

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

Harry Flood Byrd, *Chairman*

**MAJOR DIFFERENCES IN THE PRESENT SOCIAL
SECURITY LAW AND H. R. 7225 AS REPORTED
BY THE COMMITTEE ON FINANCE**

RELATING TO

**OLD-AGE AND SURVIVORS INSURANCE
AND PUBLIC ASSISTANCE**

**(Compiled by Helen Livingston, Government Division, Fred Arner, American Law Division, Legisla-
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CONTENTS

	Page
I. Coverage.....	1-8
A. Self-employed.....	1
1. Professional groups.....	1
2. Farm operators and share farmers.....	1
3. Ministers.....	1
B. Employees.....	1-2
1. Agricultural workers.....	1-2
2. State and local government employees.....	2
C. Adjustment in benefit provisions.....	3
D. Geographical scope.....	3
II. Benefits for disabled children.....	4-5
A. Benefits.....	4
B. Definition of disability.....	4
C. Disability determination.....	4
D. Adjustment of duplicate benefits.....	4
E. Rehabilitation.....	5
F. Suspension of benefits based on disability.....	5
III. Benefit categories.....	5
A. Old age.....	5
B. Wife.....	5
C. Child.....	5
D. Widow.....	5
E. Parent.....	5
IV. Suspension of benefits for certain aliens who leave the United States.....	5
V. Financing.....	6
A. Tax rates.....	6
B. Advisory council.....	6
C. Investment of the trust fund.....	6

PUBLIC ASSISTANCE

I. Temporary extension of 1954 matching formula.....	7
II. Medical care financing.....	7
III. Administrative costs.....	7
IV. Requirements for approval of a State plan.....	7
V. Research and demonstration projects.....	7
VI. Training grants for public assistance personnel.....	7
VII. Aid to dependent children program.....	8
1. Definition of needy child.....	8
2. Definition of eligible relative.....	8

Major differences in the present social-security law and H. R. 7225 as reported by the Senate Committee on Finance relating to old-age and survivors insurance and public assistance

OLD-AGE AND SURVIVORS INSURANCE

I. COVERAGE

Items	Present law	H. R. 7225
A. Self-employed:		
1. Professional groups.	<i>Excludes specific professional groups: physicians, lawyers, dentists, osteopaths, veterinarians, naturopaths, chiropractors, and optometrists.</i>	Covers all professional groups now excluded except physicians and osteopaths. Effective date: Taxable years after 1955.
2. Farm operators and share farmers.	Covers farm operators on the same basis as other self-employed persons except for a special provision for farmers who report on a cash basis. Such farmers whose annual gross earnings are \$1,800 or less may report either their actual net earnings or 50 percent of their gross earnings. Farmers who report on a cash basis and whose annual gross earnings are over \$1,800 may report either their actual net earnings or, if these net earnings are less than \$900, may report \$900. Rentals cannot be included as self-employment income. Covers share farmers as self-employed under current interpretation.	Permits farm operators who report on a cash basis and whose annual gross farm income is between \$400 and \$1,200 to report for OASI purposes either 100 percent of their gross farm income or their actual net earnings; farmers who report on a cash basis or on an accrual basis and whose gross income is over \$1,200 and whose net earnings are less than \$1,200 may report either their actual net earnings or \$1,200; farmers whose gross income is over \$1,200 and whose net earnings are also over \$1,200 must report their actual net earnings. Makes optional reporting method applicable to members of farm partnerships. Rentals will be credited as self-employment income in the situation in which the owner or tenant of the land participates materially with the individual working the land in the production of the agricultural or horticultural commodity.
3. Ministers.....	Covers ministers (including Christian Science practitioners) and members of religious orders, other than those who have taken a vow of poverty, and those serving outside the United States who are citizens and working for United States employers on a voluntary self-employed basis regardless of whether they are employees or self-employed.	The language of the bill confirms the present interpretation of the law on this point by defining the services of a share farmer as self-employment rather than employment. Also covers ministers outside the United States if they serve a congregation predominantly made up of United States citizens even though their employer may not be a United States employer.
B. Employees.....		
1. Agricultural workers.	Covers agricultural workers if paid \$100 or more in cash wages by 1 employer in a calendar year.	Covers farm workers who either (1) are paid \$200 or more in cash wages in a calendar year by an employer or (2) perform agricultural labor for an employer on 30 days or more during the calendar year for cash wages computed on a time basis. Farm workers who are recruited and paid by a crew leader shall be deemed to be employees of the crew leader if such crew leader is not, by written agreement, designated to be an employee of the owner or tenant and if such crew leader is customarily engaged in recruiting and supplying individuals to perform agricultural labor; under such circumstances the crew leader shall be deemed to be self-employed.

OLD-AGE AND SURVIVORS INSURANCE—Continued

I. COVERAGE—Continued

Items	Present law	H. R. 7225
<p>B. Employees—Continued</p> <p style="padding-left: 20px;">1. Agricultural workers—Continued</p> <p style="padding-left: 20px;">2. State and local government employees.</p>	<p><i>But excludes:</i></p> <p style="padding-left: 20px;">a. Mexican contract workers.....</p> <p style="padding-left: 20px;">b. Workers lawfully admitted to the United States from the Bahamas, Jamaica, and other British West Indies on a temporary basis to perform agricultural labor.</p> <p>Employees who are in positions covered under an existing State or local retirement system (except policemen and firemen) may be covered under State agreements under stated conditions one of which is that all members (with minor exceptions) of a retirement system coverage group must be covered if any are covered.</p>	<p style="padding-left: 20px;">a. No change.</p> <p style="padding-left: 20px;">b. Provision broadened to exclude from coverage temporary agricultural workers from any other foreign country.</p> <p style="padding-left: 20px;">a. Authorizes Georgia, Indiana, New York, North Dakota, Pennsylvania, Tennessee, Washington, Wisconsin, and Hawaii, at their option, to cover those persons now members of a State retirement system who wish to be covered, provided that new employees are covered compulsorily. Also authorizes similar treatment of political subdivision retirement systems of these States.</p> <p style="padding-left: 20px;">b. Authorizes Georgia, North Dakota, Pennsylvania, Washington, and Hawaii, at their option, to cover their employees who are paid wholly or partly from Federal funds under the Unemployment Compensation provisions of the Social Security Act—either by themselves or with the other employees of the department of the State in which they are employed—after complying with the referendum provisions.</p> <p style="padding-left: 20px;">c. Authorizes Nevada, New Mexico, Oklahoma, Pennsylvania, Texas, Washington, and Hawaii, at their option up until July 1, 1957, to include employees of public school districts who are under teachers' retirement system, but who are not required to have teachers' or school administrators' certificates (for example, school custodians), in the State's OASI agreement without a referendum and without including the certificated employees who are under the teachers' retirement system.</p> <p style="padding-left: 20px;">d. Allows the States of North Carolina, South Carolina, and South Dakota to make coverage available to policemen and firemen in those States, subject to the same conditions that apply to coverage of other employees who are under State and local retirement systems, except that where the policemen and firemen are in a retirement system with other classes of employees the policemen and firemen may, at the option of the State, hold a separate referendum and be covered as a separate group.</p>
<p>C. Adjustment of benefit provisions for newly covered</p> <p style="padding-left: 20px;">1. Insured status.</p>	<p>Special provision primarily for persons newly covered in 1955: Fully insured if all the quarters (but not less than 6) after 1954 and prior to later of (1) July 1, 1956, or (2) quarter of death or attainment of retirement age (whichever first occurs), are quarters of coverage.</p>	<p>Revised to make special provision applicable to persons covered in 1956: Fully insured if all but 4 (but not less than 6) of the quarters after 1954 and prior to later of (1) July 1, 1957, or (2) quarter of death or attainment of retirement age (whichever first occurs) are quarters of coverage.</p>

OLD-AGE AND SURVIVORS INSURANCE—Continued

L. COVERAGE—Continued

Items	Present law	H. R. 7225
<p>C. Adjustment of benefit provisions for newly covered—Continued</p> <p style="padding-left: 20px;">2. Dropout of years of low or no earnings.</p> <p style="padding-left: 20px;">3. Special starting and closing dates.</p>	<p>Up to 4 years of lowest or no earnings may be dropped in computation of average monthly wage; 5 years may be dropped if individual has 20 or more quarters of coverage.</p> <p>Special provision intended primarily for persons first covered in 1955: Individual who became entitled to old-age insurance benefits or died in 1956, and had at least 6 quarters of coverage after 1954, can have starting date of Dec. 31, 1954, and closing date of July 1, 1956, if that will yield a larger benefit amount.</p>	<p>5 years may be dropped in all cases, regardless of number of quarters of coverage. Effective for entitlements to benefits after enactment of bill.</p> <p>Similar special provision primarily for persons first covered in 1956: Individual who becomes entitled or dies in 1957, and has at least 6 quarters of coverage after 1955, can have a starting date of Dec. 31, 1955 and closing date of July 1, 1957, if that will yield a larger benefit amount.</p>
<p>D. Geographical scope-----</p>	<p><i>Excludes the following from coverage within the United States:</i></p> <p style="padding-left: 20px;">a. Nonresident aliens engaged in self-employment.</p> <p style="padding-left: 20px;">b. Employees of foreign governments and their instrumentalities.</p> <p style="padding-left: 20px;">c. Employees of international organizations entitled to certain privileges under the International Organizations Immunities Act.</p> <p style="padding-left: 20px;">d. Employees on foreign registered aircraft or ships who also perform services while the plane or ship is outside of the United States, if neither they nor their employer is citizen of the United States.</p> <p><i>Coverage outside of the continental United States, Alaska, Hawaii, Puerto Rico, and the Virgin Islands is limited to—</i></p> <p style="padding-left: 20px;">a. American citizens either self-employed or employed by an American employer.</p> <p style="padding-left: 20px;">b. Citizens of the United States employed by foreign subsidiaries of American corporations are covered by voluntary agreements between the Federal Government and the parent American company. Defines a foreign subsidiary of a domestic corporation as a foreign corporation more than 50 percent of the voting stock of which is owned by such domestic corporation. The domestic corporation can include some or all of its foreign subsidiaries in the agreement and must agree to pay the equivalent of both employer and employee taxes on behalf of the subsidiaries included.</p> <p style="padding-left: 20px;">c. Individuals, regardless of citizenship, who are employed on American registered ships and aircraft if either the contract of service was entered into in the United States or the plane or vessel touches a port in the United States.</p>	<p>No change, except:</p> <p style="padding-left: 20px;">b. Makes coverage available to more United States citizens employed by foreign subsidiaries by redefining a foreign subsidiary of a domestic corporation as a foreign corporation not less than 20 percent of the voting stock of which is owned by such domestic corporation.</p>

OLD-AGE AND SURVIVORS INSURANCE—Continued

II. BENEFITS FOR DISABLED CHILDREN

Items	Present law	H. R. 7225
A. Benefits.....	No provision.....	Pays benefits to dependent disabled child of a deceased or retired insured worker if the child is permanently and totally disabled and has been so disabled since before he reached age 18. Payable after August 1956.
B. Definition of disability.....	For disability "freeze" an individual must be precluded from engaging in any substantial gainful activity by reason of a physical or mental impairment. The impairment must be medically determinable and one which can be expected to be of long-continued and indefinite duration or to result in death. An individual is disabled, within the meaning of the law, if he is blind, as that term is defined.	1. Same as for disability "freeze" except blindness is neither specified nor defined and is, therefore, not necessarily a disability
C. Disability determination ..	<p>In administering the disability "freeze"—</p> <p>(1) the Secretary enters into contractual agreements under which State vocational rehabilitation agencies, or other appropriate State agencies, make determinations of disability.</p> <p>(2) the Secretary is authorized to make determinations of disability for individuals who are not covered by State agreements.</p> <p>(3) the Secretary may, on his own motion, review a State agency determination that a disability exists and may, as a result of such review, find that no disability exists or that the disability began later than determined by the State agency.</p> <p>(4) any individual who is dissatisfied with a determination, whether made by a State agency or by the Secretary, has the right to a hearing and to judicial review as provided in the law.</p>	Uses same structure for disability determinations as used for disability freeze.
D. Adjustment of duplicate benefits.	Not applicable.....	<p>Reduces disabled child's benefit by the amount of any benefit payable—</p> <p>1. Under another Federal law or by an agency of the United States (including wholly owned instrumentalities) where the payment is based in whole or in part on a physical or mental impairment; or</p> <p>2. Under a workmen's compensation law or plan of a State on account of physical or mental impairment.</p> <p>Also reduces mother's or wife's benefit deriving from such child's benefit where the other Federal or State disability payment exceeds the child's OASI benefit.</p>

OLD-AGE AND SURVIVORS INSURANCE—Continued

II. BENEFITS FOR DISABLED CHILDREN—Continued

Items	Present law	H. R. 7225
E. Rehabilitation.....	Under disability "freeze" the policy of Congress is stated that disabled persons applying for a determination of disability be promptly referred to vocational rehabilitation agencies for necessary rehabilitation services.	Extends existing provision to a person entitled as a disabled child and provides for deduction of benefits for refusal, without good cause, to accept rehabilitation services available under a State plan approved under the Vocational Rehabilitation Act in such amounts as the Secretary shall determine. A disabled child who is receiving rehabilitation services and returns to work shall not, for at least 1 year after his work first started, be regarded as able to engage in substantial gainful activity solely by reason of such work. If the Secretary believes that the disability no longer exists, he may suspend benefits pending his disability determination or that of the appropriate State agency.
F. Suspension of benefits based on disability.	Not applicable.....	

III. BENEFIT CATEGORIES

A. Old Age.....	Payable at age 65 to all fully insured individuals.	No change.
B. Wife.....	Payable to wife of old-age beneficiary if age 65 or regardless of her age if she has in her care a child entitled to benefits on her husband's record.	No change.
C. Child.....	Payable to unmarried child under age 18 of old-age beneficiary or of individual who died either currently or fully insured if child deemed dependent on such person.	No change except benefits will be paid to dependent disabled child of a deceased or retired insured worker if the child is permanently and totally disabled and has been so disabled since before he reached age 18. Payable after August 1956.
D. Widow.....	Payable at age 65 to widow of fully insured worker.	Payable at age 62. Otherwise no change. Effective date: Payable for months following August 1956.
E. Parent.....	Payable at age 65 to parent of deceased fully insured worker, if worker had furnished half or more of parent's support, and was not survived by widow, widower, or child eligible for benefits on his record.	No change.

IV. SUSPENSION OF BENEFITS FOR CERTAIN ALIENS WHO LEAVE THE UNITED STATES

Suspension of benefits for certain aliens.	No provision.....	Suspends the payments to any person not a citizen or national of the United States who first becomes eligible for benefits after June 1956 if such a person remains out of the country for 3 full and consecutive months. The payments would be resumed if such a person returns and remains in this country. However, payment of benefits to an alien is not suspended if his native country has a social insurance or pension system of general application which would permit benefit payments to United States citizens in the event they leave such foreign country.
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OLD-AGE AND SURVIVORS INSURANCE—Continued

V. FINANCING

Items	Present law		H. R. 7225																	
A. Tax rates -----	<table border="0"> <thead> <tr> <th></th> <th align="center"><i>Employer and employee</i></th> <th align="center"><i>Self-employed</i></th> </tr> </thead> <tbody> <tr> <td>1954-59-----</td> <td align="center">2%</td> <td align="center">3%</td> </tr> <tr> <td>1960-64-----</td> <td align="center">2½</td> <td align="center">3½</td> </tr> <tr> <td>1965-69-----</td> <td align="center">3</td> <td align="center">4½</td> </tr> <tr> <td>1970-74-----</td> <td align="center">3½</td> <td align="center">5½</td> </tr> <tr> <td>1975 and thereafter.</td> <td align="center">4</td> <td align="center">6</td> </tr> </tbody> </table>		<i>Employer and employee</i>	<i>Self-employed</i>	1954-59-----	2%	3%	1960-64-----	2½	3½	1965-69-----	3	4½	1970-74-----	3½	5½	1975 and thereafter.	4	6	No change.
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1975 and thereafter.	4	6																		
B. Advisory Council -----	No provision-----	<p>Provides for the periodic establishment of an Advisory Council on Social Security Financing whose function will be to review the status of the OASI trust fund in relation to the long-term commitments of the program.</p> <p>The first such Council will be appointed by the Secretary after February 1957 and before January 1958 and will consist of the Commissioner of Social Security, as Chairman, and 12 other persons representing employers and employees, in equal numbers, self-employed persons and the public.</p> <p>The Council shall make its report, including recommendations for changes in the OASI tax rate, to the Board of Trustees of the OASI trust fund before Jan. 1, 1959. The Board shall submit the recommendations to Congress before Mar. 1 1959, in its annual report. Other advisory councils with the same functions and constituted in the same manner will be appointed by the Secretary not earlier than 3 years nor later than 2 years prior to Jan. 1 of the years in which the OASI tax rates are scheduled to be increased. These advisory councils will report to the Board on Jan. 1 of the year before the tax increase will occur and the Board will report to Congress not later than Mar. 1 of the same year.</p>																		
C. Investment of the Trust Fund.	<p>Provides that the Managing Trustee (Secretary of the Treasury) shall invest such portion of the trust fund as is not, in his judgment, needed to meet current withdrawals. Investments must be made in interest-bearing obligations of the United States or in obligations guaranteed both as to interest and principal by the United States. Special obligations issued exclusively to the fund are required to bear an interest equal to the average rate borne by all interest-bearing obligations of the United States. This interest rate, if it is not a multiple of ¼ of 1 percent, is reduced to the next lower multiple of ¼ of 1 percent.</p>	<p>Increases interest rate on public debt obligations for purchase by the Trust Fund, by using average rate of interest-bearing obligations not due or callable until after the expiration of 5 years from the date of original issue. This interest rate, if not a multiple of ¼ of 1 percent, is rounded to the nearest multiple of ¼ of 1 percent.</p>																		

PUBLIC ASSISTANCE

Item	Present law	H. R. 7225
I. Temporary extension of the MacFarland amendment.	<p>Temporary increase in Federal matching shares for State public assistance programs expires Sept. 30, 1956.</p> <p>Under such temporary increase, formula for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is $\frac{1}{2}$ of the 1st \$25 of a State's average monthly payment plus $\frac{1}{4}$ of the remainder up to a maximum of \$55.</p> <p>Under such temporary increase, formula for aid to dependent children is $\frac{1}{2}$ of the 1st \$15 of a State's average monthly payment plus $\frac{1}{4}$ of the remainder within individual maximums of \$30 for the adult, \$30 for the 1st child, and \$21 for each additional child in a family.</p>	Expiration date for temporary increase postponed until June 30, 1959.
II. Medical care financing....	Federal government shares in expenditures for medical care, including vendor payments, subject to limitation on individual maximums.	Separate dollar-for-dollar Federal sharing in matching State expenditures on vendor payments in behalf of recipients needing medical care in all 4 programs up to a maximum determined by multiplying \$8 per month times the number of adults and \$4 per month times the number of children.
III. For administrative costs..	Separate dollar for dollar matching in costs for administration.	Clarifies that the amount expended in which the Federal Government will share in aid to blind and aid to permanently and totally disabled includes services for self-support and self-care, and for maintaining and strengthening family life under aid to dependent children program, effective July 1, 1957.
IV. Requirements for approval of a State plan.	13 requirements including those for financial participation by the State; a single State administrative agency; effective in all parts of the State; efficient administrative and personnel standards; opportunity to apply and receive assistance promptly, etc.	Adds requirement that if State decides to provide self-support or self-care services for persons receiving aid to the permanently and totally disabled and aid to the blind or, in aid to dependent children, to strengthen family life, a description of the services, if any, must be furnished to the Secretary including steps taken to assure use of other agency resources. Effective July 1, 1957.
V. Research and demonstration projects	No provision.....	Authorizes \$5,000,000 for fiscal year 1957 (and such sums as Congress may authorize for later years) for grants to States, public and other nonprofit organizations for paying part of the cost of research or demonstration projects on prevention and reduction of dependency. Effective July 1, 1956.
VI. Training grants for public assistance personnel.	No provision.....	Authorizes \$5,000,000 for fiscal year 1958 and such sums as Congress may determine for succeeding years for allotment to States on a variable basis to pay Federal percentage of grants to institutions of higher learning for training public welfare personnel, special courses of study, traineeship and fellowship programs, etc. Federal share to be 100 percent for the 1st 10 years and 80 percent thereafter.

PUBLIC ASSISTANCE—Continued

Items	Present law	H. R. 7225
VII. Aid to dependent children program: 1. Definition of needy child. 2. Definition of eligible relative.	A dependent child is a needy child under 16 or under 18 if attending school, deprived of parental care or support by death, absence, incapacity of parent. Eligible relative includes father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stopbrother, stop-sister, uncle or aunt.	Deletes requirement of school attendance for children between 16 and 18. Adds first cousin, nephew or niece to specified relatives.