lump-sum death payment payable under this title on the basis of the wages and self-employment income of any veteran (as defined in paragraph (4)), and for purposes of section 216 (i) (3), such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of $160 in each month during any part of which he served in the active military or naval service of the United States on or after July 25, 1947, and prior to July 1, 1955. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—
(A) a larger such benefit or payment, as the case may be, would be payable without its application; or	(A) a larger such benefit or payment, as the case may be, would be payable without its application; or
(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran on or after July 25, 1947, and prior to July 1, 1955, is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.	(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran on or after July 25, 1947, and prior to July 1, 1955, is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.
The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by $0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based.	The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by $0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based. The provisions of clause (B) shall also not apply for purposes of section 216 (i) (3).
(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any veteran, the Federal Security Administrator shall make a decision without regard to clause (B) of para-	(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any veteran, the Federal Security Administrator shall make a decision without regard to cause (B) or para-

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graph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran on or after July 25, 1947, and prior to July 1, 1955, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Federal Security Administrator shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.	graph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran on or after July 25, 1947, and prior to July 1, 1955, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Federal Security Administrator shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.
(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service on or after July 25, 1947, and prior to July 1, 1955, shall, at the request of the Federal Security Administrator, certify to him, with respect to any veteran, such information as the Administrator deems necessary to carry out his functions under paragraph (2) of this subsection.	(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service on or after July 25, 1947, and prior to July 1, 1955, shall, at the request of the Federal Security Administrator, certify to him, with respect to any veteran, such information as the Administrator deems necessary to carry out his functions under paragraph (2) of this subsection.
(4) For the purposes of this subsection, the term "veteran" means any individual who served in the active military or naval service of the United States at any time on or after July 25, 1947, and prior to July 1, 1955, and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.	(4) For the purposes of this subsection, the term "veteran" means any individual who served in the active military or naval service of the United States at any time on or after July 25, 1947, and prior to July 1, 1955, and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.
VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES	VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES
Purpose of Agreement	Purpose of Agreement
SEC. 218. (a) (1) The Administrator shall, at the request of any State, enter into an agreement with such State for	SEC. 218. (a) (1) The Administrator shall, at the request of any State, enter into an agreement with such State for

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the purpose of extending the insurance system established by this title to services performed by individuals as employees of such State or any political subdivision thereof. Each such agreement shall contain such provisions, not inconsistent with the provisions of this section, as the State may request.	the purpose of extending the insurance system established by this title to services performed by individuals as employees of such State or any political subdivision thereof. Each such agreement shall contain such provisions, not inconsistent with the provisions of this section, as the State may request.
(2) Notwithstanding section 210 (a), for the purposes of this title the term "employment" includes any service included under an agreement entered into under this section.	(2) Notwithstanding section 210 (a), for the purposes of this title the term "employment" includes any service included under an agreement entered into under this section.
Definitions	Definitions
(b) For the purposes of this section—	(b) For the purposes of this section—
(1) The term "State" does not include the District of Columbia.	(1) The term "State" does not include the District of Columbia.
(2) The term "political subdivision" includes an instrumentality of (A) a State, (B) one or more political subdivisions of a State, or (C) a State and one or more of its political subdivisions.	(2) The term "political subdivision" includes an instrumentality of (A) a State, (B) one or more political subdivisions of a State, or (C) a State and one or more of its political subdivisions.
(3) The term "employee" includes an officer of a State or political subdivision.	(3) The term "employee" includes an officer of a State or political subdivision.
(4) The term "retirement system" means a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof.	(4) The term "retirement system" means a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof.
(5) The term "coverage group" means (A) employees of the State other than those engaged in performing service in connection with a proprietary function; (B) employees of a political subdivision of a State other than those engaged in performing service in connection with a proprietary function; (C) employees of a State engaged in performing service in connection with a single proprietary function; or (D) employees of a political subdivision of a State engaged in performing service in connection with a single proprietary function. If under the preceding sentence an employee would be included in more than one coverage group by reason of the fact that he performs service in connection with two or more proprietary functions or in connection with both a proprietary function and a nonproprietary function, he shall be included in only one such coverage group. The determination of the coverage group in which such employee shall be included shall be made in such manner as may be specified in the agreement.	(5) The term "coverage group" means (A) employees of the State other than those engaged in performing service in connection with a proprietary function; (B) employees of a political subdivision of a State other than those engaged in performing service in connection with a proprietary function; (C) employees of a State engaged in performing service in connection with a single proprietary function; or (D) employees of a political subdivision of a State engaged in performing service in connection with a single proprietary function. If under the preceding sentence an employee would be included in more than one coverage group by reason of the fact that he performs service in connection with two or more proprietary functions or in connection with both a proprietary function and a nonproprietary function, he shall be included in only one such coverage group. The determination of the coverage group in which such employee shall be included shall be made in such manner as may be specified in the agreement. Civilian employees of National Guard units of a State who are employed pursuant to

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	section 90 of the National Defense Act of June 3, 1916 (32 U. S. C., sec. 42), and paid from funds allotted to such units by the Department of Defense, shall for purposes of this section be deemed to be employees of the State and (notwithstanding the preceding provisions of this paragraph) shall be deemed to be a separate coverage group. For purposes of this section, individuals employed pursuant to an agreement, entered into pursuant to section 205 of the Agricultural Marketing Act of 1946 (7 U. S. C. 1624) or section 14 of the Perishable Agricultural Commodities Act, 1930 (7 U. S. C. 499n), between a State and the United States Department of Agriculture to perform services as inspectors of agricultural products may be deemed, at the option of the State, to be employees of the State and (notwithstanding the preceding provisions of this paragraph) shall be deemed to be a separate coverage group.
Services Covered	Services Covered
(c) (1) An agreement under this section shall be applicable to any one or more coverage groups designated by the State.	(c) (1) An agreement under this section shall be applicable to any one or more coverage groups designated by the State.
(2) In the case of each coverage group to which the agreement applies, the agreement must include all services (other than services excluded by or pursuant to subsection (d) or paragraph (3), (5), or (6) of this subsection) performed by individuals as members of such group.	(2) In the case of each coverage group to which the agreement applies, the agreement must include all services (other than services excluded by or pursuant to subsection (d) or paragraph (3), (5), or (6) of this subsection) performed by individuals as members of such group.
(3) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any services of an emergency nature or all services in any class or classes of elective positions, part-time positions, or positions the compensation for which is on a fee basis.	(3) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any one or more of the following: (A) Any service of an emergency nature; (B) All services in any class or classes of (i) elective positions, (ii) part-time positions, or (iii) positions the compensation for which is on a fee basis; (C) All services performed by individuals as members of a coverage group in positions covered by a retirement system on the date such agreement is made applicable to such coverage group, but only in the case of individuals who, on such date (or, if later, the date on which they first occupy such positions), are not eligible to become members of such system and whose services in

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	such positions have not already been included under such agreement pursuant to subsection (d) (3).
(4) The Administrator shall, at the request of any State, modify the agreement with such State so as to (A) include any coverage group to which the agreement did not previously apply, or (B) include, in the case of any coverage group to which the agreement applies, services previously excluded from the agreement; but the agreement as so modified may not be inconsistent with the provisions of this section applicable in the case of an original agreement with a State.	(4) The Administrator shall, at the request of any State, modify the agreement with such State so as to (A) include any coverage group to which the agreement did not previously apply, or (B) include in the case of any coverage group to which the agreement applies, services previously excluded from the agreement; but the agreement as so modified may not be inconsistent with the provisions of this section applicable in the case of an original agreement with a State. A modification of an agreement pursuant to clause (B) of the preceding sentence may apply to individuals to whom paragraph (3) (C) is applicable (whether or not the previous exclusion of the service of such individuals was pursuant to such paragraph), but only if such individuals are, on the effective date specified in such modification, ineligible to be members of any retirement system or if the modification with respect to such individuals is pursuant to subsection (d) (3).
(5) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any agricultural labor, or service performed by a student, designated by the State. This paragraph shall apply only with respect to service which is excluded from employment by any provision of section 210 (a) other than paragraph (8) of such section.	(5) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any agricultural labor, or service performed by a student, designated by the State. This paragraph shall apply only with respect to service which is excluded from employment by any provision of section 210 (a) other than paragraph (7) of such section and service the remuneration for which is excluded from wages by paragraph (2) of section 209 (h).
(6) Such agreement shall exclude— (A) service performed by an individual who is employed to relieve him from unemployment, (B) service performed in a hospital, home, or other institution by a patient or inmate thereof, (C) covered transportation service (as determined under section 210 (l)), and (D) service (other than agricultural labor or service performed by a student) which is excluded from employment by any provision of section 210 (a) other than paragraph (8) of such section.	(6) Such agreement shall exclude— (A) service performed by an individual who is employed to relieve him from unemployment, (B) service performed in a hospital, home, or other institution by a patient or inmate thereof, (C) covered transportation service (as determined under section 210 (l)), and (D) service (other than agricultural labor or service performed by a student) which is excluded from employment by any provision of section 210 (a) other than paragraph (7) of such section.
	(7) No agreement may be made applicable (either in the original agreement or by any modification thereof) to service performed by any individual to whom paragraph (3) (C) is applicable unless such agreement provides (in the case of each coverage group involved) either that the service of any individual

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	to whom such paragraph is applicable and who is a member of such coverage group shall continue to be covered by such agreement in case he thereafter becomes eligible to be a member of a retirement system, or that such service shall cease to be so covered when he becomes eligible to be a member of such a system (but only if the agreement is not already applicable to such system pursuant to subsection (d) (3)), whichever may be desired by the State.
Exclusion of Positions Covered by Retirement Systems	Positions Covered by Retirement Systems
(d) No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members of any coverage group in positions covered by a retirement system on the date such agreement is made applicable to such coverage group.	(d) (1) No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members of any coverage group in positions covered by a retirement system either (A) on the date such agreement is made applicable to such coverage group, or (B) on the date of enactment of the succeeding paragraph of this subsection (except in the case of positions which are, by reason of action by such State or political subdivision thereof, as may be appropriate, taken prior to the date of enactment of such succeeding paragraph, no longer covered by a retirement system on the date referred to in clause (A), and except in the case of positions excluded by paragraph (5) (A)). The preceding sentence shall not be applicable to any service performed by an employee as a member of any coverage group in a position (other than a position excluded by paragraph (5) (A)) covered by a retirement system on the date an agreement is made applicable to such coverage group if, on such date (or, if later, the date on which such individual first occupies such position), such individual is ineligible to be a member of such system. (2) It is hereby declared to be the policy of the Congress in enacting the succeeding paragraphs of this subsection that the protection afforded employees in positions covered by a retirement system on the date an agreement under this section is made applicable to service performed in such positions, or receiving periodic benefits under such retirement system at such time, will not be impaired as a result of making the agreement so applicable or as a result of legislative enactment in anticipation thereof. (3) Notwithstanding paragraph (1), an agreement with a State may be made applicable (either in the original agreement or by any modification thereof)

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to service performed by employees in positions covered by a retirement system (including positions specified in paragraph (4) but not including positions excluded by or pursuant to paragraph (5)) if the governor of the State certifies to the Secretary of Health, Education, and Welfare that the following conditions have been met:

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

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

(C) Not less than ninety days' notice of such referendum was given to all such employees;

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

(E) A majority of the eligible employees voted in favor of including service in such positions under an agreement under this section.

An employee shall be deemedan "eligible employee" for purposes of any referendum with respect to any retirement system if, at the time such referendum was held, he was in a position covered by such retirement system and was a member of such system, and if he was in such a position at the time notice of such referendum was given as required by clause (C) of the preceding sentence; except that he shall not be deemed an "eligible employee" if, at the time the referendum was held, he was in a position to which the State agreement already applied, or if he was in a position excluded by or pursuant to paragraph (5). No referendum with respect to a retirement system shall be valid for purposes of this paragraph unless held within the two-year period which ends on the date of execution of the agreement or modification which extends the insurance system established by this title to such retirement system, nor shall any referendum with respect to a retirement system be valid for purposes of this paragraph if held less than one year after the last previous referendum held with respect to such retirement system.

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

(A) all employees in positions which were covered by the same retirement system on the date the

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agreement was made applicable to such system (other than employees to whose services the agreement already applied on such date);

(B) all employees in positions which became covered by such system at any time after such date; and

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

(5) (A) Nothing in paragraph (3) of this subsection shall authorize the extension of the insurance system established by this title to service in any policeman's or fireman's position.

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

(6) If a retirement system covers positions of employees of the State and positions of employees of one or more political subdivisions of the State, or covers positions of employees of two or more political subdivisions of the State, then, for purposes of the preceding paragraphs of this subsection, there shall, if the State so desires, be deemed to be a separate retirement system with respect to any one or more of the political subdivisions concerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State or with respect to the State and any one or more of the political subdivisions concerned. If a retirement system covers positions

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	of employees of one or more institutions of higher learning, then, for purposes of such preceding paragraphs, there shall be deemed to be a separate retirement system for the employees of each such institution of higher learning. For the purposes of this paragraph, the term "institutions of higher learning" includes junior colleges and teachers' colleges.
* * * * *	* * * * *
Effective Date of Agreement	Effective Date of Agreement
(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification, but in no case prior to January 1, 1951, and in no case (other than in the case of an agreement or modification agreed to prior to January 1, 1953) prior to the first day of the calendar year in which such agreement or modification, as the case may be, is agreed to by the Administrator and the State.	(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification; except that— (1) in the case of an agreement or modification agreed to prior to 1954, such date may not be earlier than December 31, 1950; (2) in the case of an agreement or modification agreed to after 1954 but prior to 1958, such date may not be earlier than December 31, 1954; and (3) in the case of an agreement or modification agreed to during 1954 or after 1957, such date may not be earlier than the last day of the calendar year preceding the year in which such agreement or modification, as the case may be, is agreed to by the Secretary of Health, Education, and Welfare and the State.
* * * * *	* * * * *
WISCONSIN RETIREMENT FUND	WISCONSIN RETIREMENT FUND
(m) (1) Notwithstanding subsection (d), the agreement with the State of Wisconsin may, subject to the provisions of this subsection, be modified so as to apply to service performed by employees in positions covered by the Wisconsin retirement fund.	(m) (1) Notwithstanding paragraph (1) of subsection (d), the agreement with the State of Wisconsin may, subject to the provisions of this subsection, be modified so as to apply to service performed by employees in positions covered by the Wisconsin retirement fund.
(2) All employees in positions covered by the Wisconsin retirement fund at any time on or after January 1, 1951, shall, for the purposes of subsection (c) only, be deemed to be a separate coverage group; except that there shall be excluded from such separate coverage group all employees in positions to which the agreement applies without regard to this subsection.	(2) All employees in positions covered by the Wisconsin retirement fund at any time on or after January 1, 1951, shall, for the purposes of subsection (c) only, be deemed to be a separate coverage group; except that there shall be excluded from such separate coverage group all employees in positions to which the agreement applies without regard to this subsection.
(3) The modification pursuant to this subsection shall exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) service performed by any individual during any period before he is included under the Wisconsin retirement fund.	(3) The modification pursuant to this subsection shall exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) service performed by any individual during any period before he is included under the Wisconsin retirement fund.

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(4) The modification pursuant to this subsection shall, if the State of Wisconsin requests it, exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) all service performed in policemen's positions, all service performed in firemen's positions, or both.	(4) The modification pursuant to this subsection shall, if the State of Wisconsin requests it, exclude (in the case of employees in the coverage group established by paragraph (2) of this subsection) all service performed in policemen's positions, all service performed in firemen's positions, or both.
* * * * *	
	Certain Positions No Longer Covered By Retirement Systems
	(n) Notwithstanding subsection (d), an agreement with any State entered into under this section prior to the date of the enactment of this subsection may, prior to January 1, 1958, be modified pursuant to subsection (c) (4) so as to apply to services performed by employees, as members of any coverage group to which such agreement already applies (and to which such agreement applied on such date of enactment), in positions (1) to which such agreement does not already apply, (2) which were covered by a retirement system on the date such agreement was made applicable to such coverage group, and (3) which, by reason of action by such State or political subdivision thereof, as may be appropriate, taken prior to the date of the enactment of this subsection, are no longer covered by a retirement system on the date such agreement is made applicable to such services.
	Certain Employees of the State of Utah
	(o) Notwithstanding the provisions of subsection (d), the agreement with the State of Utah entered into pursuant to this section may be modified pursuant to subsection (c) (4) so as to apply to services performed for any of the following, the employees performing services for each of which shall constitute a separate coverage group: Weber Junior College, Carbon Junior College, Dixie Junior College, Central Utah Vocational School, Salt Lake Area Vocational School, Center for the Adult Blind, Union High School (Roosevelt, Utah), Utah High School Activities Association, State Industrial School, State Training School, State Board of Education, and Utah School Employees Retirement Board. Any modification agreed to prior to January 1, 1955, may be made effective with respect to services performed by employees as members of any of such coverage groups after an effective date specified therein, except that in no case may any such date be earlier than December 31, 1950.
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DISABILITY PROVISIONS INAPPLICABLE IF BENEFIT RIGHTS IMPAIRED

SEC. 220. None of the provisions of this title relating to periods of disability shall apply in any case in which their application would result in the denial of monthly benefits or a lump-sum death payment which would otherwise be payable under this title; nor shall they apply in the case of any monthly benefit or lump-sum death payment under this title if such benefit or payment would be greater without their application.

DISABILITY DETERMINATIONS

SEC. 221. (a) In the case of any individual, the determination of whether or not he is under a disability (as defined in section 216 (i)) and of the day such disability began, and the determination of the day on which such disability ceases, shall except as provided in subsection (g), be made by a State agency pursuant to an agreement entered into under subsection (b). Except as provided in subsections (c) and (d), any such determination shall be the determination of the Secretary for purposes of this title.

(b) The Secretary shall enter into an agreement with each State which is willing to make such an agreement under which the State agency or agencies administering the State plan approved under the Vocational Rehabilitation Act, or any other appropriate State agency or agencies, or both, will make the determinations referred to in subsection (a) with respect to all individuals in such State, or with respect to such class or classes of individuals in the State as may be designated in the agreement at the State's request.

(c) The Secretary may on his own motion review a determination, made by a State agency pursuant to an agreement under this section, that an individual is under a disability and, as a result of such review, may determine that such individual is not under a disability or that such disability began on a day later than that determined by such agency, or that such disability ceased on a day earlier than that determined by such agency.

(d) Any individual dissatisfied with any determination under subsection (a), (c), or (g) shall be entitled to a hearing thereon by the Secretary to the same extent as is provided in section 205 (b) with respect to decisions of the Secretary, and to judicial review of the Secretary's final decision after such hearing as is provided in section 205 (g).

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(c) Each State which has an agreement with the Secretary under this section shall be entitled to receive from the Trust Fund, in advance or by way of reimbursement, as may be mutually agreed upon, the cost to the State of carrying out the agreement under this section. The Secretary shall from time to time certify such amount as is necessary for this purpose to the Managing Trustee, reduced or increased, as the case may be, by any sum (for which adjustment hereunder has not previously been made) by which the amount certified for any prior period was greater or less than the amount which should have been paid to the State under this subsection for such period; and the Managing Trustee, prior to audit or settlement by the General Accounting Office, shall make payment from the Trust Fund at the time or times fixed by the Secretary, in accordance with such certification.

(f) All money paid to a State under this section shall be used solely for the purposes for which it is paid; and any money so paid which is not used for such purposes shall be returned to the Treasury of the United States for deposit in the Trust Fund.

(g) In the case of individuals in a State which has no agreement under subsection (b), in the case of individuals outside the United States, and in the case of any class or classes of individuals not included in an agreement under subsection (b), the determinations referred to in subsection (a) shall be made by the Secretary in accordance with regulations prescribed by him.

REFERRAL FOR REHABILITATION SERVICES

SEC. 222. It is hereby declared to be the policy of the Congress in enacting the preceding section that disabled individuals applying for a determination of disability shall be promptly referred to the State agency or agencies administering or supervising the administration of the State plan approved under the Vocational Rehabilitation Act for necessary vocational rehabilitation services, to the end that the maximum number of disabled individuals may be restored to productive activity.

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TITLE IV—GRANTS TO STATES FOR AID TO DEPENDENT CHILDREN	TITLE IV—GRANTS TO STATES FOR AID TO DEPENDENT CHILDREN
* * * * *	* * * * * *
PAYMENT TO STATES	PAYMENT TO STATES
SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to the sum of the following proportions of the total amounts extended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $30, or if there is more than one dependent child in the same home, as exceeds $30 with respect to one such dependent child and $21 with respect to each of the other dependent children and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds $30—	SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to the sum of the following proportions of the total amounts extended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $30, or if there is more than one dependent child in the same home, as exceeds $30 with respect to one such dependent child and $21 with respect to each of the other dependent children, and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds $30—
(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $15 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus	(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $15 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus
(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);	(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);
and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to one-half of the total of the sums expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $18, or if there is more than one dependent child in the same home, as exceeds $18 with respect to one such dependent child and $12 with respect to each of the other dependent children; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of	and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to one-half of the total of the sums expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $18, or if there is more than one dependent child in the same home, as exceeds $18 with respect to one such dependent child and $12 with respect to each of the other dependent children; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of

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administering the State plan or for aid to dependent children, or both, and for no other purpose.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of dependent children in the State, and (C) such other investigation as the Administrator may find necessary.

(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to dependent children furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter.

(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified.

* * * * *

AS AMENDED BY H. R. 9366

administering the State plan or for aid to dependent children, or both, and for no other purpose.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of dependent children in the State, and (C) such other investigation as the Administrator may find necessary.

(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to dependent children furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter.

(3) The Secretary of the Treasury, shall thereupon, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified.

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SOCIAL SECURITY ACT	AS AMENDED BY H. R. 9366
TITLE X—GRANTS TO STATES FOR AID TO THE BLIND	TITLE X—GRANTS TO STATES FOR AID TO THE BLIND
* * * * *	* * * * *
PAYMENT TO STATES	PAYMENT TO STATES
SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $55—	SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $55—
(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received aid to the blind for such month, plus	(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received aid to the blind for such month, plus
(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);	(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);
and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.	and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.
(b) The method of computing and paying such amounts shall be as follows:	(b) The method of computing and paying such amounts shall be as follows:
(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made avail-	(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made avail-

SOCIAL SECURITY ACT	AS AMENDED BY H. R. 9366
able by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of blind individuals in the State, and (C) such other investigation as the Administrator may find necessary.	able by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of blind individuals in the State, and (C) such other investigation as the Administrator may find necessary.
(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the blind furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.	(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the blind furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.
(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department, and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified.	(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department, and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified.
* * * * *	* * * * *

SOCIAL SECURITY ACT AMENDMENTS OF 1950

* * * * *

APPROVAL OF CERTAIN STATE PLANS

SEC. 344. (a) In the case of any State (as defined in the Social Security Act, but excluding Puerto Rico and the Virgin Islands) which did not have on January 1, 1949, a State plan for aid to the blind approved under title X of the Social Security Act, the Administrator shall approve a plan of such State for aid to the blind for the purposes of such title X, even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act, if it meets all other requirements of such title X for an approved plan for aid to the blind; but payments under section 1003 of the Social Security Act shall be made, in the case of any such plan, only with respect to expenditures thereunder which would be included as expenditures for the purposes of such section under a plan approved under such title X without regard to the provisions of this section.

(b) The provisions of subsection (a) shall be effective only for the period beginning October 1, 1950, and ending June 30, 1955.

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AS AMENDED BY H. R. 9366

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APPROVAL OF CERTAIN STATE PLANS

SEC. 344. (a) In the case of any State (as defined in the Social Security Act, but excluding Puerto Rico and the Virgin Islands) which did not have on January 1, 1949, a State plan for aid to the blind approved under title X of the Social Security Act, the Administrator shall approve a plan of such State for aid to the blind for the purposes of such title X, even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act, if it meets all other requirements of such title X for an approved plan for aid to the blind; but payments under section 1003 of the Social Security Act shall be made, in the case of any such plan, only with respect to expenditures thereunder which would be included as expenditures for the purposes of such section under a plan approved under such title X without regard to the provisions of this section.

(b) The provisions of subsection (a) shall be effective only for the period beginning October 1, 1950, and ending June 30, 1957.

* * * * * *

SOCIAL SECURITY ACT AMENDMENTS OF 1952

AN ACT To amend title II of the Social Security Act to increase old-age and survivors insurance benefits, to preserve insurance rights of permanently and totally disabled individuals, and to increase the amount of earnings permitted without loss of benefits, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Act Amendments of 1952".

INCREASE IN BENEFIT AMOUNTS

Benefits Computed by Conversion Table

SEC. 2.* * *

Effective Dates

(c) (1) The amendments made by subsection (a) shall, subject to the provisions of paragraph (2) of this subsection and notwithstanding the provisions of section 215 (f) (1) of the Social Security Act, apply in the case of lump-sum death payments under section 202 of such Act with respect to deaths occurring after, and in the case of monthly benefits under such section for any month after, August 1952.

AN ACT To amend title II of the Social Security Act to increase old-age and survivors insurance benefits, to preserve insurance rights of permanently and totally disabled individuals, and to increase the amount of earnings permitted without loss of benefits, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Act Amendments of 1952".

INCREASE IN BENEFIT AMOUNTS

Benefits Computed by Conversion Table

SEC 2. * * *

Effective Dates

(c) (1) The amendments made by subsection (a) shall, subject to the provisions of paragraph (2) of this subsection and notwithstanding the provisions of section 215 (f) (1) of the Social Security Act, apply in the case of lump-sum death payments under section 202 of such Act with respect to deaths occurring after, and in the case of monthly benefits under such section for any month after, August 1952.

SOCIAL SECURITY ACT AMENDMENTS OF 1952

(2) (A) In the case of any individual who is (without the application of section 202 (j) (1) of the Social Security Act) entitled to a monthly benefit under subsection (b), (c), (d), (e), (f), (g), or (h) of such section 202 for August 1952, whose benefit for such month is computed through use of a primary insurance amount determined under paragraph (1) or (2) of section 215 (e) of such Act, and who is entitled to such benefit for any succeeding month on the basis of the same wages and self-employment income, the amendments made by this section shall not (subject to the provisions of subparagraph (B) of this paragraph) apply for purposes of computing the amount of such benefit for such succeeding month. The amount of such benefit for such succeeding month shall instead be equal to the larger of (i) 112½ per centum of the amount of such benefit (after the application of sections 203 (a) and 215 (g) of the Social Security Act as in effect prior to the enactment of this Act) for August 1952, increased, if it is not a multiple of $0.10, to the next higher multiple of $0.10, or (ii) the amount of such benefit (after the application of sections 203 (a) and 215 (g) of the Social Security Act as in effect prior to the enactment of this Act) for August 1952, increased by an amount equal to the product obtained by multiplying $5 by the fraction applied to the primary insurance amount which was used in determining such benefit, and further increased, if such product is not a multiple of $0.10, to the next higher multiple of $0.10. The provisions of section 203 (a) of the Social Security Act, as amended by this section (and, for purposes of such section 203 (a), the provisions of section 215 (e) (4) of the Social Security Act, as amended by this section), shall apply to such benefit as computed under the preceding sentence of this subparagraph, and the resulting amount, if not a multiple of $0.10, shall be increased to the next higher multiple of $0.10.

(B) The provisions of subparagraph (A) shall cease to apply to the benefit of any individual for any month under title II of the Social Security Act, beginning with the first month after August 1952 for which (i) another individual becomes entitled, on the basis of the same wages and self-employment income, to a benefit under such title to which he was not entitled, on the basis of such wages and self-employment income, for August 1952; or (ii) another individual, entitled for August 1952 to a benefit under such title on the basis of the same wages and

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(2) (A) In the case of any individual who is (without the application of section 202 (j) (1) of the Social Security Act) entitled to a monthly benefit under subsection (b), (c), (d), (e), (f), (g), or (h) of such section 202 for August 1952, whose benefit for such month is computed through use of a primary insurance amount determined under paragraph (1) or (2) of section 215 (e) of such Act, and who is entitled to such benefit for any succeeding month on the basis of the same wages and self-employment income, the amendments made by this section shall not (subject to the provisions of subparagraph (B) of this paragraph) apply for purposes of computing the amount of such benefit for such succeeding month. The amount of such benefit for such succeeding month shall instead be equal to the larger of (i) 112½ per centum of the amount of such benefit (after the application of sections 203 (a) and 215 (g) of the Social Security Act as in effect prior to the enactment of this Act) for August 1952, increased, if it is not a multiple of $0.10, to the next higher multiple of $0.10, or (ii) the amount of such benefit (after the application of sections 203 (a) and 215 (g) of the Social Security Act as in effect prior to the enactment of this Act) for August 1952, increased by an amount equal to the product obtained by multiplying $5 by the fraction applied to the primary insurance amount which was used in determining such benefit, and further increased, if such product is not a multiple of $0.10, to the next higher multiple of $0.10. The provisions of section 203 (a) of the Social Security Act, as amended by this section (and, for purposes of such section 203 (a), the provisions of section 215 (e) (4) of the Social Security Act, as amended by this section), shall apply to such benefit as computed under the preceding sentence of this subparagraph, and the resulting amount, if not a multiple of $0.10, shall be increased to the next higher multiple of $0.10.

(B) The provisions of subparagraph (A) shall cease to apply to the benefit of any individual under title II of the Social Security Act for any month after August 1954.

SOCIAL SECURITY ACT AMENDMENTS OF 1952

self-employment income, is not entitled to such benefit on the basis of such wages and self-employment income; or (iii) the amount of any benefit which would be payable on the basis of the same wages and self-employment income under the provisions of such title, as amended by this Act, differs from the amount of such benefit which would have been payable for August 1952 under such title, as so amended, if the amendments made by this Act had been applicable in the case of benefits under such title for such month.

(3) The amendments made by subsection (b) shall (notwithstanding the provisions of section 215 (f) (1) of the Social Security Act) apply in the case of lump-sum death payments under section 202 of such Act with respect to deaths occurring after August 1952, and in the case of monthly benefits under such section for months after August 1952.

* * * * *

SEC. 8. (a) Section 3 (a) of the Social Security Act is amended to read as follows:

"SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $55—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received old-age assistance for such month; plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds

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(3) The amendments made by subsection (b) shall (notwithstanding the provisions of section 215 (f) (1) of the Social Security Act) apply in the case of lump-sum death payments under section 202 of such Act with respect to deaths occurring after August 1952, and in the case of monthly benefits under such section for months after August 1952.

* * * * *

SEC. 8. (a) Section 3 (a) of the Social Security Act is amended to read as follows:

"SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $55—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received old-age assistance for such month; plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30,

SOCIAL SECURITY ACT AMENDMENTS OF 1952	AS AMENDED BY H. R. 9366
$30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose."	and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose."
(b) Section 403 (a) of such Act is amended to read as follows:	(b) Section 403 (a) of such Act is amended to read as follows:
"SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $30, or if there is more than one dependent child in the same home, as exceeds $30 with respect to one such dependent child and $21 with respect to each of the other dependent children, and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds $30—	"SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $30, or if there is more than one dependent child in the same home, as exceeds $30 with respect to one such dependent child and $21 with respect to each of the other dependent children, and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds $30—
"(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $15 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus	"(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $15 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus
"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);	"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);
and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to one-half of the total of the sums expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $18, or if there is more than one dependent child in the same home, as exceeds $18 with respect to one such dependent child and $12 with respect	and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to one-half of the total of the sums expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $18, or if there is more than one dependent child in the same home, as exceeds $18 with respect to one such dependent child and $12

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to each of the other dependent children; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purpose."

(c) Section 1003 (a) of such Act is amended to read as follows:

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $55—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received aid to the blind for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose."

(d) Section 1403 (a) of such Act is amended to read as follows:

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with respect to each of the other dependent children; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purpose."

(c) Section 1003 (a) of such Act is amended to read as follows:

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $55—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received aid to the blind for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose."

(d) Section 1403 (a) of such Act is amended to read as follows:

SOCIAL SECURITY ACT AMENDMENTS OF 1952

"SEC. 1403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which which has an approved plan for aid to the permanently and totally disabled, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $55—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received aid to the permanently and totally disabled for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to one-half of the total of the sums expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the permanently and totally disabled, or both, and for no other purpose."

(c) The amendments made by this section shall be effective for the period beginning October 1, 1952, and ending with the close of September 30, 1954, and after such amendments cease to be in effect any provision of law amended thereby shall be in full force and effect as though this Act had not been enacted.

AS AMENDED BY H. R. 9366

"SEC. 1403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the permanently and totally disabled, for each quarter, beginning with the quarter commencing October 1, 1952, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $55—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received aid to the permanently and totally disabled for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to one-half of the total of the sums expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the permanently and totally disabled, or both, and for no other purpose."

(e) The amendments made by this section shall be effective for the period beginning October 1, 1952, and ending with the close of September 30, 1956, and after such amendments cease to be in effect any provision of law amended thereby shall be in full force and effect as though this Act had not been enacted.

RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

DEFINITIONS

SECTION 1. For the purposes of this Act—

* * * * *

(q) The terms "Social Security Act" and "Social Security Act, as amended" shall mean the Social Security Act as amended in 1952.

ANNUITIES

SEC. 2. * * *

(c) An annuity shall begin to accrue as of a date to be specified in a written application (to be made in such manner and form as may be prescribed by the Board and to be signed by the individual entitled thereto), but—

(1) not before the date following the last day of compensated service of the applicant, and

(2) not more than six months before the filing of the application.

* * * * *

ANNUITIES AND LUMP SUMS FOR SURVIVORS

SEC. 5. * * *

(i) DEDUCTIONS FROM ANNUITIES.—(1) Deductions shall be made from any payments under this section to which an individual is entitled, until the total of such deductions equals such individual's annuity or annuities under this section for any month in which such individual—

(i) will have rendered compensated service within or without the United States to an employer;

(ii) will have rendered service for wages of not less than $75;

(iii) if a child under eighteen and over sixteen years of age, will have failed to attend school regularly and the Board finds that attendance will have been feasible; or

(iv) if a widow otherwise entitled to an annuity under subsection (b) will not have had in her care a child of the deceased employee entitled to receive an annuity under subsection (c);

* * * * *

AS AMENDED BY H. R. 9366

DEFINITIONS

SECTION 1. For the purposes of this Act—

* * * * *

(q) The terms "Social Security Act" and "Social Security Act, as amended" shall mean the Social Security Act as amended in 1954.

ANNUITIES

SEC. 2. * * *

(c) An annuity shall begin to accrue as of a date to be specified in a written application (to be made in such manner and form as may be prescribed by the Board and to be signed by the individual entitled thereto), but—

(1) not before the date following the last day of compensated service of the applicant, and

(2) not more than twelve months before the filing of the application.

* * * * *

ANNUITIES AND LUMP SUMS FOR SURVIVORS

SEC. 5. * * *

(i) DEDUCTIONS FROM ANNUITIES.—(1) Deductions shall be made from any payments under this section to which an individual is entitled until the total of such deductions equals such individual's annuity or annuities under this section for any month in which such individual—

(i) will have rendered compensated service within or without the United States to an employer;

(ii) will have been under the age of seventy-two and for which month he is charged with any earnings under section 203 (e) of the Social Security Act or in which month he engaged on seven or more different calendar days in noncovered remunerative activity outside the United States (as defined in section 203 (k) of the Social Security Act); and for purposes of this subdivision the Board shall have the authority to make such determinations and such suspensions of payment of benefits in the manner and to the extent that the Secretary of Health, Education, and Welfare would be authorized to do so under section 203 (g) (3) of the Social Security Act if the individuals to whom this subdivision applies were entitled to benefits under section 202 of such Act;

RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

(j) WHEN ANNUITIES BEGIN AND END.—No individual shall be entitled to receive an annuity under this section for any month before January 1, 1947. An application for any payment under this section shall be made and filed in such manner and form as the Board prescribes. An annuity under this section for an individual otherwise entitled thereto shall begin with the month in which eligibility therefor was otherwise acquired, but not earlier than the first day of the sixth month before the month in which the application was filed. No application for an annuity under this section filed prior to three months before the first month for which the applicant becomes otherwise entitled to receive such annuity shall be accepted. No annuity shall be payable for the month in which the recipient thereof ceases to be qualified therefor.

(k) PROVISIONS FOR CREDITING RAILROAD INDUSTRY SERVICE UNDER THE SOCIAL SECURITY ACT IN CERTAIN CASES.—(1) For the purpose of (i) determining insurance benefits under title II of the Social Security Act to an employee who will have completed less than ten years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee, and (ii) insurance benefits with respect to the death of an employee who will have completed ten years of service which would begin to accrue on or after January 1, 1947, and with respect to lump-sum death payments under such title payable in relation to a death of such an employee occurring on or after such date and for the purposes of section 203 of that Act, section 15 of the Railroad Retirement Act of 1935, section 210 (a) (10) of the Social Security Act, and section 17 of this Act shall not operate to exclude from "employment," under title II of the Social Security Act, service which would otherwise be included in such "employment" but for such sections. For such purpose, compensation paid in a calendar year shall,

AS AMENDED BY H. R. 9366

(iii) if a child under eighteen and over sixteen years of age, will have failed to attend school regularly and the Board finds that attendance will have been feasible; or

(iv) if a widow otherwise entitled to an annuity under subsection (b) will not have had in her care a child of the deceased employee entitled to receive an annuity under subsection (c);

* * * * *

(j) WHEN ANNUITIES BEGIN AND END.—No individual shall be entitled to receive an annuity under this section for any month before January 1, 1947. An application for any payment under this section shall be made and filed in such manner and form as the Board prescribes. An annuity under this section for an individual otherwise entitled thereto shall begin with the month in which eligibility therefor was otherwise acquired, but not earlier than the first day of the twelfth month before the month in which the application was filed. No application for an annuity under this section filed prior to three months before the first month for which the applicant becomes otherwise entitled to receive such annuity shall be accepted. No annuity shall be payable for the month in which the recipient thereof ceases to be qualified therefor.

(k) PROVISIONS FOR CREDITING RAILROAD INDUSTRY SERVICE UNDER THE SOCIAL SECURITY ACT IN CERTAIN CASES.—(1) For the purpose of (i) determining insurance benefits under title II of the Social Security Act to an employee who will have completed less than ten years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee, and (ii) insurance benefits with respect to the death of an employee who will have completed ten years of service which would begin to accrue on or after January 1, 1947, and with respect to lump-sum death payments under such title payable in relation to a death of such an employee occurring on or after such date and for the purposes of sections 203 and 216 (i) (3) of that Act, section 15 of the Railroad Retirement Act of 1935, section 210 (a) (10) of the Social Security Act, and section 17 of this Act shall not operate to exclude from "employment," under title II of the Social Security Act, service which would otherwise be included in such "employment" but for such sections. For such purpose, compensation paid in

RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee will have been in services as an employee. In the application of the Social Security Act pursuant to this paragraph to service as an employee, all service as defined in section 1 (c) of this Act shall be deemed to have been performed within the United States.

* * * * *

(l) DEFINITIONS.—For the purposes of this section the term "employee" includes an individual who will have been an "employee," and—

* * * * *

(9) An employee's "average monthly remuneration" shall mean the quotient obtained by dividing (A) the sum of (i) the compensation paid to him after 1936 and before the quarter in which he will have died, eliminating any excess over $300 for any calendar month, and (ii) if such compensation for any calendar year is less than $3,600 and the average monthly remuneration computed on compensation alone is less than $300 and the employee has earned in such calendar year "wages" as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and $3,600, by (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died: *Provided*, That for the period prior to and including the calendar year in which he will have attained the age of twenty-two there shall be included in the divisor not more than three times the number of quarters of coverage in such period: *Provided further*, That there shall be excluded from the divisor any calendar quarter which is not a quarter of coverage and during any part of which a retirement annuity will have been payable to him: *And provided further*, That if the exclusion from the divisor of all quarters beginning with the first quarter in which the employee was completely insured and had attained the age of sixty-five and the exclusion from the dividend of all compensation and wages with respect to such quarters would result in a higher average monthly remuneration, such quarters, compensation and wages shall be so excluded.

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a calendar year shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee will have been in services as an employee. In the application of the Social Security Act pursuant to this paragraph to service as an employee, all service as defined in section 1 (c) of this Act shall be deemed to have been performed within the United States.

* * * * *

(l) DEFINITIONS.—For the purposes of this section the term "employee" includes an individual who will have been an "employee," and—

* * * * *

(9) An employee's "average monthly remuneration" shall mean the quotient obtained by dividing (A) the sum of (i) the compensation paid to him after 1936 and before the quarter in which he will have died, eliminating any excess over $300 for any calendar month, and (ii) if such compensation for any calendar year is less than $4,200 and the average monthly remuneration computed on compensation alone is less than $300 and the employee has earned in such calendar year "wages" as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and $4,200, by (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died: *Provided*, That for the period prior to and including the calendar year in which he will have attained the age of twenty-two there shall be included in the divisor not more than three times the number of quarters of coverage in such period: *Provided further*, That there shall be excluded from the divisor any calendar quarter which is not a quarter of coverage and during any part of which a retirement annuity will have been payable to him: *And provided further*, That if the exclusion from the divisor of all quarters beginning with the first quarter in which the employee was completely insured and had attained the age of sixty-five and the exclusion from the dividend of all compensation and wages with respect to such quarters would result in a higher average monthly remuneration, such quarters, compensation and wages shall be so excluded.

INTERNAL REVENUE CODE OF 1954

(NOTE.—The Internal Revenue Code of 1954 has not, at the time of filing of this report, been enacted into law. It is expected, however, that the 1954 Code will become law prior to the enactment of this bill, or at substantially the same time as the enactment of this bill.)

Subtitle A—Income Taxes

CHAPTER 1—NORMAL TAXES AND SURTAXES

* * * * * * *

Subchapter B—Computation of Taxable Income

* * * * * * *

PART VI—ITEMIZED DEDUCTIONS FOR INDIVIDUALS AND CORPORATIONS

SEC. 161. ALLOWANCE OF DEDUCTIONS.

In computing taxable income under section 63 (a), there shall be allowed as deductions the items specified in this part, subject to the exceptions provided in part IX (sec. 261 and following, relating to items not deductible).

* * * * * * *

SEC. 176. PAYMENTS WITH RESPECT TO EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS.

In the case of a domestic corporation, there shall be allowed as a deduction amounts (to the extent not compensated for) paid or incurred pursuant to an agreement entered into under section 3121 (l) with respect to services performed by United States citizens employed by foreign subsidiary corporations. Any reimbursement of any amount previously allowed as a deduction under this section shall be included in gross income for the taxable year in which received.

* * * * * * *

CHAPTER 2—TAX ON SELF-EMPLOYMENT INCOME

SEC. 1401. RATE OF TAX.

In addition to other taxes, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

(1) in the case of any taxable year beginning before January 1, 1960, the tax shall be equal to 3 percent of the amount of the self-employment income for such taxable year;

(2) in the case of any taxable year beginning after December 31, 1959, and before January 1, 1965, the tax shall be equal to 3¾ percent of the amount of the self-employment income for such taxable year;

(3) in the case of any taxable year beginning after December 31, 1964, and before January 1, 1970, the tax shall be equal to 4½ percent of the amount of the self-employment income for such taxable year;

[(4) in the case of any taxable year beginning after December 31, 1969, the tax shall be equal to 4⅞ percent of the amount of the self-employment income for such taxable year.]

(4) in the case of any taxable year beginning after December 31, 1969, and before January 1, 1975, the tax shall be equal to 5¼ percent of the amount of the self-employment income for such taxable year;

(5) in the case of any taxable year beginning after December 31, 1974, the tax shall be equal to 6 percent of the amount of the self-employment income for such taxable year.

SEC. 1402. DEFINITIONS.

(a) NET EARNINGS FROM SELF-EMPLOYMENT.—The term "net earnings from self-employment" means the gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed by this subtitle which are attributable to such trade or business, plus his distributive share (whether or not distributed) of income or loss described in section 702 (a) (9) from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary income or loss—

(1) there shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;

(2) there shall be excluded income derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 3121 (g); and there shall be excluded all deductions attributable to such income;

(3) there shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interst (other than interest described in section 35) are received in the course of a trade or business as a dealer in stocks or securities;

(4) there shall be excluded any gain or loss—

(A) which is considered as gain or loss from the sale or exchange of a capital asset,

(B) from the cutting of timber, or the disposal of timber or coal, if section 631 applies to such gain or loss, or

(C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither—

(i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor

(ii) property held primarily for sale to customers in the ordinary course of the trade or business;

(5) the deduction for net operating losses provided in section 172 shall not be allowed;

(6) if—

(A) any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife; and

(B) any portion of a partner's distributive share of the ordinary income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;

(7) a resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States but without regard to section 933;

(8) the deduction for personal exemptions provided in section 151 shall not be allowed.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based on the ordinary income or loss of the partnership for any taxable year of the partnership ending within or with his taxable year.

(b) SELF-EMPLOYMENT INCOME.—The term "self-employment income" means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year; except that such term shall not include—

[(1) that part of the net earnings from self-employment which is in excess of—

(A) $3,600, minus

(B) the amount of the wages paid to such individual during the taxable year; or]

(1) that part of the net earnings from self-employment which is in excess of—

(A) for any taxable year ending prior to 1955, (i) $3,600, minus (ii) the amount of the wages paid to such individual during the taxable year; and

(B) for any taxable year ending after 1954, (i) $4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; or

(2) the net earnings from self-employment, if such net earnings for the taxable year are less than $400.

For purposes of clause (1), the term "wages" includes such remuneration paid to an employee for services included under an agreement entered into pursuant to the provisions of section 218 of the Social Security Act (relating to coverage of State employees), *or under an agreement entered into pursuant to the provisions of section 3121 (l) (relating to coverage of citizens of the United States who are employees of foreign subsidiaries of domestic corporations)*, as would be wages under section 3121 (a) if such services constituted employment under section 3121 (b). An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or a resident of Puerto Rico shall not for purposes of this chapter be considered to be a nonresident alien individual.

(c) TRADE OR BUSINESS.—The term "trade or business", when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 162 (relating to trade or business expenses), except that such term shall not include—

(1) the performance of the functions of a public office;

(2) the performance of service by an individual as an employee (other than service described in section 3121 (b) (16) (B) performed by an individual who has attained the age of 18 *and other than service described in paragraph (4) of this subsection*);

(3) the performance of service by an individual as an employee or employee representative as defined in section 3231;

(4) the performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or

(5) the performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant, accountant registered or licensed as an accountant under State or municipal law, full-time practicing public accountant, funeral director, or professional engineer; or the performance of such service by a partnership.

The provisions of paragraph (4) shall not apply to service (other than service performed by a member of a religious order who has taken a vow of poverty as a member of such order) performed by an individual during the period for which a certificate filed by such individual under subsection (e) is in effect.

(d) EMPLOYEE AND WAGES.—The term "employee" and the term "wages" shall have the same meaning as when used in chapter 21 (sec. 3101 and following, relating to Federal Insurance Contributions Act).

(e) MINISTERS AND MEMBERS OF RELIGIOUS ORDERS.—

(1) WAIVER CERTIFICATE.—Any individual who is a duly ordained, commissioned, or licensed minister of a church or a member of a religious order (other than a member of a religious order who has taken a vow of poverty as a member of such order) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this chapter)

certifying that he elects to have the insurance system established by title II of the Social Security Act extended to service, described in subsection (c) (4), performed by him.

(2) TIME FOR FILING CERTIFICATE.—Any individual who desires to file a certificate pursuant to paragraph (1) must file such certificate on or before the due date of the return (including any extension thereof) for his second taxable year ending after 1954 for which he has net earnings from self-employment (computed without regard to paragraph (4) of subsection (c)) of $400 or more, any part of which was derived from his performance of service described in such paragraph (4).

(3) EFFECTIVE DATE OF CERTIFICATE.—A certificate filed pursuant to this subsection shall be effective for the first taxable year with respect to which it is filed (but in no case shall the certificate be effective for a taxable year with respect to which the period for filing a return has expired, or for a taxable year ending prior to 1955) and all succeeding taxable years. An election made pursuant to this subsection shall be irrevocable.

* * * * * * *

Subtitle C—Employment Taxes

CHAPTER 21—FEDERAL INSURANCE CONTRIBUTIONS ACT

Subchapter A—Tax on Employees

SEC. 3101. RATE OF TAX.

In addition to other taxes, there is hereby imposed on the income of every individual a tax equal to the following percentages of the wages (as defined in section 3121 (a)) received by him with respect to employment (as defined in section 3121 (b))—

(1) with respect to wages received during the calendar years 1955 to 1959, both inclusive, the rate shall be 2 percent;

(2) with respect to wages received during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ percent;

(3) with respect to wages received during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 percent;

[(4) with respect to wages received after December 31, 1969, the rate shall be 3¼ percent.]

(4) with respect to wages received during the calendar years 1970 to 1974, both inclusive, the rate shall be 3½ percent;

(5) with respect to wages received after December 31, 1974, the rate shall be 4 percent.

SEC. 3102. DEDUCTION OF TAX FROM WAGES.

(a) REQUIREMENT.—The tax imposed by section 3101 shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid. *An employer who in any calendar quarter pays to an employee cash remuneration to which paragraph (7) (B) or (C), (8) (B), or (10) of section 3121 (a) is applicable may deduct an amount equivalent to such tax from any such payment of remuneration, even though at the time of payment the total amount of such remuneration paid to the employee by the employer in the calendar quarter is less than $50.*

(b) INDEMNIFICATION OF EMPLOYER.—Every employer required so to deduct the tax shall be liable for the payment of such tax, and shall be indemnified against the claims and demands of any person for the amount of any such payment made by such employer.

Subchapter B—Tax on Employers

SEC. 3111. RATE OF TAX.

In addition to other taxes, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 3121 (a)) paid by him with respect to employment (as defined in section 3121 (b))—

(1) with respect to wages paid during the calendar years 1955 to 1959, both inclusive, the rate shall be 2 percent;

(2) with respect to wages paid during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ percent;

(3) with respect to wages paid during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 percent;

[(4) with respect to wages paid after December 31, 1969, the rate shall be 3½ percent.]

(4) with respect to wages paid during the calendar years 1970 to 1974, both inclusive, the rate shall be 3½ percent;

(5) with respect to wages paid after December 31, 1974, the rate shall be 4 percent.

SEC. 3112. INSTRUMENTALITIES OF THE UNITED STATES.

Notwithstanding any other provision of law (whether enacted before or after the enactment of this section) which grants to any instrumentality of the United States an exemption from taxation, such instrumentality shall not be exempt from the tax imposed by section 3111 unless such other provision of law grants a specific exemption, by reference to section 3111 (or the corresponding section of prior law), from the tax imposed by such section.

Subchapter C—General Provisions

SEC. 3121. DEFINITIONS.

(a) WAGES.—For purposes of this chapter, the term "wages" means all remuneration for employment, including the cash value on all remuneration paid in any medium other than cash; except that such term shall not include—

(1) that part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal to [$3,600] *$4,200* with respect to employment has been paid to an individual by an employer during any calendar year, is paid to such individual by such employer during such calendar year. If an employer (hereinafter referred to as successor employer) during any calendar year acquires substantially all the property used in a trade or business of another employer (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether the successor employer has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to [$3,600] *$4,200* to such individual during such calendar year, any remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such successor employer;

(2) the amount of any payment (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) made to, or on behalf of, an employee or any of his dependents under a plan or system established by an employer which makes provision for his employees generally (or for his employees generally and their dependents) or for a class

or classes of his employees (or for a class or classes of his employees and their dependents), on account of—

(A) retirement, or

(B) sickness or accident disability, or

(C) medical or hospitalization expenses in connection with sickness or accident disability, or

(D) death;

(3) any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

(4) any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of 6 calendar months following the last calendar month in which the employee worked for such employer;

(5) any payment made to, or on behalf of, an employee or his beneficiary—

(A) from or to a trust described in section 401 (a) which is exempt from tax under section 501 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or

(B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 401 (a) (3), (4), (5), and (6);

(6) the payment by an employer (without deduction from the remuneration of the employee)—

(A) of the tax imposed upon an employee under section 3101 (or the corresponding section of prior law), or

(B) of any payment required from an employee under a State unemployment compensation law;

(7) (A) remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer;

[(B) cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in the quarter for such service is less than $50 or the employee is not regularly employed by the employer in such quarter of payment. For purposes of this subparagraph, an employee shall be deemed to be regularly employed by an employer during a calendar quarter only if—

(i) on each of some 24 days during the quarter the employee performs for the employer for some portion of the day domestic service in a private home of the employer, or

(ii) the employee was regularly employed (as determined under clause (i)) by the employer in the performance of such service during the preceding calendar quarter.

As used in this subparagraph, the term "domestic service in a private home of the employer" does not include service described in subsection (g) (5);]

(B) cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this subparagraph, the term "domestic service in a private home of the employer" does not include service described in subsection (g) (5);

(C) cash remuneration paid by an employer in any calendar quarter to an employee for service not in the course of the employer's trade or business, if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50. As used in this subparagraph, the term "service not in the course of the employer's trade or business" does not include domestic service in a private home of the employer and does not include service described in subsection (g) (5);

(8) (A) remuneration paid in any medium other than cash for agricultural labor;

(B) cash remuneration paid by an employer in any calendar quarter to an employee for agricultural labor, if the cash remuneration paid in such quarter by the employer to the employee for such labor is less than $50;

(9) any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of 65, if he did not work for the employer in the period for which such payment is made; or

(10) remuneration paid by an employer in any calendar quarter to an employee for service described in subsection (d) (3) (C) (relating to homeworkers), if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50.

(b) EMPLOYMENT.—For purposes of this chapter, the term "employment" means any service performed after 1936 and prior to 1955 which was employment for purposes of subchapter A of chapter 9 of the Internal Revenue Code of 1939 under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1954 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (h)); except that, in the case of service performed after 1954, such term shall not include—

[(1) (A) agricultural labor (as defined in subsection (g)) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor (other than service described in subparagraph (B)) is $50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For purposes of this subparagraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

[(i) such individual performs agricultural labor (other than service described in subparagraph (B)) for such employer on a full-time basis on 60 days during such quarter, and

[(ii) the quarter was immediately preceded by a qualifying quarter.

For purposes of the preceding sentence, the term "qualifying quarter" means—

[(I) any quarter during all of which such individual was continuously employed by such employer, or

[(II) any subsequent quarter which meets the test of clause (i) if, after the last quarter during all of which such individual was continuously employed by such employer, each intervening quarter met the test of clause (i).

Notwithstanding the preceding provisions of this subparagraph, an individual shall also be deemed to be regularly employed by an employer during a calendar quarter if such individual was regularly employed (upon application of clauses (i) and (ii)) by such employer during the preceding calendar quarter;

[(B) service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g), of the Agricultural Marketing Act, as amended (46 Stat. 1550, § 3; 12 U. S. C. 1141j), or in connection with the ginning of cotton;

[(C) service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended (65 Stat. 119; 7 U. S. C. 1461–1468);]

(1) (A) service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended (46 Stat. 1550 § 3; 12 U. S. C. 1141j);

(B) service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended (65 Stat. 119; 7 U. S. C. 1461–1468);

(2) domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university;

[(3) service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

(A) on each of some 24 days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or

(B) such individual was regularly employed (as determined under subparagraph (A)) by such employer in the performance of such service during the preceding calendar quarter.

As used in this paragraph, the term "service not in the course of the employer's trade or business" does not include domestic service in a private home of the employer and does not include service described in subsection (g) (5);]

[(4)] (3) service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of 21 in the employ of his father or mother;

[(5)] (4) service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, [if the individual is employed on and in connection with such vessel or aircraft when outside the United States]; *if (A) the individual is employed on and in connection with such vessel or aircraft when outside the United States and (B) (i) such individual is not a citizen of the United States or (ii) the employer is not an American employer.*

[(6)] (5) service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 3111 by virtue of any provision of law which specifically refers to such section (or the corresponding section of prior law) in granting such exemption;

[(7)] (6) (A) service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is covered by a retirement system established by a law of the United States;

(B) service performed in the employ of an instrumentality of the United States if such an instrumentality was exempt from the tax imposed by section 1410 of the Internal Revenue Code of 1939 on December 31, 1950, except that the provisions of this subparagraph shall not be applicable to—

(i) service performed in the employ of a corporation which is wholly owned by the United States;

(ii) service performed in the employ of a national farm loan association, a production credit association, a Federal Reserve Bank, or a Federal Credit Union;

(iii) service performed in the employ of a State, county, or community committee under the Commodity Stabilization Service; or

(iv) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department;

(C) service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is performed—

(i) as the President or Vice President of the United States or as a Member, Delegate, or Resident Commissioner, of or to the Congress;

(ii) in the legislative branch;

(iii) in the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 (46 Stat. 470; 5 U. S. C. 693) because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

(iv) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

(v) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 (46 Stat. 470; 5 U. S. C. 693) because he is paid on a contract or fee basis;

(vi) by any individual as an employee receiving nominal compensation of $12 or less per annum;

(vii) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

(viii) by any individual as a consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (60 Stat. 1011; 22 U. S. C. 951);

(ix) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and

other student employees of hospitals of the Federal Government) (61 Stat. 727; 5 U. S. C. 1052);

(x) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency;

(xi) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment;

(xii) as a member of a State, county, or community committee under the Commodity Stabilization Service or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States; or

(xiii) by an individual to whom the Civil Service Retirement Act of 1930 (46 Stat. 470; 5 U. S. C. 693) does not apply because such individual is subject to another retirement system;

[(8)] *(7)* service (other than service which, under subsection (j), constitutes covered transportation service) performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions;

[(9)] *(8)* (A) service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

(B) service performed in the employ of a religious, charitable, educational, or other organization described in section 501 (c) (3) which is exempt from income tax under section 501 (a), but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to subsection (k) (or the corresponding subsection of prior law), is in effect if such service is performed by an employee—

(i) whose signature appears on the list filed by such organization under subsection (k) (or the corresponding subsection of prior law); or

(ii) who became an employee of such organization after the calendar quarter in which the certificate was filed;

[(10)] *(9)* service performed by an individual as an employee or employee representative as defined in section 3231;

[(11)] *(10)* (A) service performed in any calendar quarter in the employ of any organization exempt from income tax under section 401 (a) (other than an organization described in section 501 (c)) or under section 521, if the remuneration for such service is less than $50;

(B) service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

[(12)] *(11)* service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

[(13)] *(12)* service performed in the employ of an instrumentality wholly owned by a foreign government—

(A) if the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

(B) if the Secretary of State shall certify to the Secretary that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

[(14)] *(13)* service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an intern in the employ of a hospital by an individual who has completed a 4 years' course in a medical school chartered or approved pursuant to State law;

[(15) service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except—

[(A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and

[(B) service performed on or in connection with a vessel of more than 10 net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);]

[(16)] (*14*) (A) service performed by an individual under the age of 18 in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

(B) service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back; or

[(17)] (*15*) service performed in the employ of an international organization.

(c) INCLUDED AND EXCLUDED SERVICE.—For purposes of this chapter, if the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection, the term "pay period" means a period (of not more than 31 consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him, where any of such service is excepted by subsection (b) (10).

(d) EMPLOYEE.—For purposes of this chapter, the term "employee" means—

(1) any officer of a corporation; or

(2) any individual who, under the usual common-law rules applicable in determining the employer-employee relationship, has the status of an employee; or

(3) any individual (other than an individual who is an employee under paragraph (1) or (2)) who performs services for remuneration for any person—

(A) as an agent-driver or commission-driver engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for his principal;

(B) as a full-time life insurance salesman;

(C) as a homeworker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him[, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed]; or

(D) as a traveling or city salesman, other than as an agent-driver or commission-driver, engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, his principal (except for sideline sales activities on behalf of some other person) of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments for merchandise for resale or supplies for use in their business operations;

if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term "employee" under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for transportation), or if the services are in the nature of a single transactions, not part of a continuing relationship with the person for whom the services are performed.

(e) STATE, UNITED STATES, AND CITIZEN.—For purposes of this chapter—

(1) STATE.—The term "State" includes Alaska, Hawaii, the District of Columbia, Puerto Rico, and the Virgin Islands.

(2) UNITED STATES.—The term "United States" when used in a geographical sense includes Puerto Rico and the Virgin Islands.

An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) shall be considered, for purposes of this section, as a citizen of the United States.

(f) AMERICAN VESSEL AND AIRCRAFT.—For purposes of this chapter, the term "American vessel" means any vessel documented or numbered under the laws of the United States; and includes any vessel which is neither documented nor numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents of the United States or corporations organized under the laws of the United States or of any State; and the term "American aircraft" means an aircraft registered under the laws of the United States.

(g) AGRICULTURAL LABOR.—For purposes of this chapter, the term "agricultural labor" includes all service performed—

(1) on a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife;

(2) in the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm;

(3) in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended (46 Stat. 1550, § 3; 12 U. S. C. 1141j), or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes;

(4) (A) in the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity; but only if such operator produced more than one-half of the commodity with respect to which such service is performed;

(B) in the employ of a group of operators of farms (other than a cooperative organization) in the performance of service described in subparagraph (A), but only if such operators produced all of the commodity with respect to which such service is performed. For purposes of this subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than 20 at any time during the calendar quarter in which such service is performed;

(C) the provisions of subparagraphs (A) and (B) shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption; or

(5) on a farm operated for profit if such service is not in the course of the employer's trade or business or is domestic service in a private home of the employer.

As used in this subsection, the term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

(h) AMERICAN EMPLOYER.—For purposes of this chapter, the term "American employer" means an employer which is—

(1) the United States or any instrumentality thereof,

(2) an individual who is a resident of the United States,

(3) a partnership, if two-thirds or more of the partners are residents of the United States.

(4) a trust, if all of the trustees are residents of the United States, or

(5) a corporation organized under the laws of the United States or of any State.

(i) COMPUTATION OF WAGES IN CERTAIN CASES.—For purposes of this chapter, in the case of domestic service described in subsection (a) (7) (B), any payment of

cash remuneration for such service which is more or less than a whole-dollar amount shall, under such conditions and to such extent as may be prescribed by regulations made under this chapter, be computed to the nearest dollar. For the purpose of the computation to the nearest dollar, the payment of a fractional part of a dollar shall be disregarded unless it amounts to one-half dollar or more, in which case it shall be increased to $1. The amount of any payment of cash remuneration so computed to the nearest dollar shall, in lieu of the amount actually paid, be deemed to constitute the amount of cash remuneration for purposes of subsection (a) (7) (B).

(j) COVERED TRANSPORTATION SERVICE.—For purposes of this chapter—

(1) EXISTING TRANSPORTATION SYSTEMS—GENERAL RULE.—Except as provided in paragraph (2), all service performed in the employ of a State or political subdivision in connection with its operation of a public transportation system shall constitute covered transportation service if any part of the transportation system was acquired from private ownership after 1936 and prior to 1951.

(2) EXISTING TRANSPORTATION SYSTEMS—CASES IN WHICH NO TRANSPORTATION EMPLOYEES, OR ONLY CERTAIN EMPLOYEES, ARE COVERED.—Service performed in the employ of a State or political subdivision in connection with the operation of its public transportation system shall not constitute covered transportation service if—

(A) any part of the transportation system was acquired from private ownership after 1936 and prior to 1951, and substantially all service in connection with the operation of the transportation system was, on December 31, 1950, covered under a general retirement system providing benefits which, by reason of a provision of the State constitution dealing specifically with retirement systems of the State or political subdivisions thereof, cannot be diminished or impaired; or

(B) no part of the transportation system operated by the State or political subdivision on December 31, 1950, was acquired from private ownership after 1936 and prior to 1951;

except that if such State or political subdivision makes an acquisition after 1950 from private ownership of any part of its transportation system, then, in the case of any employee who—

(C) became an employee of such State or political subdivision in connection with and at the time of its acquisition after 1950 of such part, and

(D) prior to such acquisition rendered service in employment (including as employment service covered by an agreement under section 218 of the Social Security Act) in connection with the operation of such part of the transportation system acquired by the State or political subdivision,

the service of such employee in connection with the operation of the transportation system shall constitute covered transportation service, commencing with the first day of the third calendar quarter following the calendar quarter in which the acquisition of such part took place, unless on such first day such service of such employee is covered by a general retirement system which does not, with respect to such employee, contain special provisions applicable only to employees described in subparagraph (C).

(3) TRANSPORTATION SYSTEMS ACQUIRED AFTER 1950.—All service performed in the employ of a State or political subdivision thereof in connection with its operation of a public transportation system shall constitute covered transportation service if the transportation system was not operated by the State or political subdivision prior to 1951 and, at the time of its first acquisition (after 1950) from private ownership of any part of its transportation system, the State or political subdivision did not have a general retirement system covering substantially all service performed in connection with the operation of the transportation system.

(4) DEFINITIONS.—For purposes of this subsection—

(A) The term "general retirement system" means any pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof for employees of the State, political subdivision, or both; but such term shall not include such a fund or system which covers only service performed in positions connected with the operation of its public transportation system.

(B) A transportation system or a part thereof shall be considered to have been acquired by a State or political subdivision from private ownership if prior to the acquisition service performed by employees in connection with the operation of the system or part thereof acquired

constituted employment under this chapter or subchapter A of chapter 9 of the Internal Revenue Code of 1939 or was covered by an agreement made pursuant to section 218 of the Social Security Act and some of such employees became employees of the State or political subdivision in connection with and at the time of such acquisition.

(C) The term "political subdivision" includes an instrumentality of

(i) a State,

(ii) one or more political subdivisions of a State, or

(iii) a State and one or more of its political subdivisions.

(k) EXEMPTION OF RELIGIOUS, CHARITABLE, AND CERTAIN OTHER ORGANIZATIONS.—

(1) WAIVER OF EXEMPTION BY ORGANIZATION.—An organization described in section 501 (c) (3) which is exempt from income tax under section 501 (a) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this chapter) certifying that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees and that at least two-thirds of its employees concur in the filing of the certificate. Such certificate may be filed only if it is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs in the filing of the certificate. Such list may be amended, at any time prior to the expiration of the first month following the first calendar quarter for which the certificate is in effect, by filing with such official a supplemental list or lists containing the signature, address, and social security account number (if any) of each additional employee who concurs in the filing of the certificate. The list and any supplemental list shall be filed in such form and manner as may be prescribed by regulations made under this chapter. The certificate shall be in effect (for purposes of subsection (b) (9) (B) and for purposes of section 210 (a) (9) (B) of the Social Security Act) for the period beginning with the first day following the close of the calendar quarter in which such certificate is filed. The period for which a certificate filed pursuant to this subsection or the corresponding subsection of prior law is effective may be terminated by the organization, effective at the end of a calendar quarter, upon giving 2 years' advance notice in writing, but only if, at the time of the receipt of such notice, the certificate has been in effect for a period of not less than 8 years. The notice of termination may be revoked by the organization by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or revocation thereof shall be filed in such form and manner, and with such official, as may be prescribed by regulations made under this chapter.

(2) TERMINATION OF WAIVER PERIOD BY SECRETARY OR HIS DELEGATE.—If the Secretary or his delegate finds that any organization which filed a certificate pursuant to this subsection or the corresponding subsection of prior law has failed to comply substantially with the requirements of this chapter or the corresponding provisions of prior law or is no longer able to comply with the requirements of this chapter, the Secretary or his delegate shall give such organization not less than 60 days' advance notice in writing that the period covered by such certificate will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Secretary or his delegate by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the organization. No notice of termination or of revocation thereof shall be given under this paragraph to an organization without the prior concurrence of the Secretary of Health, Education, and Welfare.

(3) NO RENEWAL OF WAIVER.—In the event of the period covered by a certificate filed pursuant to this subsection or the corresponding subsection of prior law is terminated by the organization, no certificate may again be filed by such organization pursuant to this subsection.

(l) AGREEMENTS ENTERED INTO BY DOMESTIC CORPORATIONS WITH RESPECT TO FOREIGN SUBSIDIARIES.—

(1) AGREEMENT WITH RESPECT TO CERTAIN EMPLOYEES OF FOREIGN SUBSIDIARIES.—The Secretary or his delegate shall, at the request of any domestic corporation, enter into an agreement (in such form and manner as may be prescribed by the Secretary or his delegate) with any such corporation which desires to have the insurance system established by title II of the Social Security Act extended to service performed outside the United States in the employ of any one

or more of its foreign subsidiaries (as defined in paragraph (8)) by all employees who are citizens of the United States, except that the agreement shall not be applicable to any service performed by, or remuneration paid to, an employee if such service or remuneration would be excluded from the term "employment" or "wages", as defined in this section, had the service been performed in the United States. Such agreement may be amended at any time so as to be made applicable, in the same manner and under the same conditions, with respect to any other foreign subsidiary of such domestic corporation. Such agreement shall be applicable with respect to citizens of the United States who, on or after the effective date of the agreement, are employees of and perform services outside the United States for any foreign subsidiary specified in the agreement. Such agreement shall provide—

(A) that the domestic corporation shall pay to the Secretary or his delegate, at such time or times as the Secretary or his delegate may by regulations prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 3101 and 3111 (including amounts equivalent to the interest, additions to the taxes, additional amounts, and penalties which would be applicable) with respect to the remuneration which would be wages if the services covered by the agreement constituted employment as defined in this section; and

(B) that the domestic corporation will comply with such regulations relating to payments and reports as the Secretary or his delegate may prescribe to carry out the purposes of this subsection.

(2) EFFECTIVE PERIOD OF AGREEMENT.—An agreement entered into pursuant to paragraph (1) shall be in effect for the period beginning with the first day of the calendar quarter in which such agreement is entered into or the first day of the succeeding calendar quarter, as may be specified in the agreement, but in no case prior to January 1, 1955; except that in case such agreement is amended to include the services performed for any other subsidiary and such amendment is executed after the first month following the first calendar quarter for which the agreement is in effect, the agreement shall be in effect with respect to service performed for such other subsidiary only after the calendar quarter in which such amendment is executed.

(3) TERMINATION OF PERIOD BY A DOMESTIC CORPORATION.—The period for which an agreement entered into pursuant to paragraph (1) of this subsection is effective may be terminated with respect to any one or more of its foreign subsidiaries by the domestic corporation, effective at the end of a calendar quarter, upon giving two years' advance notice in writing, but only if, at the time of the receipt of such notice, the agreement has been in effect for a period of not less than eight years. The notice of termination may be revoked by the domestic corporation by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or revocation thereof shall be filed in such form and manner as may be prescribed by regulations. Notwithstanding any other provision of this subsection, the period for which any such agreement is effective with respect to any foreign corporation shall terminate at the end of any calendar quarter in which the foreign corporation, at any time in such quarter, ceases to be a foreign subsidiary as defined in paragraph (8).

(4) TERMINATION OF PERIOD BY SECRETARY.—If the Secretary or his delegate finds that any domestic corporation which entered into an agreement pursuant to this subsection has failed to comply substantially with the terms of such agreement, the Secretary or his delegate shall give such domestic corporation not less than sixty days' advance notice in writing that the period covered by such agreement will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Secretary or his delegate by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the domestic corporation. No notice of termination or of revocation thereof shall be given under this paragraph to a domestic corporation without the prior concurrence of the Secretary of Health, Education, and Welfare.

(5) NO RENEWAL OF AGREEMENT.—If any agreement entered into pursuant to paragraph (1) of this subsection is terminated in its entirety (A) by a notice of termination filed by the domestic corporation pursuant to paragraph (3), or (B) by a notice of termination given by the Secretary or his delegate pursuant to paragraph (4), the domestic corporation may not again enter into an agreement pursuant to paragraph (1). If any such agreement is terminated with respect to any foreign subsidiary, such agreement may not thereafter be amended so as again to make it applicable with respect to such subsidiary.

(6) DEPOSITS IN TRUST FUND.—For purposes of section 201 of the Social Security Act, relating to appropriations to the Federal Old-Age and Survivors Insurance Trust Fund, such remuneration—

(A) paid for services covered by an agreement entered into pursuant to paragraph (1) as would be wages if the services constituted employment, and

(B) as is reported to the Secretary or his delegate pursuant to the provisions of such agreement or of the regulations issued under this subsection,

shall be considered wages subject to the taxes imposed by this chapter.

(7) OVERPAYMENTS AND UNDERPAYMENTS.—

(A) If more or less than the correct amount due under an agreement entered into pursuant to this subsection is paid with respect to any payment of remuneration, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be required by regulations prescribed by the Secretary or his delegate.

(B) If an overpayment cannot be adjusted under subparagraph (A), the amount thereof shall be paid by the Secretary or his delegate, through the Fiscal Service of the Treasury Department, but only if a claim for such overpayment is filed with the Secretary or his delegate within two years from the time such overpayment was made.

(8) DEFINITION OF FOREIGN SUBSIDIARY.—For purposes of this subsection and section 210 (a) of the Social Security Act, a foreign subsidiary of a domestic corporation is—

(A) a foreign corporation more than 50 percent of the voting stock of which is owned by such domestic corporation; or

(B) a foreign corporation more than 50 percent of the voting stock of which is owned by the foreign corporation described in subparagraph (A).

(9) DOMESTIC CORPORATION AS SEPARATE ENTITY.—Each domestic corporation which enters into an agreement pursuant to paragraph (1) of this subsection shall, for purposes of this subsection and section 6413 (c) (2) (C), relating to special refunds in the case of employees of certain foreign corporations, be considered an employer in its capacity as a party to such agreement separate and distinct from its identity as a person employing individuals on its own account.

(10) REGULATIONS.—Regulations of the Secretary or his delegate to carry out the purposes of this subsection shall be designed to make the requirements imposed on domestic corporations with respect to services covered by an agreement entered into pursuant to this subsection the same, so far as practicable, as those imposed upon employers pursuant to this title with respect to the taxes imposed by this chapter.

SEC. 3122. FEDERAL SERVICE.

In the case of the taxes imposed by this chapter with respect to service performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, the determination whether an individual has performed service which constitutes employment as defined in section 3121 (b), the determination of the amount of remuneration for such service which constitutes wages as defined in section 3121 (a), and the return and payment of the taxes imposed by this chapter, shall be made by the head of the Federal agency or instrumentality having the control of such service, or by such agents as such head may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 3111 with respect to such service without regard to the [$3,600] *$4,200* limitation in section 3121 (a) (1), and he shall not be required to obtain a refund of the tax paid under section 3111 on that part of the remuneration not included in wages by reason of section 3121 (a) (1). The provisions of this section shall be applicable in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department; and for purposes of this section the Secretary of Defense shall be deemed to be the head of such instrumentality.

SEC. 3123. DEDUCTIONS AS CONSTRUCTIVE PAYMENTS.

Whenever under this chapter or any act of Congress, or under the law of any State, an employer is required or permitted to deduct any amount from the

remuneration of an employee and to pay the amount deducted to the United States, a State, or any political subdivision thereof, then for purposes of this chapter the amount so deducted shall be considered to have been paid to the employee at the time of such deduction.

SEC. 3124. ESTIMATE OF REVENUE REDUCTION.

The Secretary or his delegate at intervals of not longer than 3 years shall estimate the reduction in the amount of taxes collected under this chapter by reason of the operation of section 3121 (b) (10) and shall include such estimate in his annual report.

SEC. 3125. SHORT TITLE.

This chapter may be cited as the "Federal Insurance Contributions Act."

Subtitle F—Procedure and Administration

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CHAPTER 65—ABATEMENTS, CREDITS, AND REFUNDS

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Subchapter B—Rules of Special Application

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SEC. 6413. SPECIAL RULES APPLICABLE TO CERTAIN EMPLOYMENT TAXES.

(a) ADJUSTMENT OF TAX.—

(1) GENERAL RULE.—If more than the correct amount of tax imposed by section 3101, 3111, 3201, 3221, or 3402 is paid with respect to any payment of remuneration, proper adjustments, with respect to both the tax and the amount to be deducted, shall be made, without interest, in such manner and at such times as the Secretary or his delegate may by regulations prescribe.

(2) UNITED STATES AS EMPLOYER.—For purposes of this subsection, in the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year, each head of a Federal agency or instrumentality who makes a return pursuant to section 3122 and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall be deemed a separate employer.

(b) OVERPAYMENTS OF CERTAIN EMPLOYMENT TAXES.—If more than the correct amount of tax imposed by section 3101, 3111, 3201, 3221, or 3402 is paid or deducted with respect to any payment of remuneration and the overpayment cannot be adjusted under subsection (a) of this section, the amount of the overpayment shall be refunded in such manner and at such times (subject to the statute of limitations properly applicable thereto) as the Secretary or his delegate may by regulations prescribe.

(c) SPECIAL REFUNDS.—

(1) IN GENERAL.—[If by reason of an employee receiving wages from more than one employer during any calendar year, the wages received by him during such year exceed $3,600, the employee shall be entitled (subject to the provisions of section 31 (b)) to a credit or refund of any amount of tax, with respect to such wages, imposed by section 3101 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first $3,600 of such wages received.] *If by reason of an employee receiving wages from more than one employer during a calendar year after the calendar year 1950 and prior to the calendar year 1955, the wages received by him during such year exceed $3,600, the employee shall be entitled (subject to the provisions of section 31 (b)) to a credit or refund of any amount of tax, with respect to such wages, imposed by section 1400 of the Internal Revenue Code of 1939 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first $3,600 of such wages received; or if by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1954, the wages received by him during such year exceed $4,200, the employee*

shall be entitled (subject to the provisions of section 31 (b)) to a credit or refund of any amount of tax, with respect to such wages, imposed by section 3101 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first $4,200 of such wages received.

(2) APPLICABILITY IN CASE OF FEDERAL AND STATE EMPLOYEES *AND EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS.*—

(A) FEDERAL EMPLOYEES.—In the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year, each head of a Federal agency or instrumentality who makes a return pursuant to section 3122 and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall, for purposes of this subsection, be deemed a separate employer; and the term "wages" includes, for purposes of this subsection, the amount, not to exceed $3,600 *for the calendar year 1951, 1952, 1953, or 1954, or $4,200 for any calendar year after 1954*, determined by each such head or agent as constituting wages paid to an employee.

(B) STATE EMPLOYEES.—For purposes of this subsection, in the case of remuneration received during any calendar year, the term "wages" includes such remuneration for services covered by an agreement made pursuant to section 218 of the Social Security Act as would be wages if such services constituted employment; the term "employer" includes a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing; the term "tax" or "tax imposed by section 3101" includes, in the case of services covered by an agreement made pursuant to section 218 of the Social Security Act, an amount equivalent to the tax which would be imposed by section 3101, if such services constituted employment as defined in section 3121; and the provisions of this subsection shall apply whether or not any amount deducted from the employee's remuneration as a result of an agreement made pursuant to section 218 of the Social Security Act has been paid to the Secretary.

(C) Employees Of Certain Foreign Corporations.—For purposes of paragraph (1) of this subsection, the term "wages" includes such remuneration for services covered by an agreement made pursuant to section 3121 (l) as would be wages if such services constituted employment; the term "employer" includes any domestic corporation which has entered into an agreement pursuant to section 3121 (l); the term "tax" or "tax imposed by section 3101" includes, in the case of services covered by an agreement entered into pursuant to section 3121 (l), an amount equivalent to the tax which would be imposed by section 3101, if such services constituted employment as defined in section 3121; and the provisions of paragraph (1) of this subsection shall apply whether or not any amount deducted from the employee's remuneration as a result of the agreement entered into pursuant to section 3121 (l) has been paid to the Secretary or his delegate.

(d) REFUND OR CREDIT OF FEDERAL UNEMPLOYMENT TAX.—Any credit allowable under section 3302, to the extent not previously allowed, shall be considered an overpayment, but no interest shall be allowed or paid with respect to such overpayment.

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INTERNAL REVENUE CODE OF 1939

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Subtitle—Miscellaneous Taxes

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CHAPTER 9—EMPLOYMENT TAXES

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Subchapter B—Employment by Others Than Carriers

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SEC. 1401. DEDUCTION OF TAX FROM WAGES.

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(d) SPECIAL REFUNDS.—

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(3) WAGES RECEIVED AFTER 1950.—If by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1950, the wages received by him during such year exceed $3,600, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $3,600 of such wages received. Refund under this section may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax; except that no such refund shall be made unless (A) the employee makes a claim, establishing his right thereto, after the calendar year in which the wages were received with respect to which refund of tax is claimed, and (B) such claim is made within two years after the calendar year in which such wages were received *or, in the case of any agreement (or modification thereof) pursuant to section 218 of the Social Security Act which is effective as of a date more than two years prior to the date such agreement (or modification) was agreed to, within two years after the calendar year in which such agreement (or modification) was agreed to by the State and the Secretary of Health, Education, and Welfare.* No interest shall be allowed or paid with respect to any such refund.

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